

# ***Obrascon Huarte Lain Brasil S.A. and Subsidiaries***

*- Financial Statements for the Years Ended December 31, 2007  
and 2006 and Independent Auditors' Report*  
Deloitte Touche Tohmatsu Auditores Independentes

*- Management Report for The Fiscal Year Ended On December 31, 2007*

*(Convenience Translation into English from the  
Original Previously Issued in Portuguese)*

***Obrascon Huarte Lain  
Brasil S.A. and Subsidiaries***

*Financial Statements for the Years Ended  
December 31, 2007 and 2006 and Independent  
Auditors' Report*

Deloitte Touche Tohmatsu Auditores Independentes

(Convenience Translation into English from the Original Previously Issued in Portuguese)

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of  
Obrascon Huarte Lain Brasil S.A.  
São Paulo - SP

1. We have audited the accompanying individual (Company) and consolidated balance sheets of Obrascon Huarte Lain Brasil S.A. and subsidiaries as of December 31, 2007 and 2006, and the related statements of income, changes in shareholders' equity (Company), and changes in financial position for the years then ended, all expressed in Brazilian reais and prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.
2. Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Company and its subsidiaries, (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the significant accounting practices and estimates adopted by management, as well as the presentation of the financial statements taken as a whole.
3. In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, the individual and consolidated financial positions of Obrascon Huarte Lain Brasil S.A. and subsidiaries as of December 31, 2007 and 2006, and the results of their operations, the changes in shareholders' equity (Company), and the changes in their financial positions for the years then ended in conformity with Brazilian accounting practices.
4. Our audits were conducted for the purpose of forming an opinion on the basic financial statements referred to in paragraph 1 taken as a whole. The accompanying statements of cash flows are presented for purposes of additional analysis and are not a required part of the basic financial statements in conformity with Brazilian accounting practices. Such information has been subject to the auditing procedures described in paragraph 2 and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the years ended December 31, 2007 and 2006 taken as a whole.
5. Accounting practices adopted in Brazil vary in certain respects from accounting principles generally accepted in the United States of America ("U.S. GAAP"). The application of the latter would have affected results of operations and the shareholders' equity for the years ended December 31, 2007 and 2006 to the extent summarized in Note 26 to the financial statements.

Deloitte Touche Tohmatsu

6. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, February 21, 2008 (except for the Note 26, whose date is April 9, 2008).

DELOITTE TOUCHE TOHMATSU  
Auditores Independentes

Walter Dalsasso  
Engagement Partner

(Convenience Translation into English from the Original Previously Issued in Portuguese)

OBRASCON HUARTE LAIN BRASIL S.A. AND SUBSIDIARIES

BALANCE SHEETS AS OF DECEMBER 31, 2007 AND 2006  
(In thousands of Brazilian reais)

ASSETS	Note	Company		Consolidated		LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Company		Consolidated	
		2007	2006	2007	2006			2007	2006		
<b>CURRENT ASSETS</b>						<b>CURRENT LIABILITIES</b>					
Cash and banks		274	242	13.839	11.729	Loans and financing	15	-	-	116.181	327.138
Temporary cash investments	4	19.530	8.776	50.600	127.545	Trade accounts payable		1.056	1.309	32.005	31.340
Trade accounts receivable	5	187	1.306	30.366	27.841	Payroll taxes		1.664	496	11.063	8.595
Intercompany receivables	17	1.962	4.457	87	87	Taxes payable	16	617	48	17.865	16.586
Inventories		-	1	1.479	1.214	Other payables		110	37	4.749	2.728
Prepaid expenses	6	61	6	3.714	3.458	Intercompany payables	17	824	880	824	880
Deferred income and social contribution taxes	7	-	-	5.660	4.012	Collateral for agreements	14	-	-	5.671	5.149
Recoverable taxes	8	1.117	4.639	2.600	6.249	Concession fee obligations	18	-	-	50.437	47.448
Advances for new projects		6.839	2.940	6.839	2.940	Accrual for contingencies	20	-	-	-	3.846
Dividends receivable	17	15.109	39.374	-	-	Proposed dividends		17.785	41.848	17.785	41.848
Other receivables		76	49	2.720	1.711	Total current liabilities		22.056	44.618	256.580	485.558
Total current assets		45.155	61.790	117.904	186.786	<b>NONCURRENT LIABILITIES</b>					
<b>NONCURRENT ASSETS</b>						<b>Loans and financing</b>					
Restricted cash investments	9	-	-	16.807	21.368	Loans and financing	15	-	-	394.331	262.641
Recoverable taxes	8	6.541	-	8.290	-	Intercompany payables	17	-	3.453	-	-
Intercompany receivables	17	22.135	34.344	-	-	Trade accounts payable		-	-	32	64
Deferred income and social contribution taxes	7	-	-	12.182	17.404	Concession fee obligations	18	-	-	473.227	485.709
Prepaid expenses	6	-	-	195	319	Accrual for contingencies	20	-	-	5.995	-
Escrow deposits		251	238	1.407	1.324	Deferred revenue		-	-	391	373
Investments	10	659.926	606.242	85.032	94.450	Other payables		-	-	7	849
Property and equipment	11	3.246	3.562	1.562.171	1.517.940	Total noncurrent liabilities		-	3.453	873.983	749.636
Intangible	12	-	-	41.773	53.708	<b>SHAREHOLDERS' EQUITY</b>					
Total noncurrent assets		692.099	644.386	1.727.857	1.706.513	Capital	19	549.083	549.083	549.083	549.083
						Profit reserves		188.386	131.293	188.386	131.293
						Adjustment to shareholders' equity - exchange variation on capital		(22.271)	(22.271)	(22.271)	(22.271)
						Total shareholders' equity		715.198	658.105	715.198	658.105
						<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
TOTAL ASSETS		737.254	706.176	1.845.761	1.893.299			737.254	706.176	1.845.761	1.893.299

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

OBRASCON HUARTE LAIN BRASIL S.A. AND SUBSIDIARIES

STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006  
(In thousands of Brazilian reais, except earnings per share)

	Note	Company		Consolidated	
		2007	2006	2007	2006
<b>GROSS SERVICE REVENUE</b>					
Services provided		-	-	674.989	471.331
Deductions		-	-	(59.176)	(40.996)
<b>NET SERVICE REVENUE</b>		-	-	<u>615.813</u>	<u>430.335</u>
<b>COST OF SERVICES</b>		-	-	(320.434)	(214.639)
<b>OTHER REVENUES</b>					
Equity in subsidiaries	10.a	94.491	96.446	-	-
Other		-	168	84	168
<b>GROSS PROFIT</b>		<u>94.491</u>	<u>96.614</u>	<u>295.463</u>	<u>215.864</u>
<b>OPERATING (EXPENSES) INCOME</b>					
General and administrative expenses		(10.017)	(7.071)	(60.649)	(39.889)
Director's compensation		(2.000)	(1.178)	(2.000)	(1.178)
Management compensation		(295)	(47)	(295)	(47)
Tax expenses		(1.476)	(100)	(5.563)	(2.844)
Amortization of negative goodwill (goodwill) on investments, net		-	426	(9.418)	(10.928)
Other revenues		585	-	585	-
<b>INCOME FROM OPERATIONS BEFORE FINANCIAL INCOME (EXPENSES)</b>		<u>81.288</u>	<u>88.644</u>	<u>218.123</u>	<u>160.978</u>
<b>FINANCIAL INCOME (EXPENSES)</b>					
Financial income		6.331	12.308	11.895	17.940
Financial expenses		(12.609)	(730)	(109.153)	(53.518)
Exchange variation, net		(66)	22	(66)	22
		<u>(6.344)</u>	<u>11.600</u>	<u>(97.324)</u>	<u>(35.556)</u>
<b>INCOME FROM OPERATIONS</b>		<u>74.944</u>	<u>100.244</u>	<u>120.799</u>	<u>125.422</u>
<b>NONOPERATING INCOME (EXPENSES)</b>		<u>348</u>	<u>334</u>	<u>1.816</u>	<u>403</u>
<b>INCOME BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES</b>		<u>75.292</u>	<u>100.578</u>	<u>122.615</u>	<u>125.825</u>
<b>INCOME AND SOCIAL CONTRIBUTION TAXES</b>					
Current	21.a	(414)	(1.159)	(44.163)	(43.357)
Deferred	21.b	-	-	(3.574)	16.951
<b>NET INCOME</b>		<u>74.878</u>	<u>99.419</u>	<u>74.878</u>	<u>99.419</u>
<b>EARNINGS PER SHARE - R\$</b>		<u>1,0869</u>	<u>1,4432</u>		

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

OBRASCON HUARTE LAIN BRASIL S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (COMPANY)

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(In thousands of Brazilian reais)

	Note	Capital	Profit reserves		Retained earnings	Adjustments to shareholders' equity - exchange variation on capital	Total	
			Legal	Unrealized profit				
BALANCES AS OF DECEMBER 31, 2005		549.083	3.839	18.236	51.647	-	(22.271)	608.534
Net income		-	-	-	-	99.419	-	99.419
Allocation of net income:								
Legal reserve	19.b	-	4.971	-	-	(4.971)	-	-
Unrealized profit reserve		-	-	23.612	-	(23.612)	-	-
Profit retention reserve		-	-	-	70.836	(70.836)	-	-
Proposed dividends	19.b	-	-	(41.848)	-	-	-	(41.848)
BALANCES AS OF DECEMBER 31, 2006		<u>549.083</u>	<u>8.810</u>	<u>-</u>	<u>122.483</u>	<u>-</u>	<u>(22.271)</u>	<u>658.105</u>
Net income		-	-	-	-	74.878	-	74.878
Allocation of net income:								
Legal reserve	19.b	-	3.744	-	-	(3.744)	-	-
Profit retention reserve		-	-	-	53.349	(53.349)	-	-
Proposed dividends	19.b	-	-	-	-	(17.785)	-	(17.785)
BALANCES AS OF DECEMBER 31, 2007		<u>549.083</u>	<u>12.554</u>	<u>-</u>	<u>175.832</u>	<u>-</u>	<u>(22.271)</u>	<u>715.198</u>

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

**OBRASCON HUARTE LAIN BRASIL S.A. AND SUBSIDIARIES**

STATEMENTS OF CHANGES IN FINANCIAL POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006  
(In thousands of Brazilian reais)

	Note	Company		Consolidated	
		2007	2006	2007	2006
<b>SOURCES OF FUNDS</b>					
From operations (see below)		-	-	394.455	229.545
From shareholders-					
Working capital of merged company	1	4.156	-	-	-
From third parties:					
Increase in noncurrent liabilities		180.000	3.416	609.522	111.514
Write-off of property and equipment		-	-	-	5.751
Decrease in noncurrent assets		48.719	16.934	10.123	9.323
Interest on capital from subsidiaries	10.c	9.992	-	-	-
Dividends proposed by subsidiaries	10.b and c	162.644	39.374	-	-
Total sources		<u>405.511</u>	<u>59.724</u>	<u>1.014.100</u>	<u>356.133</u>
<b>USES OF FUNDS</b>					
In operations (see below)		23.744	1.467	-	-
Increase in noncurrent assets		28.041	109	9.767	10.380
Increase in investments	10.a and c	136.005	110.514	-	94.201
Additions to property and equipment		94	959	236.872	453.456
Payment of dividends	19.b	17.785	41.848	17.785	41.848
Decrease in noncurrent liabilities		193.915	-	589.580	94.069
Increase in intangible		-	-	-	5.943
Total uses		<u>399.584</u>	<u>154.897</u>	<u>854.004</u>	<u>699.897</u>
<b>INCREASE (DECREASE) IN WORKING CAPITAL</b>		<u>5.927</u>	<u>(95.173)</u>	<u>160.096</u>	<u>(343.764)</u>
<b>REPRESENTED BY</b>					
Working capital:					
At beginning of year		17.172	112.345	(298.772)	44.992
At end of year		23.099	17.172	(138.676)	(298.772)
<b>INCREASE (DECREASE) IN WORKING CAPITAL</b>		<u>5.927</u>	<u>(95.173)</u>	<u>160.096</u>	<u>(343.764)</u>
<b>STATEMENTS OF FUNDS PROVIDED BY (USED IN) OPERATIONS</b>					
Net income		74.878	99.419	74.878	99.419
Items not affecting working capital:					
Interest and monetary adjustment		(4.561)	(4.309)	99.842	8.864
Deferred taxes	22.b	-	-	3.574	(16.526)
Depreciation and amortization		410	295	200.501	124.267
Equity in subsidiaries	10.a	(94.491)	(96.446)	-	-
Amortization of goodwill (negative goodwill) on investments		-	(426)	9.418	10.928
Accrual for contingencies		-	-	2.149	-
Deferred revenue		-	-	18	(4)
Net book value of property and equipment written off		-	-	4.075	2.597
Write-off of investments		20	-	-	-
		<u>(23.744)</u>	<u>(1.467)</u>	<u>394.455</u>	<u>229.545</u>

The accompanying notes are an integral part of these financial statements.



(Convenience Translation into English from the Original Previously Issued in Portuguese)

OBRASCON HUARTE LAIN BRASIL S.A. AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(Amounts in thousands of Brazilian reais, unless otherwise stated)

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1. OPERATIONS

Obrascon Huarte Lain Brasil S.A. (the “Company”) was established on November 9, 1998 and is primarily engaged in:

- Execution by means of administration, contracting or subcontracting of construction works, including ancillary or complementary services, except the supply by the Company of merchandise outside the location where services are provided.
- Conducting studies, calculations, projects, tests and supervision related to engineering and civil construction activities.
- Conducting infrastructure works in general, including, without restriction, civil construction services, earthworks in general, signaling, reinforcement, improvement, recovery, maintenance and conservation of highways, and engineering consultancy in general.
- Direct exploration and/or exploration in consortiums of businesses relating to public construction works and/or services in the infrastructure sector in general, by means of any agreement mode, including, but not limited to, public-private partnerships (“PPP”), authorizations, permissions and concessions.
- Participation in other companies which develop activities related to those described above.

As of December 31, 2007, in furtherance of its corporate purposes, the Company holds 100% of Autovias S.A. (“Autovias”), 100% of Centrovias Sistemas Rodoviários S.A. (“Centrovias”), 100% of Concessionária de Rodovias do Interior Paulista S.A. - Intervias (“Intervias”), and 100% of Vianorte S.A (“Vianorte”), highway concessionaires.

In addition, the Company holds 100% of Latina Manutenção de Rodovias Ltda. (“Latina Manutenção”) and 100% of Paulista Infra-Estrutura Ltda. (“Paulista”), which were both established on January 26, 2005 and provide services to the concessionaires Autovias, Centrovias, Intervias and Vianorte.

The Company holds 100% of SPR - Sociedade para Participações em Rodovias S.A. (“SPR”), whose corporate purpose is to hold interests in other companies as partner or shareholder, as well as perform any activities related to its corporate purpose, including the representation of domestic and foreign companies. In December 2006, through SPR, the Company acquired 100% of Vianorte.

At an auction held on the São Paulo Stock Exchange on October 9, 2007, the Company won the bids for the Federal highway concessions for a period of 25 years. As a result, on December 19, 2007 the following companies were incorporated: Autopista Planalto Sul S.A. (“Planalto Sul”), Autopista Fluminense S.A. (“Fluminense”), Autopista Fernão Dias S.A. (“Fernão Dias”), Autopista Régis Bittencourt (“Régis Bittencourt”) and Autopista Litoral Sul S.A. (“Litoral Sul”). The Company has 100% interest in these companies.

### OHL Participações

#### Merger

An appraisal report at book value as of March 31, 2007, on the shareholders’ equity of the subsidiary OHL Brasil Participações em Infraestrutura Ltda. (“OHL Participações”) was issued on April 3, 2007 for the upstream merger of this subsidiary. The amount of the shareholders’ equity merged by the Company is R\$4,156.

#### Autovias

This company is engaged in operating the toll-road network connecting Franca, Batatais, Ribeirão Preto, Araraquara, São Carlos and Santa Rita do Passa Quatro and the respective access roads, according to the terms of the Concession Agreement signed with the State of São Paulo Highway Department (DER/SP) No. 18/CIC/97/Lot 10. This Company started its operations on September 1, 1998 and assumed the following principal commitments arising from the concession:

#### Works

##### SP 255 - Antônio Machado Sant’anna Highway

- Construction of the second lane of the section between km 2.8 and km 48.35.
- Construction of additional lanes of the section between km 48.35 and km 77.

##### SP 318 - Eng. Thales de Lorena Peixoto Júnior Highway

- Construction of additional lanes from km 257.8 to km 280.

##### SP 330 - Anhangüera Highway

- Construction of service roads in Ribeirão Preto (17.2 km).

##### SP 334 - Cândido Portinari Highway

- Widening of the section between km 322 and km 337.
- Construction of the second lane of the section between km 337 and km 348.
- Construction of the second lane of the section between km 358 and km 395.5.

SP 345 - Eng. Ronan Rocha Highway

- Construction of the second lane and repaving of the section between km 10 and km 36.
- Construction of service roads between km 30 and km 35 on the right-hand side and between km 33 and km 35 on the left-hand side.

In addition to the necessary maintenance and conservation to maintain an adequate level of service during the concession period, Autovias should return the highway in good condition, with the adequate upkeep at the time of the return and guaranteed useful life of six years for structures in general, principally pavement. In that period, structure recovery and/or repair services should not be necessary.

As of December 31, 2007, investments to meet future commitments for the next five years are estimated at R\$107 million.

Merger

An appraisal report, at book values as of May 31, 2006, on the shareholders' equity of the controlling shareholder OHL Participações was issued on June 23, 2006, in order to conduct a partial spin-off followed by merger of the spun-off portions into its subsidiaries. The spun-off shareholders' equity amount absorbed by Autovias is R\$13,514 and was converted into capital increase.

The shareholders' equity spun off and merged into Autovias is composed of the following:

	<u>R\$</u>
Investment in subsidiary	108,376
Goodwill (resulting from the aforementioned investment purchase)	192
Credits absorbed	<u>13,322</u>
Net assets spun off	121,890
Investment in subsidiary as of the spin-off date	<u>(108,376)</u>
Amount merged into Autovias	<u>13,514</u>

Additionally, income and social contribution tax credits related to the amount of goodwill amortized through the spin-off date, controlled in part B of LALUR (taxable income computation book) of the former controlling shareholder (OHL Participações), in the amount of R\$3,838, were recorded in Autovias' assets under the caption "Deferred income and social contribution taxes", with a corresponding credit to income. This asset was recognized based on its expected realization from future taxable income and is amortized over 60 months.

### Centrovias

Centrovias was incorporated on May 27, 1998 and started its operations on June 9, 1998, according to the Toll-Road Concession Agreement entered into with the Highway Department (DER), regulated by State Decree No. 42,411, of October 30, 1997. This company is engaged in operating, under concession, the highway system connecting the municipalities of Cordeirópolis to São Carlos and Itirapina to Bauru.

Through Modifying Addendum No. 11, of December 21, 2006, Artesp (São Paulo State Regulatory Agency for Delegated Public Services) authorized to reestablish the financial balance of the Concession Agreement. Such financial balance was reestablished by extending the concession period for additional 12 months without changing the fixed fee. Thus, the concession is effective until June 9, 2019.

Centrovias assumed the following main commitments arising from the concession:

### Works

#### SP 225 - Engenheiro Paulo Nilo Romano and Comandante João Ribeiro de Barros Highways

- Construction of the second lane of the sections between km 91.429 and between km 177.400.
- Construction of the second lane of the sections between km 183.850 and km 235.040.

According to the terms of the Concession Agreement, Centrovias has the right to request from the Concession Authority the maintenance of the financial balance of the original Concession Agreement. Future investment commitments until the expiration of the concession were estimated upon the signature of the Concession Agreement.

As of December 31, 2007, investments to meet future commitments in the next five years are estimated at R\$118 million.

After the expiration of the concession, all assets, rights and privileges related to the operation of the highway system will return to the Concession Authority. Centrovias will be entitled to an indemnity equivalent to the unamortized or undepreciated balance of assets or investments that were acquired or made with appropriate authorization from the Concession Authority in the last five years of the concession period.

### Merger

An appraisal report, at book values as of May 31, 2006, on the shareholders' equity of the controlling shareholder OHL Participações was issued on June 23, 2006, in order to conduct a partial spin-off followed by merger of the spun-off portions into its subsidiaries. The spun-off shareholders' equity amount absorbed by Centrovias is R\$12,838 and was converted into capital increase.

The shareholders' equity spun off and merged into Centrovias is composed of the following:

	<u>R\$</u>
Investment in subsidiary	124,032
Goodwill (resulting from the aforementioned investment purchase)	9,474
Credits absorbed	<u>3,364</u>
Net assets spun off	136,870
Investment in subsidiary as of the spin-off date	(124,032)
Amount merged into Centrovias	<u>12,838</u>

Additionally, income and social contribution tax credits related to the amount of goodwill amortized through the spin-off date, controlled in part B of LALUR of the controlling shareholder (OHL Participações), in the amount of R\$6,731, were recorded in Centrovias' assets under the caption "Deferred income and social contribution taxes", with a corresponding credit to income. This asset was recognized based on its expected realization from future taxable income and is amortized over 60 months.

### Intervias

Intervias was formed on May 28, 1999 and started its operations on February 18, 2000, according to the Highway Concession Agreement signed with the Highway Department (DER), regulated by State Decree No. 42,411, of October 30, 1997. This company holds a concession to operate the highway system connecting the municipalities of Itapira, Mogi-Mirim, Limeira, Piracicaba, Conchal, Araras, Rio Claro, Casa Branca, Porto Ferreira and São Carlos - Lot 06, including the performance, management and inspection of delegated services, consisting of operating, upkeep and expansion services, supplemental and nondelegated services, in addition to the necessary acts to meet the purpose of the Concession Agreement signed with the DER/SP No. 19/CIC/98.

Through Modifying Addendum No. 14, of December 21, 2006, Artesp (São Paulo State Regulatory Agency for Delegated Public Services) authorized to reestablish the financial balance of the Concession Agreement. Such financial balance was reestablished by extending the concession period for additional 95 months without changing the fixed fee. Thus, the concession is effective until January 17, 2028.

Intervias assumed the following main commitments arising from the concession:

### Works

#### SP 147 - Engenheiro João Tosello Highway

- Widening of the sections between km 41.36 (Itapira) and km 54 (Mogi-Mirim) and between km 62.45 (Mogi-Mirim) and km 106.32 (Limeira).

SP 191 - Wilson Finardi Highway

- Widening of the sections between km 43.8 and km 44.9 (Mogi-Mirim - Araras), between km 45.6 and km 46.9 (Araras - Anhangüera) and between km 49.7 and km 74.72 (Araras - Rio Claro).

SP 352 - Comendador Virgolino de Oliveira Highway

- Widening of the section between km 162.45 and km 185.17 (Itapira - border with the State of Minas Gerais).

SP 165/330 - Anhangüera Highway - Araras Loop

- Pursuant to Modifying Addendum No. 06/02 and the 3<sup>rd</sup> change to schedule made on October 8, 2002, a 4.67-km section, called Araras Loop, was built on SP 165/330 Highway, starting from km 165.225 of SP 330 - Anhangüera Highway to km 42.300 of SP 191 - Wilson Finardi Highway. This work was completed on December 17, 2005.

After the expiration of the concession, all assets, rights and privileges related to the operation of the highway system will return to the Concession Authority. Intervias will be entitled to an indemnity equivalent to the unamortized or undepreciated balance of assets or investments that were acquired or made with appropriate authorization from the Concession Authority in the last five years of the concession period.

According to the terms of the Concession Agreement, Intervias has the right to request from the Concession Authority the maintenance of the financial balance of the original Concession Agreement. Future investment commitments until the expiration of the concession were estimated upon the signature of the Concession Agreement.

As of December 31, 2007, investments to meet future commitments in the next five years are estimated at R\$130 million.

Merger

An appraisal report, at book values as of May 31, 2006, on the shareholders' equity of the controlling shareholder OHL Participações was issued on June 23, 2006, in order to conduct a partial spin-off followed by merger of the spun-off portions into its subsidiaries. The spun-off shareholders' equity amount absorbed by Intervias is R\$51,979 and was converted into capital increase.

The shareholders' equity spun off and merged into Intervias is composed of the following:

	<u>R\$</u>
Investment in subsidiary	141,013
Goodwill (resulting from the aforementioned investment purchase)	50,010
Credits absorbed	<u>1,969</u>
Net assets spun off	192,992
Investment in subsidiary as of the spin-off date	<u>(141,013)</u>
Amount merged into Intervias	<u>51,979</u>

Additionally, income and social contribution tax credits related to the amount of goodwill amortized through the spin-off date, controlled in part B of LALUR of the controlling shareholder (OHL Participações), in the amount of R\$9,492, were recorded in Intervias' assets under the caption "Deferred income and social contribution taxes", with a corresponding credit to income. This asset was recognized based on its expected realization from future taxable income and is amortized over 60 months.

### Vianorte

Vianorte was formed on February 13, 1998 and started its operations on March 6, 1998, according to the Highway Concession Agreement signed with the Highway Department (DER). This company holds a concession to operate the highway system composed of SP 330 - Anhangüera Highway, SP 322 - Attílio Balbo/Armando Salles de Oliveira Highways, SP 328 - Alexandre Balbo Highway/Loop North Ribeirão Preto and SP 325/322 - Rodovia dos Bandeirantes, including the performance, management and inspection of delegated services, consisting of operating, upkeep and expansion services, supplementary services, necessary services to maintain adequate service throughout the highway system and nondelegated service support, i.e., services under the sole responsibility of public authorities. The concession period is 240 months (20 years) from the date the control of the existing highway system is received.

Vianorte assumed the following main commitments arising from the concession:

#### SP 322 - Attílio Balbo/Armando Salles de Oliveira Highways

- Widening of the section between km 343.500 and km 390.500 - Sertãozinho/Bebedouro.
- Widening of the section between km 307.500 and km 325.910 - Loop South.
- Construction of access roads/cloverleaf.
- Construction of overpass at km 334.860 and km 337.790 - Sertãozinho.
- Construction of service roads between km 333.160 and km 343.480.
- Extension of cloverleaf with SP 325/322 km 325.910 (intersection).
- Construction of bridge over Sta. Elisa Stream km 345.100.

#### SP 328 - Alexandre Balbo Highway

- Widening of the section between km 323.130 and km 337.010.
- Construction of cloverleaves at km 326.220, 330.720, 334.710 and 335.160 - PSU.

#### SP 330 - Anhangüera Highway

- Construction of overpass at km 380 - São Joaquim da Barra.
- Construction of overpass at km 366.150 - Orlândia.

- Construction of cloverleaf with Av. Lara Nilza Raffaini Cação at km 319.650.

#### SP 325/322 - Bandeirantes Highway

- Construction of overpass at km 8.550.
- Construction of steel passageway at km 6.400.
- Construction of cloverleaf at km 8.300.

After the expiration of the concession, all assets, rights and privileges related to the operation of the highway system will return to the Concession Authority. Vianorte will be entitled to an indemnity equivalent to the unamortized or undepreciated balance of assets or investments that were acquired or made with appropriate authorization from the Concession Authority in the last five years of the concession period.

As of December 31, 2007, investments to meet future commitments in the next five years are estimated at R\$138 million.

#### Planalto Sul

Planalto Sul was incorporated on December 19, 2007 and is engaged exclusively in operating utility concessions and performing public works projects, encompassing services of repair, maintenance, monitoring, upkeep, operation, expansion, and improvement of the highway lot BR-116/PR/SC, consisting of the section between Curitiba - Santa Catarina and Rio Grande do Sul States border, under bidding process related to lot 2, in accordance with Bid Notice No. 006/2007, published by the ANTT, and with the Concession Agreement.

Planalto Sul will assume the main commitments arising from the concession:

- 25.4 km of highway widening.
- 48.3 km-long 3<sup>rd</sup> lane.
- 10.2 km-long lateral lanes.
- Construction of 7 overpasses.
- Construction of 5 toll plazas.
- Construction of 9 user service centers.
- Implementation or renovation of weighing stations.
- Renovation of the entire highway.

Planalto Sul is in the preoperating stage.

As of December 31, 2007, investments to meet future commitments in the next five years are estimated at R\$410 million.



### Fluminense

Fluminense was incorporated on December 19, 2007 and is engaged exclusively in operating utility concessions and performing public works projects, encompassing services of repair, maintenance, monitoring, upkeep, operation, expansion, and improvement of the highway lot BR-101/RJ, consisting of the section between Rio de Janeiro - Espírito Santo States border and Presidente Costa e Silva Bridge, under bidding process related to lot 4, in accordance with Bid Notice No. 004/2007, published by the ANTT, and with the Concession Agreement.

Fluminense will assume the main commitments arising from the concession:

- 176.6 km of highway widening.
- 3.8 km-long lateral lanes.
- 28.3 km alternate roads/loops.
- Construction of 17 overpasses.
- Construction of 5 toll plazas.
- Construction of 7 user service centers.
- Implementation or renovation of weighing stations.
- Renovation of the entire highway.

Fluminense is in the preoperating stage.

As of December 31, 2007, investments to meet future commitments in the next five years are estimated at R\$591 million.

### Fernão Dias

Fernão Dias was incorporated on December 19, 2007 and is engaged exclusively in operating utility concessions and performing public works projects, encompassing services of repair, maintenance, monitoring, upkeep, operation, expansion, and improvement of the highway lot BR-381/MG/SP, consisting of the section between Belo Horizonte - São Paulo, under bidding process related to lot 5, in accordance with Bid Notice No. 002/2007, published by the ANTT, and with the Concession Agreement.

Fernão Dias will assume the main commitments arising from the concession:

- 88 km-long 3<sup>rd</sup> lane.
- 94.16 km-long lateral lanes.
- 10.3 km alternate roads/loops.
- Construction of 50 overpasses.

- Construction of 8 toll plazas.
- Construction of 12 user service centers.
- Implementation or renovation of weighing stations.
- Renovation of the entire highway.

Fernão Dias is in the preoperating stage.

As of December 31, 2007, investments to meet future commitments in the next five years are estimated at R\$770 million.

### Régis Bittencourt

Régis Bittencourt was incorporated on December 19, 2007 and is engaged exclusively in operating utility concessions and performing public works projects, encompassing services of repair, maintenance, monitoring, upkeep, operation, expansion, and improvement of the highway lot BR-116/SP/PR, consisting of the section between São Paulo - Curitiba, under bidding process related to lot 6, in accordance with Bid Notice No. 001/2007, published by the ANTT, and with the Concession Agreement.

Régis Bittencourt will assume the main commitments arising from the concession:

- 30.5 km of highway widening.
- 104.9 km-long 3<sup>rd</sup> lane.
- 109.6 km-long lateral lanes.
- 23.6 km alternate roads/loops.
- Construction of 51 overpasses.
- Construction of 6 toll plazas.
- Construction of 9 user service centers.
- Implementation or renovation of weighing stations.
- Renovation of the entire highway.

Régis Bittencourt is in the preoperating stage.

As of December 31, 2007, investments to meet future commitments in the next five years are estimated at R\$1,426 million.

### Litoral Sul

Litoral Sul was incorporated on December 19, 2007 and is engaged exclusively in operating utility concessions and performing public works projects, encompassing services of repair, maintenance, monitoring, upkeep, operation, expansion, and improvement of the highway lot BR-116/BR-376/PR - BR-101/SC, consisting of the section between Curitiba - Florianópolis, under bidding process related to lot 7, in accordance with Bid Notice No. 003/2007, published by the ANTT, and with the Concession Agreement.

Litoral Sul will assume the main commitments arising from the concession:

- 30 km-long 3<sup>rd</sup> lane.
- 79.7 km-long lateral lanes.
- 94.7 km alternate roads/loops.
- Construction of 39 overpasses.
- Construction of 5 toll plazas.
- Construction of 8 user service centers.
- Implementation or renovation of weighing stations.
- Renovation of the entire highway.

Litoral Sul is in the preoperating stage.

As of December 31, 2007, investments to meet future commitments in the next five years are estimated at R\$960 million.

### Latina Manutenção

Latina Manutenção is engaged in the upkeep, maintenance and repair of highways and structures in general, including cleaning services, highway signaling and small civil works in general, as well as the management, inspection and preparation of studies, plans and projects related to the aforementioned services.

### Paulista

Paulista is engaged in large highway construction works, such as the construction and widening of highways and service roads and the construction of bridges, overpasses, access roads and large buildings, including ground leveling, paving, signaling, buildings, technological control, preparation of studies and plans.

## 2. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared and are presented in conformity with Brazilian accounting practices and provisions of the Brazilian Corporate Law.

The Company presents in Note 26 the nature and effects of the significant differences between Brazilian accounting practices and generally accepted accounting principles in the United States of America - U.S. GAAP.

### 3. SIGNIFICANT ACCOUNTING PRACTICES

#### a) Consolidation principles

The consolidated financial statements include the accounts of the Company and subsidiaries in which the Company directly or indirectly controls 100% of the voting shares, as listed below. In consolidation, investments in subsidiaries, intercompany balances and transactions, and unrealized profits have been eliminated.

	Ownership interest - %			
	2007		2006	
	Direct	Indirect	Direct	Indirect
Autovias	100	-	100	-
Centrovias	100	-	100	-
Intervias	100	-	100	-
Vianorte	-	100	-	100
SPR	100	-	100	-
Latina Manutenção	100	-	100	-
Paulista	100	-	100	-
Planalto Sul	100	-	-	-
Fluminense	100	-	-	-
Fernão Dias	100	-	-	-
Régis Bittencourt	100	-	-	-
Litoral Sul	100	-	-	-

#### b) Temporary cash investments

Stated at cost, plus income earned through the balance sheet dates.

#### c) Trade accounts receivable

Stated at realizable value as of the balance sheet dates. An allowance for doubtful accounts is recorded, if necessary, based on estimated losses. As of December 31, 2007 and 2006, the Company and its subsidiaries did not record an allowance for doubtful accounts.

#### d) Current and deferred income and social contribution taxes

Current income and social contribution taxes are calculated according to the criteria established by prevailing tax legislation.

Deferred income and social contribution taxes are recognized for tax loss carryforwards and temporary differences between the carrying amount and tax basis of assets and liabilities, using the rate of 25% for income tax and 9% for social contribution tax.

e) Property and equipment

Stated at acquisition or construction cost, less depreciation and amortization calculated based on the economic useful lives of the assets, limited, if applicable, to the concession period.

f) Intangible

In the consolidated financial statements, intangible refers to the goodwill spun off from OHL Participações and merged into the concessionaires. The balances are amortized over 60 months.

g) Loans and financing

Stated at cost, plus monetary adjustment and interest incurred through the balance sheet dates.

h) Concession fee obligations

Refer to fixed payments stated at cost, plus monetary adjustment through the balance sheet dates.

On December 5, 2006, the controlling interest in Vianorte (100% of shares) was acquired by SPR. Together with the other companies of the Group, the concessionaire decided to adopt the same accounting practice as the Group for the financial commitment to the Concession Authority, which is now recorded in current and noncurrent liabilities and noncurrent assets under the caption "Property and equipment".

The principal effects of this change in accounting practice on the consolidated financial statements, related to the entries recorded in Vianorte as of December 31, 2006, are as follows:

<u>Description of account</u>	<u>Caption</u>	<u>Increase (decrease)</u>
Concession right	Noncurrent assets - property and equipment	331,378
Deferred charges	Noncurrent assets - deferred charges	(5,750)
Deferred income and social contribution taxes	Noncurrent assets	1,955
Concession fee obligations	Current liabilities	29,260
Concession fee obligations	Noncurrent liabilities	302,118
Contraentry of effects of change in accounting practice - prior years	Shareholders' equity	(4,135)
Contraentry of effects of change in accounting practice - year ended December 31, 2006	Net income (allocated to captions of origin)	340

i) Reserve for contingencies

Based on the management's and legal counsel's opinion, this reserve is recorded to cover probable losses on outstanding lawsuits at the balance sheet dates.

j) Service revenue

Recognized on the accrual basis, i.e., upon the use of the highways by users.

k) Earnings per share

Calculated based on the number of shares outstanding at the balance sheet dates.

l) Use of estimates

The preparation of financial statements in accordance with Brazilian accounting practices requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions include the selection of the useful lives of property and equipment, the reserve for contingencies, the adequacy of the provisions for income tax, other accrued expenses and the fair value of financial instruments. Actual results could differ from those estimates.

m) Reporting by segment

The Company operates in one business segment: the operation of highway concessions. Revenues have been derived from the collection of tolls.

4. TEMPORARY CASH INVESTMENTS

Represented by money-market investments and certificates of deposit with yield based on the variation of the CDI (interbank deposit rate).

## 5. TRADE ACCOUNTS RECEIVABLE

The balances as of December 31, 2007 and 2006 are composed of:

	2007		2006	
	<u>Company</u>	<u>Consolidated</u>	<u>Company</u>	<u>Consolidated</u>
Accessory revenues receivable	-	364	-	424
Electronic toll receivable	-	27,881	-	25,224
Toll tickets receivable	-	1,660	-	1,295
Collection by credit card	-	287	-	407
Other	<u>187</u>	<u>174</u>	<u>1,306</u>	<u>491</u>
Total	<u>187</u>	<u>30,366</u>	<u>1,306</u>	<u>27,841</u>

## 6. PREPAID EXPENSES

The balances as of December 31, 2007 and 2006 are composed of:

	2007		2006	
	<u>Company</u>	<u>Consolidated</u>	<u>Company</u>	<u>Consolidated</u>
Prepaid expenses - current assets (a)	<u>61</u>	<u>3,714</u>	<u>6</u>	<u>3,458</u>
Prepaid expenses - noncurrent assets (b)	<u>-</u>	<u>195</u>	<u>-</u>	<u>319</u>

(a) Refer to insurance policies of Autovias, Centrovias, Intervias and Vianorte.

(b) Refer to costs of financing of Autovias.

## 7. DEFERRED INCOME AND SOCIAL CONTRIBUTION TAXES

The balances as of December 31, 2007 and 2006 are composed of:

	Consolidated	
	<u>2007</u>	<u>2006</u>
Current:		
Goodwill previously amortized in the spun-off company (*)	4,012	4,012
Temporary differences	<u>1,648</u>	<u>-</u>
Total	<u>5,660</u>	<u>4,012</u>
Noncurrent:		
Goodwill previously amortized in the spun-off company (*)	10,031	14,813
Temporary differences	<u>2,151</u>	<u>2,591</u>
Total	<u>12,182</u>	<u>17,404</u>

(\*) Calculated using the rate of 34% (income and social contribution taxes) on the goodwill previously amortized in the spun-off company, in accordance with prevailing tax legislation. This asset is recognized based on its expected realization from future taxable income to be generated by the concessionaires.

## 8. RECOVERABLE TAXES

The balances as of December 31, 2007 and 2006 are composed of:

	2007		2006	
	<u>Company</u>	<u>Consolidated</u>	<u>Company</u>	<u>Consolidated</u>
Income and social contribution taxes	5,825	8,687	2,861	3,587
IRRF (withholding income tax) on investment	354	360	58	681
IRRF on interest on capital	1,237	1,237	42	42
IRRF on loan	242	242	1,644	1,666
Recoverable PIS and COFINS	-	173	34	169
Recoverable IRRF	-	185	-	96
Other	-	6	-	8
Total	<u>7,658</u>	<u>10,890</u>	<u>4,639</u>	<u>6,249</u>
Current	1,117	2,600	4,639	6,249
Noncurrent	6,541	8,290	-	-

## 9. RESTRICTED CASH INVESTMENTS

The balances as of December 31, 2007 and 2006 are composed of:

	<u>Noncurrent Consolidated</u>	
	<u>2007</u>	<u>2006</u>
	Cash investments (*)	<u>16,807</u>

(\*) Represented by deposits into a reserve account as collateral for the financing obtained from the National Bank for Economic and Social Development (BNDES) (Project Finance). These investments are maintained with the banks Itaú BBA S.A., Unibanco S.A. and Santander S.A.

Additionally, in accordance with contract terms, the concessionaires pledge, when necessary, a sufficient amount, limited to 5% of their gross revenue on a monthly basis, to maintain a restricted cash investment equivalent to twice the amount of the last interest payment.



## 10. INVESTMENTS

Investments as of December 31, 2007 and 2006 are represented as follows:

	2007		2006	
	Company	Consolidated	Company	Consolidated
Serviço e Tecnologia de Pagamentos S.A.	1,034	1,034	1,034	1,034
OHL Participações	-	-	4,090	-
Latina Manutenção	1,563	-	2,267	-
Paulista	(4,527)	-	9,406	-
Autovias	137,885	-	170,190	-
Centrovias	198,531	-	165,076	-
Intervias	140,674	-	196,351	-
Planalto Sul	1	-	-	-
Fluminense	1	-	-	-
Fernão Dias	1	-	-	-
Régis Bittencourt	1	-	-	-
Litoral Sul	1	-	-	-
SPR	224,604	-	101,270	-
Adjustment related to decrease in investments resulting from elimination of unrealized intercompany profits	(39,862)	-	(43,461)	-
Goodwill on investments acquired by SPR	-	94,182	-	94,182
Other	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>
	659,926	95,235	606,242	95,235
Accumulated amortization of goodwill, net	-	(10,203)	-	(785)
Total	<u>659,926</u>	<u>85,032</u>	<u>606,242</u>	<u>94,450</u>

The adjustment related to the decrease in investments resulting from the elimination of unrealized intercompany profits represents profits recorded by the merged companies OHL Participações and Latina Infraestrutura S.A. (“Latina”) from Consórcio Construtor Paulista (“CCP”) in past years. This amount is realized monthly on a straight-line basis.

a) Investments in subsidiaries as of December 31, 2007 are as follows:

	<u>Shareholders'</u> <u>equity</u>	Net income <u>(loss)</u>	<u>Ownership</u> <u>interest - %</u>	<u>Equity in</u> <u>subsidiaries</u>
OHL Participações (i)	-	-	-	2,507
Autovias (ii)	137,885	27,085	100	28,369
Latina Manutenção (iii)	2,219	108	100	(704)
Paulista (iv)	5,126	(36)	100	1,409
SPR (v)	224,604	(12,666)	100	(12,666)
Centrovias	198,531	33,455	100	33,455
Intervias	142,195	42,121	100	42,121
Planalto Sul	1	-	100	-
Fluminense	1	-	100	-
Fernão Dias	1	-	100	-
Régis Bittencourt	1	-	100	-
Litoral Sul	1	-	100	-
Total				<u>94,491</u>

(i) The equity in the subsidiary OHL Participações corresponds to R\$84, plus the realization of unrealized profits from CCP of R\$2,423. According to Note 1, on April 3, 2007, OHL Participações was merged into the Company.

(ii) The equity in subsidiary Autovias includes the realization of the unrealized profits from CCP of R\$1,284 for the year.

(iii) The equity in subsidiary Latina Manutenção includes the unrealized profits from transactions with interncompanies of R\$812 for the year.

(iv) The equity in subsidiary Paulista includes the unrealized profits from transactions with intercompanies of R\$1,445 for the year.

(v) On April 4, 2007, the Company made a capital contribution of R\$136,000 to SPR, for settlement of the promissory notes issued by SPR.

b) For the year ended December 31, 2007, Paulista paid dividends of R\$15,447. The investment is negative since unrealized profits on transactions with the four concessionaries since January 2005 were eliminated and not because liabilities exceed assets.

c) In the year ended December 31, 2007, Autovias and Intervias distributed profits of R\$54,709 and R\$92,488, respectively, and interest on capital of R\$4,682 e R\$5,310, respectively.

- d) Future tax credits from unrealized intercompany profits are approximately R\$25,846 as of December 31, 2007 (R\$28,080 as of December 31, 2006) and are recorded as an adjustment of decrease in property and equipment resulting from elimination of unrealized profits (see Note 11).
- e) On December 19, 2007, Planalto Sul, Fluminense, Fernão Dias, Régis Bittencourt and Litoral Sul were incorporated, with each company receiving capital contribution of R\$1.

## 11. PROPERTY AND EQUIPMENT

The balances as of December 31, 2007 and 2006 are composed of:

	Annual weighted average depreciation rate - %	Company			
		2007		2006	
		Cost	Accumulated depreciation	Net	Net
Property and equipment - highway	4	2,732	(397)	2,335	2,445
Leasehold improvements	33.33	535	(284)	251	424
Furniture and fixtures	10	508	(199)	309	328
Other	14.60	<u>592</u>	<u>(241)</u>	<u>351</u>	<u>365</u>
Total		<u>4,367</u>	<u>(1,121)</u>	<u>3,246</u>	<u>3,562</u>

  

	Annual weighted average depreciation rate - %	Consolidated			
		2007		2006	
		Cost	Accumulated depreciation	Net	Net
Property and equipment - concession right	8.15	480,318	(109,735)	370,583	408,703
Property and equipment - works and services	8.07	1,209,065	(323,425)	885,640	748,240
Paving and repaving	19.43	550,457	(317,441)	233,016	188,617
Movable equipment	13.62	29,244	(13,097)	16,147	13,803
Furniture, fixtures and installations	15.86	50,000	(29,388)	20,612	20,432
Expropriations	6.26	28,638	(5,814)	22,824	21,047
Indemnities	6.71	1,243	(315)	928	1,013
Software	20.00	5,408	(3,380)	2,028	2,022
Protection and security devices	15.75	39,866	(24,148)	15,718	11,287
Leasehold improvements	33.33	535	(284)	251	424
Other	23.84	10,998	(6,153)	4,845	3,942
Property and equipment in progress	-	39,750	-	39,750	152,923
Adjustment of decrease in property and equipment resulting from elimination of unrealized profits, net of taxes (see Note 10.d))	-	<u>(50,171)</u>	<u>-</u>	<u>(50,171)</u>	<u>(54,513)</u>
Total		<u>2,395,351</u>	<u>(833,180)</u>	<u>1,562,171</u>	<u>1,517,940</u>

Additions to property and equipment after the Concession Agreement, whose estimated useful life is longer than the concession period, are depreciated based on the remaining period of the Concession Agreement.

## 12. INTANGIBLE

The balances as of December 31, 2007 and 2006 are composed of:

	<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>
Goodwill absorbed by the following concessionaires, net of amortization (Note 1):		
Autovias	134	172
Centrovias	6,632	8,527
Intervias	<u>35,007</u>	<u>45,009</u>
Total	<u>41,773</u>	<u>53,708</u>

## 13. GUARANTEES AND INSURANCE

Autovias, Centrovias, Intervias and Vianorte are required, by their Concession Agreements, to maintain adequate and updated guarantees for performance of expansion and special maintenance and operational activities of usual maintenance of the highway network and the payment of the fixed concession fee. Additionally, the concessionaires maintain necessary and adequate insurance coverages for risks inherent in their activities, including all risk insurance against property damage, covering loss, destruction or damage to all assets pertaining to the concession, in accordance with international standards for this type of business: risks of construction, design, construction machinery and equipment, property damage, machinery damage and revenue loss.

As of December 31, 2007, insurance coverages are summarized as follows:

<u>Type</u>	<u>Covered risks</u>	<u>Indemnity limits</u>			
		<u>Autovias</u>	<u>Centrovias</u>	<u>Intervias</u>	<u>Vianorte</u>
All risk	Engineering risks	10,231	8,000	23,149	3,000
	Asset risks	18,000	10,000	7,556	7,490
	Revenue loss	38,517	23,296	49,567	25,966
	Civil liability	16,000	17,440	17,957	19,726
Guarantee	Guarantees performance of expansion activities	19,309	37,411	40,967	19,580
	Guarantees performance of operating upkeep activities and monthly payment (variable fee)	39,031	37,082	48,793	39,417
	Guarantee of monthly payment (fixed fee)	8,194	11,559	8,706	49,616

## 14. COLLATERAL FOR AGREEMENTS

The balances as of December 31, 2007 and 2006 are composed of:

	<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>
Current liability-		
Retention of 5% from service providers (*)	<u>5,671</u>	<u>5,149</u>

(\*) 5% of the amount of contractors' service invoices, which will be paid after the completion and approval of the construction work by the Company's management.

## 15. LOANS AND FINANCING

The balances as of December 31, 2007 and 2006 are composed of:

Creditors	Charges	Final maturity	2007		2006		
			Consolidated		Consolidated		
			Current	Noncurrent	Current	Noncurrent	
<b>Autovias:</b>							
BNDES - "Project Finance" (a)	TJLP + 5% per year	November 2010	10,697	20,262	10,725	30,721	
BNDES (b)	TJLP + 5% per year	April 2011	1,293	2,976	1,297	4,237	
BNDES (c)	TJLP + 3,95% per year	May 2012	1,100	5,958	-	-	
Caixa Econômica Federal (a)	TJLP + 6% per year	November 2010	10,708	20,261	10,741	30,720	
Banco Itaú BBA (c)	CDI + 2,3% per year	June 2009	1,613	2,600	3,030	4,200	
Banco Fibra (c)	101,8% do CDI	June 2008	22,420	-	20,033	-	
Banco Votorantim (BNDES) (c)	TJLP + 3,3% per year	September 2012	175	2,492	-	-	
Banco Itaú BBA (BNDES) (c)	TJLP + 3,45% per year	June 2012	59	1,247	-	-	
Banco Unibanco (c)	CDI + 0,083% per month	November 2010	462	15,500	-	-	
Banco Itaú BBA (c)	CDI + 0,083% per month	November 2010	462	15,500	-	-	
Banco Bradesco (c)	CDI + 0,083% per month	November 2010	462	15,500	-	-	
Banco Citibank (c)	CDI + 0,083% per month	November 2010	462	15,500	-	-	
Banco Votorantim (c)	CDI + 0,083% per month	November 2010	239	8,000	-	-	
<b>Centrovias:</b>							
BNDES - "Automático Itaú" (d)	TJLP + 3,95% per year	June 2012	662	4,181	-	-	
BNDES - "Automático Unibanco" (d)	TJLP + 3,30% per year	October 2012	40	1,320	-	-	
BNDES - "Project Finance" (d)	TJLP + 5% per year	August 2010	21,843	36,014	18,332	48,067	
<b>Intervias:</b>							
BNDES (e)	TJLP + UMBNDES + 5% per year	Julho de 2011	16,852	40,366	16,839	56,613	
Banco Unibanco (f)	CDI + 1% per year	November 2010	731	24,500	-	-	
Banco Itaú BBA (f)	CDI + 1% per year	November 2010	731	24,500	-	-	
Banco Bradesco (f)	CDI + 1% per year	November 2010	731	24,500	-	-	
Banco Citibank (f)	CDI + 1% per year	November 2010	731	24,500	-	-	
Banco Votorantim (f)	CDI + 1% per year	November 2010	356	12,000	-	-	
"Leasing" - parcela do mês	CDI + 2% per year	July 2010	83	-	78	-	
<b>Vianorte:</b>							
BNDES (g)	TJLP + 4,5% a 7,5% per year	August 2013	17,222	73,484	13,972	85,181	
Banco Safra - Finame (g)	TJLP + 4,9% per year.	March 2008	229	-	926	216	
Banco ABC - Finame (g)	TJLP + 6,3% per year	July 2010	485	759	200	1,043	
Banco ABC - conta garantida (g)	CDI + 0,35% per month	February 2007	3,369	-	3,614	-	
Banco Fibra - "comprar" (g)	CDI + 0,37% per month	October 2008	425	-	347	376	
Banco Unibanco - "Prosoft"	TJLP + 2,18% per year	April 2010	364	622	-	-	
Banco Unibanco - Finame	TJLP + 3,48% per year	April 2012	233	1,042	-	-	
Banespa - "leasing" (g)	1,52% a 1,87% per month	April 2009	492	123	847	615	
Banco Itaú - "leasing" (g)	1,53% a 1,66% per month	June 2008	128	-	416	128	
Banco Bradesco - "leasing" (g)	1,66% a.m.	January 2008	28	-	170	28	
Banco Dibens - "leasing" (g)	CDI + 1,824% per year	February 2010	155	280	-	-	
<b>Latina-</b>							
Banco Itaú BBA (h)	11,5% per year	July 2011	139	344	135	496	
<b>SPR:</b>							
Banco Unibanco (i)	102,75% do CDI	April 2007	-	-	102,472	-	
Banco Bradesco (i)	102,75% do CDI	April 2007	-	-	40,988	-	
Banco Citibank (i)	102,75% do CDI	April 2007	-	-	40,988	-	
Banco Itaú BBA (i)	102,75% do CDI	April 2007	-	-	40,988	-	
<b>Total</b>			<b>116.181</b>	<b>394.331</b>	<b>327.138</b>	<b>262.641</b>	

Autovias

- (a) Refer to long-term financing obtained from the BNDES and Caixa Econômica Federal due in November 2010, which is being used in investments set forth in the Concession Agreement. As of December 31, 2007, 100% of this financing had been released. The principal is subject to interest calculated according to the variation of the TJLP (long-term interest rate) plus 5% to 6% per year. The financing is collateralized by a portion of the toll revenue and the Company's shares, limited to the ownership interest of each shareholder.
- (b) Refer to long-term financing, due in April 2011, for the implementation of an integrated system of monitoring and control of highway system operation. As of December 31, 2007 100% of this financing had been released. The principal is subject to interest calculated according to the variation of the TJLP plus 5% per year. As of December 31, 2007, this financing is collateralized by promissory notes totaling R\$7,897.
- (c) Working capital loans due between 2008 and 2012. These loans are subject to interest between 101.8% of the CDI, CDI plus 2.3%, TJLP plus 3.3% and 3.45% and CDI plus 0.083% per month, beginning on the loan agreement date. As of December 31, 2007 the loans are collateralized by promissory notes, totaling R\$32,174 and shareholders' guarantees.

Autovias

- Shall not obtain additional short-term loans, including renewals whose accumulated amount exceeds R\$3,000 adjusted based on the general market price index (IGP-M), without express authorization from the BNDES and Caixa Econômica Federal.
- Shall not sell or permit a lien on the operating assets to third parties, except small vehicles.
- Shall not pay dividends until the completion of the financed project.
- Shall maintain a minimum ratio of shareholders' equity to total liabilities of 30%, excluding the negative effects of the accounting for concession charges owed to the Concession Authority.
- Shall maintain insurance for the toll collection revenue with minimum coverage equivalent to 90 days of toll collection, and deductible amount acceptable by the BNDES and Caixa Econômica Federal.

Shareholders

- Shall maintain, until the completion of the financed project, the Company's subscribed and paid-up capital in an amount equivalent to at least 20% of total investments in the financed project.

- Shall provide, until the completion of the financed project, capital contributions in cash to meet any shortage of cash to fund the project.
- Shall maintain, during the period the agreement is effective, their current equity interests and shall not sell, pledge, place liens or encumbrance on their shares, without the prior and express permission of the BNDES and Caixa Econômica Federal.
- Shall vote, until the completion of the financed project, against the payment of dividends at the Shareholders' Meeting.
- Shall pledge all common shares in favor of the BNDES and Caixa Econômica Federal during the period this agreement is effective.

#### Centrovias

(d) In connection with the financing obtained from the BNDES, Centrovias and its shareholders also assumed, among others, the following financial commitments set forth in the agreement:

#### Centrovias

- Shall not obtain additional short-term loans, including renewals whose accumulated amount exceeds R\$3,000 adjusted based on the IGP-M, without express authorization from the BNDES.
- Shall not sell or permit a lien on the operating assets to third parties, except small vehicles.
- Shall not pay dividends until the completion of the financed project.
- Shall maintain a minimum ratio of shareholders' equity to total liabilities of 30%, excluding the negative effects of the accounting for concession charges owed to the Concession Authority.
- Shall convert, into simple debentures, the debit balance of the agreement in part or in whole, if the BNDES so requires, after the completion of the project.
- Shall maintain insurance for the toll collection revenue with minimum coverage equivalent to 90 days of toll collection, and deductible amount acceptable by the BNDES.
- Shall maintain a reserve account equivalent to three times the amount of the last past-due payment of principal and interest.
- Shall provide bank guarantee to secure the last installment of the principal and accessory debt obligations.

- Expenses on operation and maintenance of lot 8 (Washington Luís between Cordeirópolis and São Carlos and SP 225 between Itirapina and Bauru) managed by Centrovias are limited to R\$2,062/month. This amount is adjusted at the time of changes in toll rates and was R\$5,227 and R\$4,851 per month as of December 31, 2007 and 2006, respectively.

#### Shareholders

- Shall maintain, until the completion of the financed project, Centrovias' subscribed and paid-up capital in an amount equivalent to at least 20% of total investments in the financed project.
- Shall provide, until the completion of the financed project, capital contributions in cash to meet any shortage of cash to fund the project.
- Shall maintain, during the period the agreement is effective, their current equity interests and shall not sell, pledge, place liens or encumbrance on their shares, without the prior and express permission of the BNDES.
- Shall vote, until the completion of the financed project, against the payment of dividends at the Shareholders' Meeting.
- Shall pledge all common shares in favor of the BNDES during the period this agreement is effective.

#### Intervias

- (e) In connection with the financing obtained from the BNDES, Intervias and its shareholders also assumed, among others, the following financial commitments set forth in the agreement:

#### Intervias

- Shall not obtain additional short-term loans, including renewals whose accumulated amount exceeds R\$3,000 adjusted based on the IGP-M, without the express authorization from the BNDES.
- Shall deposit the total toll revenue into a single bank account specified in the agreement. The BNDES may collect the installments directly from this account.
- Shall not sell or permit a lien on the operating assets to third parties, except small vehicles.
- Shall maintain a ratio of shareholders' equity to total liabilities of 30%, excluding the negative effects of the accounting for concession charges owed to the Concession Authority.
- Shall maintain in a reserve account a portion of the amounts collected, within the limits stipulated by the agreement, which are one to three times the amount of the installments including principal and interest.



- Expenses for the operation and maintenance of Lot 06 (Anhangüera Highway from Cordeirópolis to Santa Rita do Passa Quatro) run by Intervias are limited to R\$2,700 per month. This amount is adjusted at the time of changes in toll rates, and as of December 31, 2007 and 2006, the amounts were R\$5,218 and R\$4,997 per month, respectively.

#### Shareholders

- Shall maintain, until the completion of the financed project, Intervias subscribed and paid-up capital in an amount equivalent to at least 20% of total investments in the financed project.
  - Shall provide, until the completion of the financed project, capital contributions in cash to meet any shortage of cash to fund the project.
  - Shall maintain, during the period the agreement is effective, their current equity interests and shall not sell, pledge, place liens or encumbrance on their shares, without the prior and express permission of the BNDES.
  - Shall vote, until the completion of the financed project, against the payment of dividends at the Shareholders' Meeting.
  - Shall pledge all common shares in favor of the BNDES during the period this agreement is effective.
- (f) Bank credit note signed between Intervias and private banks on September 27, 2007 for working capital financing, and payment of interest on capital and subordinated debts to its parent company.

#### Vianorte

- (g) The financing is collateralized by the financed assets, a portion of toll collection revenue and restricted cash investments recorded in noncurrent assets.

Additionally, guarantees for highway expansion and special upkeep financing are as follows:

#### Vianorte

- Shall not obtain additional short-term loans, including renewals whose accumulated amount exceeds R\$3,000 as of November 10, 2000, adjusted based on the IGP-M, without the express authorization from the BNDES.
- Shall not sell or permit a lien on the operating assets to third parties, except small vehicles.
- Shall not pay dividends and/or interest on capital during the grace period of the financing and until the completion of the financed project.

- Shall maintain a debt service coverage ratio of at least 1.20, calculated by dividing income before financial expenses, tax expenses, amortization and depreciation expenses by the sum of interest and principal payments in the period.
- Shall maintain a minimum ratio of shareholders' equity to total liabilities of 30%, excluding the negative effects of the accounting for concession charges owed to the Concession Authority and considering lease obligations in total liabilities.
- Shall maintain insurance for the toll collection revenue with minimum coverage equivalent to 90 days of toll collection, and deductible amount acceptable by the BNDES.

#### Shareholders

- Shall maintain, until the completion of the financed project, Vianorte's subscribed and paid-up capital in an amount equivalent to at least 20% of total investments in the financed project.
- Shall provide, until the completion of the financed project, capital contributions in cash to meet any shortage of cash to fund the project.
- Shall maintain, during the period the agreement is effective, their current equity interests and shall not sell, pledge, place liens or encumbrance on their shares, without the prior and express permission of the BNDES.
- Shall vote, until the completion of the financed project, against the payment of dividends and interest on capital at the Shareholders' Meeting.
- Shall pledge all common shares in favor of the BNDES during the period this agreement is effective.

#### Latina

- (h) Financing for purchase of a self-propelled machine and roadmarking equipment.

#### SPR

- (i) Working capital loan to settle the 1<sup>st</sup> issuance of promissory notes for public offering, pursuant to the provisions of CVM Instruction No. 429, of March 22, 2006, in the amount of R\$180,000.

The promissory notes bear interest of 102.75% of the CDI from the issuance date, April 4, 2007. Its payment occurred on September 29, 2007, in the amount of R\$190,383.

As of December 31, 2007, maturities of the principal of long-term financing are as follows:

	<u>Consolidated</u>
2009	92,811
2010	259,491
2011	22,788
2012	12,936
2013	<u>6,305</u>
Total	<u>394,331</u>

Management understands that the Company and its subsidiaries are in compliance with the restrictive covenants contained in the financing agreements.

#### 16. TAXES PAYABLE

As of December 31, 2007 and 2006 taxes payable are composed of:

	<u>2007</u>		<u>2006</u>	
	<u>Company</u>	<u>Consolidated</u>	<u>Company</u>	<u>Consolidated</u>
Income tax	-	7,204	-	6,460
Social contribution tax	111	2,892	-	2,535
Withholding income tax	73	1,450	45	2,206
PIS	71	466	-	279
COFINS	329	2,147	-	1,296
Other Federal taxes	33	504	3	824
Other Municipal taxes	<u>-</u>	<u>3,202</u>	<u>-</u>	<u>2,986</u>
Total	<u>617</u>	<u>17,865</u>	<u>48</u>	<u>16,586</u>

## 17. RELATED-PARTY TRANSACTIONS

As of December 31, 2007 and 2006 related-party transactions are represented principally by the following:

	2007		2006	
	<u>Company</u>	<u>Consolidated</u>	<u>Company</u>	<u>Consolidated</u>
Intercompany receivable - current:				
OHL Concesiones S.L.	87	87	87	87
Autovias	1,850	-	4,370	-
Centrovias	7	-	-	-
Intervias	11	-	-	-
Vianorte	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>1,962</u>	<u>87</u>	<u>4,457</u>	<u>87</u>
Dividends receivable:				
Autovias	6,433	-	9,416	-
Intervias	<u>8,676</u>	<u>-</u>	<u>29,958</u>	<u>-</u>
Total	<u>15,109</u>	<u>-</u>	<u>39,374</u>	<u>-</u>
Intercompany receivables - noncurrent:				
Autovias - loan (a)	-	-	23,706	-
Intervias - loan (b)	-	-	10,638	-
Centrovias - loan (c)	<u>22,135</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>22,135</u>	<u>-</u>	<u>34,344</u>	<u>-</u>
Intercompany payables - current:				
OHL Concesiones S.L.	101	101	68	68
Hur S.A.	258	258	312	312
Obrascon Huarte Lain S.A. (Espanha)	<u>465</u>	<u>465</u>	<u>500</u>	<u>500</u>
Total	<u>824</u>	<u>824</u>	<u>880</u>	<u>880</u>
Intercompany payables - noncurrent-				
OHL Participações (d)	<u>-</u>	<u>-</u>	<u>3,453</u>	<u>-</u>

- (a) Loan agreements subject to interest rates equal to 100% of the CDI with maturity beginning January 2009.
- (b) Loan agreements subject to interest rates equal to 100% of the CDI with maturity beginning September 2007.
- (c) Loan agreements subject to interest rates equal to 100% of the CDI with maturity beginning July 2010.
- (d) Loan agreements subject to interest rates equal to 100% of the CDI with maturity beginning March 2007.

	Financial income net	
	Company	
	<u>2007</u>	<u>2006</u>
Autovias	2,088	3,143
Intervias	290	2,429
Latina	-	230
Centrovias	768	-
Obrascon Huarte Lain S.A. (Espanha)	72	87
Hur S.A.	<u>60</u>	<u>77</u>
Total	<u>3,278</u>	<u>5,966</u>

## 18. CONCESSION FEE OBLIGATIONS

Refer to the amounts payable to the DER/SP for the concessions granted to Autovias, Centrovias, Intervias and Vianorte.

Fixed amount to be paid in 240 monthly and consecutive installments, the first of which was paid in September 1998 by Autovias, June 1998 by Centrovias, February 2000 by Intervias, and March 1998 by Vianorte. The amount is adjusted using the same formula and on the same dates of the adjustment of tolls, due on the last business day of each month.

Pursuant to the Concession Agreement, tolls are adjusted in July based on the variation of the IGP-M (general market price index) through May 31. Thus, the obligation was determined as follows:

<u>Current</u>		Concession right		Present value (*)	
		<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Autovias	Concession right	5,114	4,820	4,979	4,694
	Variable amount (a)	458	371	-	-
Centrovias	Concession right	7,652	7,199	7,447	7,024
	Variable amount (a)	422	392	-	-
Intervias	Concession right	4,762	4,488	4,636	4,371
	Variable amount (b)	570	536	-	-
Vianorte	Concession right	31,044	29,260	30,226	28,494
	Variable amount (a)	<u>415</u>	<u>382</u>	<u>-</u>	<u>-</u>
		<u>50,437</u>	<u>47,448</u>	<u>47,288</u>	<u>44,583</u>

(\*) Present value was calculated considering an annual interest rate of 5%.

(a) Variable amount equivalent to 3% of gross monthly revenue, due by the last business day of the subsequent month.

(b) Variable amount equivalent to 3% of the toll revenue and 25% of other monthly revenue, due by the last business day of the subsequent month.

<u>Noncurrent</u>		<u>Payable</u>		<u>Present value (*)</u>	
		<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Autovias	Concession right	50,988	52,214	38,637	38,690
Centrovias	Concession right	74,316	76,300	56,631	56,857
Intervias	Concession right	54,432	55,077	39,961	39,551
Vianorte	Concession right	<u>293,491</u>	<u>302,118</u>	<u>224,915</u>	<u>226,378</u>
		<u>473,227</u>	<u>485,709</u>	<u>360,144</u>	<u>361,476</u>

(\*) Present value was calculated considering an annual interest rate of 5%.

The quantity of installments payable as of December 31, 2007 is as follows:

	<u>Installments</u>		<u>Total payable</u>
	<u>Current</u>	<u>Noncurrent</u>	
Autovias	12	116	128
Centrovias	12	113	125
Intervias	12	133	145
Vianorte	12	110	122

During the year ended December 31, 2007, the amount paid to the Concession Authority is as follows:

	<u>Concession</u>		<u>Amount paid</u>
	<u>Fixed</u>	<u>Variable</u>	
Autovias	4,849	4,846	9,695
Centrovias	7,256	4,578	11,834
Intervias	4,515	6,674	11,189
Vianorte	<u>29,437</u>	<u>4,654</u>	<u>34,091</u>
Total	<u>46,057</u>	<u>20,752</u>	<u>66,809</u>

## 19. SHAREHOLDERS' EQUITY

### a) Capital

Capital as of December 31, 2007 is represented by 68,888,888 common shares without par value, as follows:

	<u>Number of subscribed shares</u>	<u>Ownership interest - %</u>
Participes em Brasil S.L.	35,861,593	52.06
Obrascon Huarte Lain S.A.	5,471,733	7.94
Kendall Develops S.L.	3,444,445	5.00
Other	<u>24,111,117</u>	<u>35.00</u>
Total	<u>68,888,888</u>	<u>100.00</u>

b) Profit reserves and payment of dividends (Company)

A legal reserve of R\$3,744, equivalent a 5% of net income, was recognized in accordance with legislation and the Company's bylaws.

Mandatory dividends for 2007 and 2006 were calculated as follows:

	<u>2007</u>	<u>2006</u>
Net income for the year	74,878	99,419
Legal reserve of 5%	<u>(3,744)</u>	<u>(4,971)</u>
Calculation basis	71,134	94,448
Mandatory dividends	<u>25%</u> <u>17,785</u>	<u>25%</u> <u>23,612</u>

In 2005 the subsidiaries Autovias and Intervias concluded the projects which were subject to restrictions on dividend payments as imposed by the financial institutions that provided the funds. Thus, beginning in 2006, said subsidiaries are not subject to restrictions on dividend payments. The Company's management decided to pay mandatory minimum dividends equivalent to 25% of net income for 2007 in the amount of R\$17,785. Said payment of dividends is subject to approval by the Annual Shareholders' Meeting.

As of December 31, 2006, the Company decided to pay mandatory minimum dividends equivalent to 25% of net income for 2006 and 2005, in the amount of R\$41,848.

20. ACCRUAL FOR CONTINGENCIES

The Company and its subsidiaries have outstanding lawsuits involving principally civil liability to highway users and labor claims.

Based on the opinion of its outside and in-house legal counsel, management recognized a provision to cover probable losses on said lawsuits and believes that the final outcome will not significantly affect the Company's cash flow, consolidated financial position and results of operations.

The changes of the reserves during the year ended December 31, 2007 is as follows:

	<u>2006</u>	<u>Additions</u>	<u>Reversals</u>	<u>Uses</u>	<u>Charges</u>	<u>2007</u>
Civil	2,313	1,635	(299)	(339)	(2)	3,308
Labor	2,299	388	(447)	(29)	(4)	2,207
Tax	<u>-</u>	<u>657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>657</u>
	4,612	2,680	(746)	(368)	(6)	6,172
Escrow deposits	<u>(766)</u>	<u>(124)</u>	<u>(3)</u>	<u>6</u>	<u>710</u>	<u>(177)</u>
Total	<u>3,846</u>	<u>2,556</u>	<u>(749)</u>	<u>(362)</u>	<u>704</u>	<u>5,995</u>

## 21. FINANCIAL INSTRUMENTS

### a) Exchange risks

As of December 31, 2007 and 2006, the Company and its subsidiaries had no foreign currency-denominated loans or financing.

### b) Interest rate risks

The Company, through its subsidiaries, is exposed to changes in interest rates, mainly the variation of the TJLP, on loans in Brazilian reais. Most of the interest rates for temporary cash investments are linked to the variation of the CDI and Selic (Central Bank overnight rate).

### c) Concentration of credit risk

Financial instruments that potentially subject the Company and its subsidiaries to credit risk concentration consist mainly of cash and banks, temporary cash investments, collateral for agreements, and accounts receivable.

The Company and its subsidiaries have bank accounts, temporary cash investments and reserve accounts with financial institutions approved by management under objective criteria for credit risk diversification.

As of December 31, 2007 and 2006, the Company, through its subsidiaries, had accounts receivable from CGMP - Centro de Gestão dos Meios de Pagamento S.A. of R\$27,881 and R\$25,401, respectively, derived from toll collection through the electronic toll payment system (“Sem Parar”), recorded under the caption “Trade accounts receivable”.

The Company has a bank letter of guarantee to secure the collection of the aforementioned accounts receivable.

### d) Fair value of financial instruments - consolidated

The carrying values and fair values of financial instruments as of December 31, 2007 and 2006 are as follows:

	2007		2006	
	<u>Carrying value</u>	<u>Fair value</u>	<u>Carrying value</u>	<u>Fair Value</u>
Cash and banks	13,839	13,839	11,729	11,729
Temporary cash investments	50,600	50,600	127,545	127,545
Loans and financing (including accrued interest) - current and noncurrent	510,512	510,512	589,779	589,779
Concession fee obligations - current and noncurrent	523,664	407,432	533,157	406,059

The fair values as of December 31, 2007 and 2006, do not reflect subsequent changes in the economy, such as interest rates, tax rates and other variables that may have effect in their determination. The following methods and assumptions were adopted to determine fair value:



- Cash and banks, temporary cash investments and reserve account - the carrying values stated in the balance sheet approximate fair values due to the short-term maturity of these instruments.
- Loans and financing - the carrying values stated in the balance sheets approximate fair values.
- Concession fee obligations - are calculated based on the cash flow at present value, discounted at an interest rate of 5%, which approximates long-term market transactions adjusted based on the IGP-M.

As of December 31, 2007 and 2006 there are no derivative transactions.

## 22. RECONCILIATION OF INCOME AND SOCIAL CONTRIBUTION TAXES

Reconciliation of tax charges between effective and statutory rates in the consolidated statements of income as of December 31, 2007 and 2006, is as follows:

### a) Current

	Company		Consolidated	
	2007	2006	2007	2006
Income before income and social contribution taxes	75,292	100,578	122,615	125,825
Income and social contribution tax rate	34%	34%	34%	34%
Expected income and social contribution expenses, according to the tax rate	(25,599)	(34,197)	(41,689)	(42,781)
Effect of income and social contribution taxes on permanent differences:				
Equity in subsidiaries	32,126	32,792	-	-
Amortization of goodwill	-	-	(1,760)	-
Interest on capital	(3,397)	-	-	-
Other	(80)	391	1,548	(4,558)
Effect of income and social contribution taxes on temporary differences	(3,624)	(145)	(2,262)	3,982
Expense recognized	(414)	(1,159)	(44,163)	(43,357)

### b) Deferred

	Consolidated	
	2007	2006
Recording (realization) of deferred taxes on goodwill absorbed by subsidiaries	(4,782)	16,951
Deferred taxes on temporary differences	1,208	-
Expense recognized	(3,574)	16,951

## 23. SALE-LEASEBACK TRANSACTIONS

In 2005, through sale-leaseback transactions, Intervias entered into a lease agreement for Highway Monitoring Systems with Banco Itaú S.A. The Highway Monitoring Systems were sold at market values, and no gain on this transaction was generated.

As of December 31, 2007, the position of the sale-leaseback agreement is as follows:

	<u>2007</u>		<u>2006</u>
	<u>Agreement</u>	<u>Installments</u>	<u>Installments</u>
	<u>value</u>	<u>payable</u>	<u>payable</u>
Agreement No. 566,950	<u>9,300</u>	<u>6,829</u>	<u>8,548</u>

The agreement is payable in 60 months from July 8, 2005 to June 8, 2010, subject to CDI - Over-Cetip (average rate for interbank loans for one day registered with the Clearinghouse for the Custody and Financial Settlement of Securities).

## 24. SUBSEQUENT EVENTS

- On January 29, 2008, the subsidiaries Autovias and Intervias paid dividends of R\$4,838 and R\$23,500, respectively, to the Company. This cash was used to make a capital contribution to Planalto Sul and Fluminense.
- On February 6, 2008, the Company entered into loan agreements with the banks Espírito Santo S.A. and Deutsche Bank S.A. by means of issue of a Bank Credit Note ("CCB") in the amount of R\$120,000, in order to allow for a capital contribution to Fernão Dias, Litoral Sul and Régis Bittencourt.
- On February 14, 2008, the Company and the Federal government entered into Concession Agreements for a period of 25 years for management and operation of 2,078.80 km of five Federal highways in Brazil, as described below:

<u>Lot</u>	<u>Highway</u>	<u>Stretch</u>	<u>Extension</u>
2	BR-116/PR/SC	Curitiba - Boarder SC/RS	412.70 km
4	BR-101/RJ	Boarder Rio de Janeiro/Espírito Santo - Presidente Costa e Silva Bridge	320.10 km
5	BR-381/MG/SP	Belo Horizonte - São Paulo	562.10 km
6	BR-116/SP/PR	São Paulo - Curitiba	401.60 km
7	BR-116/376/PR and 101/SC	Curitiba - Florianópolis	382.30 km

25. AMENDMENT TO BRAZILIAN CORPORATE LAW, EFFECTIVE FOR FISCAL YEARS BEGINNING ON OR AFTER JANUARY 1, 2008

On December 28, 2007, Law No. 11,638 was enacted, that alters, revokes and adds new provisions to the Brazilian Corporate Law, especially with respect to chapter XV, Fiscal Year and Financial Statements. Law No. 11,638/07 was designed primarily to update accounting practices as contemplated in Brazilian Corporate Law, so as to enable the convergence of Brazilian accounting practices with accounting standards generally accepted in the international capital markets, and contemplates broad changes to accounting practices generally accepted in Brazil, as they relate to statutory accounting practices and procedures. The Law also allows the CVM to issue new accounting standards and procedures, applicable to public companies in Brazil, in conformity with such international accounting standards.

As the changes have only been introduced recently, and many of them still are and will be subject to further interpretation and regulation by applicable regulatory agencies and accounting standards bodies, management has not yet been able to assess and/or quantify the effects of all of the changes that are reasonably likely to have a significant impact on its financial statements, financial position and results of operations.

26. SUMMARY OF DIFFERENCES BETWEEN BRAZILIAN ACCOUNTING PRACTICES AND GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA - U.S. GAAP

The accompanying consolidated financial statements are prepared in accordance with Brazilian accounting practices, which differ in certain significant respects from U.S. GAAP. Following is a reconciliation of net income and shareholders' equity of the differences between Brazilian accounting practices and U.S. GAAP as of December 31, 2007 and 2006 and for the corresponding net income for these two fiscal years:

I - Reconciliation of the differences between Brazilian accounting practices and U.S. GAAP

	<u>Item</u>	<u>Consolidated</u>	
		<u>2007</u>	<u>2006</u>
Net income under Brazilian accounting practices		74,878	99,419
Different criteria for:			
Capitalized interest	III.a	8,580	9,670
Depreciation of capitalized interest	III.a	(4,035)	(3,513)
Concession fee obligation adjustment	III.b	(11,051)	(6,928)
Business combinations:			
Reversal of amortization of goodwill recorded under Brazilian accounting practices	III.c	21,355	16,771
Depreciation of fair value adjustments of property and equipment	III.c	(16,976)	(2,450)
Amortization of fair value adjustments of concession rights	III.c	116	(5,279)
Tax benefit of goodwill recorded under Brazilian accounting practices applied as a reduction of concession rights	III.e.(ii)	(12,227)	(6,114)
Leasing:			
Depreciation of property and equipment	III.d	(1,860)	(1,860)
Financial expenses on leasing payable	IV.e	(79)	(2,314)
Reversal of leasing expenses	III.d	2,599	2,298
Deferred tax effects	III.e.(i)	11,877	5,635
Reversal of tax benefit on goodwill recorded under Brazilian accounting practices	III.e.(ii)	<u>4,012</u>	<u>(18,055)</u>
U.S. GAAP net income		<u>77,189</u>	<u>87,280</u>
U.S. GAAP comprehensive income		<u>77,189</u>	<u>87,280</u>
Basic and diluted earnings per share computation:			
Income attributable to common shareholders	III.g	77,189	87,280
Basic and diluted earnings per share	III.g	1.1205	1.2670
Weighted-average common thousand shares outstanding during the year	III.g	68,889	68,889
Shareholders' equity under Brazilian accounting practices		715,198	658,105
Different criteria for:			
Capitalized interest	III.a	59,809	51,229
Accumulated depreciation of capitalized interest	III.a	(12,082)	(8,047)
Concession fee obligation adjustment	III.b	114,368	125,036
Business combinations:			
Reversal of goodwill recorded under Brazilian accounting practices	III.c	(226,747)	(226,747)
Reversal of accumulated amortization of goodwill recorded under Brazilian accounting practices	III.c	100,997	79,642
Fair value adjustments of property and equipment	III.c	143,916	38,655
Accumulated depreciation of fair value adjustments of property and equipment	III.c	(27,016)	(10,040)
Fair value adjustments of concession rights (intangible asset)	III.c	99,310	204,954
Accumulated amortization of fair value adjustments of concession rights	III.c	(20,890)	(21,006)
Tax benefit of goodwill recorded under Brazilian accounting practices applied as a reduction of concession rights	III.e.(ii)	(29,158)	(16,931)
Leasing:			
Capitalization of property and equipment	IV.e	9,300	9,300
Accumulated depreciation of property and equipment	IV.e	(4,770)	(2,910)
Capitalized lease obligation	IV.e	(6,970)	(9,490)
Deferred tax effects of adjustments	III.e	(110,778)	(122,655)
Reversal of tax benefit on goodwill recorded under Brazilian accounting practices	III.e.(ii)	<u>(14,043)</u>	<u>(18,055)</u>
U.S. GAAP shareholders' equity		<u>790,444</u>	<u>731,040</u>

II - Statement of changes in shareholders' equity in accordance with U.S. GAAP

	<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>
Shareholders' equity under U.S. GAAP as of beginning of the year	731,040	685,608
Net income	77,189	87,280
Dividends	<u>(17,785)</u>	<u>(41,848)</u>
Shareholders' equity under U.S. GAAP as of the end of the year	<u>790,444</u>	<u>731,040</u>

III - Description of Brazilian accounting practices and U.S. GAAP differences

a) Different criteria for capitalizing and amortizing capitalized interest

Under Brazilian accounting practices, the Company has not capitalized any interest incurred during the construction of its property and equipment.

Under U.S. GAAP, in accordance with the provisions of Statement of Financial Accounting Standards - SFAS No. 34, "Capitalization of Interest Costs", interest incurred on borrowings during the active construction period of capital projects is capitalized and added to the cost of the underlying assets and depreciated over the useful lives of the corresponding asset. The credit is a reduction of interest expense.

b) Different criteria for accounting for the concession fee obligation

Under Brazilian accounting practices, the Company recognizes the concession fee payable to the conceding authority at stated value.

Under U.S. GAAP, at the acquisition date of the concession, the Company recorded this liability at fair value, as required by the purchase accounting method discussed in item c) below. The fair value was determined using the present value of future cash flows technique. The concession fee obligation is monetarily adjusted in accordance with the terms of the concession agreement and adjusted for accrued interest at the acquisition date.

The effects of the different criteria on the consolidated net income for the years ended December 31 were as follows:

	<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>
Monetary adjustment and interest expense recorded:		
Under Brazilian accounting practices	36,381	7,188
Under U.S. GAAP	<u>47,432</u>	<u>14,116</u>
U.S. GAAP difference	<u>(11,051)</u>	<u>(6,928)</u>

c) Business acquisitions

Under Brazilian accounting practices, assets and liabilities of acquired companies are reflected at book values. Goodwill is represented by the excess of purchase price paid over the book value of net assets and is amortized on a straight-line basis over the periods estimated to be benefited.

Under U.S. GAAP, pursuant to SFAS No. 141, "Business Combinations", the cost of an acquired company is allocated to assets acquired, including identifiable intangible assets, and liabilities assumed based on their estimated fair values on the date of acquisition. The excess of the cost of an acquired company over the net of the amounts assigned to assets acquired and liabilities assumed is recognized as goodwill. Goodwill is not amortized and should be tested for impairment. An impairment test of goodwill is performed annually or more frequently if events or changes in circumstances indicate that the goodwill might be impaired. SFAS No. 141 requires disclosure of the primary reasons for a business combination and the allocation of the purchase price paid to the assets acquired and liabilities assumed by major balance sheet caption. SFAS No. 141 also requires that, when the amounts of goodwill and intangible assets acquired are significant to the purchase price paid, disclosure of other information about those assets is required, such as the amount of goodwill by reportable segment and the amount of the purchase price assigned to each major intangible asset class.

Acquisition of Vianorte S.A. - 2006

On December 6, 2006, the Company acquired all outstanding common shares of Vianorte. The results of Vianorte operations have been included in the consolidated financial statements since that date. As mentioned in Note 1, Vianorte is engaged in the operation of the highway system, under a concession valid until March 6, 2018, in the operation of the section called lot 5. As a result of this acquisition, the Company expanded its operations of highways. The cost of this acquisition amounted to R\$209,675.

Under U.S. GAAP, the Company has recorded such acquisition based on the fair value of the assets acquired and liabilities assumed in accordance with the purchase method of accounting prescribed by SFAS No. 141, which did not generate goodwill as shown below.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

	<u>R\$</u>
Current assets	11,733
Property and equipment	338,206
Concession rights - intangible asset	290,961
Other assets	<u>9,223</u>
Total assets acquired	<u>650,123</u>
Current liabilities	32,463
Deferred taxes	48,518
Long-term liabilities	105,418
Liabilities assumed	253,904
Net income - December	<u>145</u>
Net assets	<u>209,675</u>
Interest acquired	100%
Net assets acquired	209,675
Total cost of acquisition	<u>209,675</u>
Goodwill recorded under U.S. GAAP	<u>      -</u>

The remaining useful life of the concession rights on the acquisition date is 122 months as of December 31, 2007. Therefore, this intangible asset is being amortized on a straight-line basis over this period.

The goodwill generated under Brazilian accounting practices, while it remains at the holding level, in the amount of R\$94,182, is not deductible for tax purposes.

d) Leasing

Under Brazilian accounting practices, leases are recorded as an expense in the statement of income over the lease term on a straight-line basis.

Under U.S. GAAP, pursuant to SFAS No. 13, "Accounting for Leases", leasing is classified as a capital lease if it transfers substantially all the benefits and risks incident to ownership. All other leases are classified as operating leases. In a lease that transfers substantially all of the benefits and risks of ownership, the economic effect on the parties is similar, in many respects, to that of a purchase in installments.

Under U.S. GAAP, capital leases are recorded as an asset and a liability at the lower of: (i) the fair value of the asset; or (ii) the present value of the minimum lease payments and depreciated consistently with the Company's own assets. If there is no reasonable certainty that the Company will obtain ownership at the end of the lease, the asset is depreciated over the shorter of the lease term or the life of the asset.

Under U.S. GAAP, operating leases are recorded as an expense in the statement of income over the lease term on a straight-line basis.

The disclosures of leasing transactions required by SFAS No. 13 are included in Note 26.IV.e).

e) Deferred taxes

- (i) Under Brazilian accounting practices and U.S. GAAP, the Company records deferred income tax on temporary differences between tax books and accounting books. The deferred income tax is net of a valuation allowance if required.
- (ii) Under Brazilian accounting practices, the Company recognized the tax benefit for tax deductible goodwill in earnings as realized in the tax return. Also, the Company recognized deferred tax benefit on the basis difference of goodwill between tax books and accounting books.

Under U.S. GAAP, the Company follows SFAS No. 109, "Accounting for Income Taxes", to recognize tax benefit for tax-deductible goodwill. Under SFAS No. 109, the reported amount of goodwill and the tax basis of goodwill are each separated into two components as of the combination date for purposes of deferred tax calculations. The first component of each equals the lesser of: (i) goodwill for financial reporting; or (ii) tax-deductible goodwill. The second component of each equals the remainder of each, that is: (1) the remainder, if any, of goodwill for financial reporting; or (2) the remainder, if any, of tax-deductible goodwill. Any difference that arises between the book and tax basis of that first component of goodwill in future years is a temporary difference for which a deferred tax liability or asset is recognized. No deferred taxes are recognized for the second component of goodwill. If that second component is an excess of tax-deductible goodwill over the reported amount of goodwill, the tax benefit for that excess is recognized when realized on the tax return, and that tax benefit is applied first to reduce to zero the goodwill related to that acquisition, second to reduce to zero other long-term intangible assets related to that acquisition, and third to reduce income tax expense. As the Company has no goodwill recorded in the U.S. GAAP financial statements for the acquisitions made, the tax-deductible goodwill realized in the tax return has been applied to reduce the intangible assets (concession rights) related to the respective acquisitions. Also, for U.S. GAAP purposes, the Company reversed the deferred tax on the basis difference of goodwill, recorded as deferred tax assets under Brazilian accounting practices.

f) Operating income

- (i) Interest income (expenses)

Under Brazilian accounting practices, interest income and expenses, including foreign exchange and monetary variations, are required to be shown as part of operating income. Under U.S. GAAP, such interest income and expenses would be shown after operating income.

- (ii) Nonoperating income (expenses)

The nonoperating income (expenses) presented in the income statement under Brazilian accounting practices would be classified within operating income for U.S. GAAP purposes.



g) Earnings per share

The computation of earnings per share under Brazilian accounting practices is based on the number of shares outstanding at the end of each year and it is not adjusted retroactively for the effects of stock dividends and stock splits.

Under U.S. GAAP, earnings per share are determined based upon the weighted-average number of shares outstanding during the year, giving retroactive effect to stock dividends and stock splits. The calculation of earnings per share under U.S. GAAP is shown together with the reconciliation of net income between Brazilian accounting practices and U.S. GAAP. The Company does not have any potentially dilutive securities.

	<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>
U.S. GAAP net income	<u>77,189</u>	<u>87,280</u>
Weighted-average common thousand shares outstanding during the year	68,889	68,889
Basic and diluted earnings per share (per thousand shares)	1.1205	1.2670

h) Escrow deposits

Under Brazilian accounting practices, the balances of escrow deposits are offset against the “Accrual for contingencies” account in noncurrent liability. Under U.S. GAAP, these balances are recorded gross as escrow deposits and accrual for contingencies. As a consequence, noncurrent assets and liabilities under U.S. GAAP would be increased by R\$177 and R\$766 at December 31, 2007 and 2006, respectively. This U.S. GAAP difference has no net income or equity effect.

IV - Supplemental disclosures required by U.S. GAAP

a) Impairment of long-lived assets

For U.S. GAAP purposes, beginning January 1, 2002 the Company adopted SFAS No. 144, “Accounting for the Impairment or Disposal of Long-lived Assets”. In accordance with this Statement, the Company periodically evaluates the carrying value of its long-lived assets held, and in use, when events and circumstances warrant such a review. The carrying value of long-lived assets is considered impaired when the expected undiscounted cash flows from such assets are less than the carrying value of the assets. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the assets.

No impairment has been recorded for the years presented.

b) Number of shares

The number of common shares issued and outstanding at year ended December 31, 2007 and 2006 is 68,889.

c) Intangible assets subject to amortization

The Company's intangible assets subject to amortization, under U.S. GAAP, is comprised of the concession rights acquired through business combinations.

	<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>
Amounts recorded under U.S. GAAP:		
Gross	513,982	604,498
Accumulated amortization	<u>(94,588)</u>	<u>(56,134)</u>
Net	419,394	548,364
Net amounts recorded under Brazilian accounting practices	<u>370,133</u>	<u>408,703</u>
Net differences between Brazilian accounting practices and U.S. GAAP	<u>49,261</u>	<u>139,661</u>
Weighted-average amortization period (years) - U.S. GAAP	<u>14.8</u>	<u>14.3</u>

Under U.S. GAAP, the aggregate amortization expense for the above intangible assets amounted to R\$38,454 and R\$14,512 for the years ended December 31, 2007 and 2006, respectively.

The estimated aggregate amortization expense of these intangible assets under U.S. GAAP for the next years is as follows:

2008	39,199
2009	39,199
2010	39,199
2011	39,199
2012	39,199
Thereafter	<u>223,399</u>
Total	<u>419,394</u>

d) Statements of cash flows

Under the Brazilian accounting practices, the disclosure of the statements of cash flows is presented as supplementary information and for U.S. GAAP purposes, such presentation is required. The statements of cash flows are prepared in accordance with Brazilian accounting practices which is in line with International Accounting Standard No. 7.

e) Leasing transactions

The Company entered into certain capital lease transaction as a form to finance the acquisition of property and equipment.

The following table summarizes the assets recorded under capital leases:

	Annual depreciation rate - %	2007			2006
		<u>Cost</u>	<u>Depreciation</u>	<u>Net</u>	<u>Net</u>
Furniture, fixtures and installations	20	<u>9,300</u>	<u>4,770</u>	<u>4,530</u>	<u>6,390</u>

As of December 31, 2007, the future lease payments under these capital leases amounts to R\$6,970 and are due as follows:

2008	2,732
2009	2,732
2010	<u>1,506</u>
Total	<u>6,970</u>

There are no sublease rentals to be received and the Company is not subject to contingent rent pursuant to these lease agreements. Under U.S. GAAP, the interest expense of these capital leases recorded for the years ended December 31, 2007 and 2006 amounted to R\$79 and R\$2,314, respectively.

f) New pronouncements

In July 2006, the FASB issued FIN No. 48, “Accounting for Uncertainty in Income Taxes”, which prescribes a comprehensive model for how a company should recognize, measure, update and disclose in its financial statements uncertain tax positions that the Company has taken or expects to take on a tax return (including a decision whether to file or not file a return in a particular jurisdiction). Under the Interpretation, the financial statements will reflect expected future tax consequences of such positions presuming the taxing authorities’ full knowledge of the position and all relevant facts, but without considering time values. The adoption of FIN No. 48 did not have any impact on the Company’s financial statement.

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements”, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of this Statement apply to other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. Upon adoption, its provisions are to be applied prospectively with limited exceptions. No material impact is expected with the adoption of SFAS No. 157.

In February 2008, the FASB issued FASB Staff Position (FSP) FAS No. 157-1, which amends SFAS No. 157, to exclude SFAS No. 13 and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under SFAS No. 13. However, this scope exception does not apply to assets acquired and liabilities assumed in a business combination that are required to be measured at fair value under SFAS No. 141 or No. 141R (revised 2007), regardless of whether those assets and liabilities are related to leases. FSP FAS No. 157-1 shall be effective upon the initial adoption of SFAS No. 157. No material impact is expected with this adoption.

In February 2008, the FASB issued FSP FAS No. 157-2, which delays the effective date of SFAS No. 157, for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The delay is intended to allow the Board and constituents additional time to consider the effect of various implementation issues that have arisen, or that may arise, from the application of SFAS No. 157. This FSP defers the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP. No material impact is expected with the adoption of FSP FAS No. 157-2.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities”, which allows entities the option to measure eligible financial instruments at fair value as of specified dates. Such election, which may be applied on an instrument by instrument basis, is typically irrevocable once elected. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007, and early adoption is allowed under certain circumstances. The Company elected not to apply the fair value option to any of its financial assets or liabilities.

In December 2007, the FASB issued SFAS No. 141R (revised 2007), which replaces SFAS No. 141. SFAS No. 141R establishes the requirements for how an acquirer recognizes and measures the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquire and the goodwill acquired, and also establishes disclosure requirements for business combinations. SFAS No. 141R applies to business combinations for which the acquisition date is on or after December 15, 2008. For business combinations in which the acquisition date was before the effective date of this Statement, the acquirer shall apply the requirements of SFAS No. 109, as amended by this Statement, prospectively. That is, the acquirer shall not adjust the accounting for prior business combinations for previously recognized changes in acquired tax uncertainties or previously recognized changes in the valuation allowance for acquired deferred tax assets. The Company is evaluating the potential impact on its consolidated financial statements upon adoption of SFAS No. 141R.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities - an amendment of SFAS No. 133”. SFAS No. 161 requires enhanced disclosures about an entity’s derivative and hedging activities and thereby improves the transparency of financial reporting. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008. The Company will begin applying this statement as circumstances arise.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

OBRASCON HUARTE LAIN BRASIL LTDA. AND SUBSIDIARIESSTATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006  
(SUPPLEMENTAL INFORMATION)  
(In thousands of Brazilian reais)

	Note	Company		Consolidated	
		2007	2006	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net income		74.878	99.419	74.878	99.419
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization		410	295	200.501	124.267
Amortization of goodwill (negative goodwill) on investments		-	(426)	9.418	10.928
Write-off of investments		20	-	-	-
Net book value of property and equipment written off		-	-	4.075	2.597
Deferred income and social contribution taxes		-	-	3.573	(16.951)
Interest (income) expenses, net		7.779	(4.583)	99.843	44.992
Reversal of deferred revenue		-	-	18	(4)
Equity in subsidiaries	10.a	(94.491)	(96.446)	-	-
Accrual for contingencies		-	-	2.149	-
Interest on capital received from subsidiaries		11.025	-	-	-
Dividends received		186.912	-	-	-
Decrease (increase) in assets:					
Trade accounts receivable		1.083	(1.227)	(4.167)	1.262
Sundry receivables		-	11	-	(3.187)
Inventories		1	-	(265)	(248)
Prepaid expenses		(55)	1	(132)	298
Recoverable taxes		(1.010)	(1.201)	(4.280)	(131)
Other receivables		(3.771)	(307)	(3.626)	2.800
Increase (decrease) in liabilities:					
Trade accounts payable		(291)	1.155	14.166	(17.402)
Payroll taxes		1.168	234	2.468	706
Taxes payable		561	(954)	1.279	(4.836)
Other payables		39	(29)	1.613	(2.573)
Net cash provided by (used in) operating activities		184.258	(4.058)	401.511	241.937
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Increase in restricted deposits		-	-	(1.477)	(2.371)
Redemption of deposits		-	-	8.350	7.707
Acquisition of company, net of acquired cash		-	-	-	(207.807)
Acquisition of property and equipment		(94)	(959)	(250.405)	(188.239)
Increase in intangibles		-	-	-	(149)
Increase in investments	10.a and c	(136.005)	(106.420)	-	-
Receipt of intercompany loan repayment		36.325	20.350	-	-
Intercompany loans repayments		(21.500)	-	-	(97)
Net cash used in investing activities		(121.274)	(87.029)	(243.532)	(390.956)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Loans and financing:					
Borrowings		180.000	-	394.719	247.581
Repayments		(190.383)	-	(539.844)	(82.356)
Payment of concession fee obligations		-	-	(45.874)	(16.289)
Dividends paid		(41.815)	-	(41.815)	-
Net cash provided by (used in) financing activities		(52.198)	-	(232.814)	148.936
<b>INCREASE (DECREASE) IN CASH, NET</b>		10.786	(91.087)	(74.835)	(83)
<b>CASH AT BEGINNING OF YEAR</b>		9.018	100.105	139.274	139.357
<b>CASH AT END OF YEAR</b>		19.804	9.018	64.439	139.274
<b>SUPPLEMENTAL INFORMATION</b>					
Cash paid in the year:					
Interest paid		10.506	123	62.733	27.789
Income tax		297	2.767	48.048	48.621
Purchase of company:					
Acquired assets, including goodwill		-	-	-	(351.277)
Liabilities assumed		-	-	-	141.602
Purchase price		-	-	-	(209.675)
Acquired cash		-	-	-	1.868
Purchase price, net of acquired cash		-	-	-	(207.807)

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# **OBRASCON HUARTE LAIN BRASIL S.A.**

## **MANAGEMENT REPORT FOR THE FISCAL YEAR ENDED ON DECEMBER 31, 2007**

It is with great pleasure that we present, to Shareholders, Obrascon Huarte Lain Brasil S.A.'s Management Report, concerning the fiscal year ended on December 31, 2007.

### **1. BUSINESSES AND ACTIVITIES CONTEXT**

#### **OUR ACTIVITIES**

OHL Brasil is the largest road operator in the country in terms of managed kilometers, with 3,225 km located in the country's main economic center, with a high population density.

Before the Federal Road Auction promoted by ANTT in October 2007, we held a 100% stake in 4 concessionaires (Autovias, Centrovias, Intervias, and Vianorte). These concessionaires are located in the state of São Paulo, on a 1,147 km segment, with remaining concession terms of approximately 11 and 21 years.

After having won all 5 auctions in which we took part, out of the 7 lots auctioned, we started to manage a total of 9 toll roads in Brazil, corresponding to approximately 26% of the total kilometers under concession in the country. At the same time, we raised the average term of our concession portfolio from 14 years to 20 years.

In addition to concessionaires, we hold 100% of SPR – Sociedade para Participações em Rodovias S.A.; 100% of construction companies Latina Manutenção de Rodovias Ltda. and Paulista Infra-Estrutura Ltda, companies for the inspection and management of works and road maintenance; and 4.68% of STP – Serviços e Tecnologia de Pagamentos S.A, a company whose purpose is developing businesses related to the electronic toll collection system within the national scope.

Our growth strategy foresees our participation in new bidding processes for infrastructure concessions in the transportation segment, our participation in PPP (Private-Public Partnerships) processes, as well as the possibility of acquiring already-existing concessionaires.

#### **MARKET**

Toll road concession programs began in 1994, when the federal and state governments established programs aiming at avoiding road damage and promoting the growth and improvement of the road network through private sector investments.

Updating and expansion investments of the road network impacted from these programs are accomplished with resources from toll collection and from long-term financing loans –

Project Finance – granted by domestic and foreign Development Banks, together with capital inputs accomplished by the concessionaires' shareholders.

There are currently 43 toll roads under concession in Brazil, including state and federal, with approximately 13,000 kilometers operated by the private sector, taking into account the last auction held by ANTT, in October 2007.

Moreover, the government of the state of São Paulo, by means of the Transport Secretariat and ARTESP, shall promote a new Concession Program of State Roads. The Government intends to grant 5 lots, totaling 1,500 km. These roads are Dom Pedro I, Ayrton Senna/Carvalho Pinto, Raposo Tavares, and Marechal Rondon (divided into eastern and western sections). The chosen concession system is a the fixed grant with disputes over the lower fee. The public notice should be issued between the end of February and beginning of March. The agreements must be executed in July, and the term of the concessions will be 30 years.

The government of Minas Gerais, by means of the Procedure for Expressing Interest (PMI), presented 16 lots to the market, totaling 7,000 km of roads to be bid on in the second half of 2008. Contrary to what has been practiced with the latest projects in São Paulo and in Brazil, the government of Minas Gerais did not define a concession model, allowing both the possibility of common concession and through a Public-Private Partnership.

Additionally, the federal government has showed interest in promoting the third stage of federal road concessions. Such a program would grant the private sector another 4,059 km of roads, divided into two stages that remain under study by the government, which in turn intends to conclude the entire process within 2008.

Before this, it is expected that the public notices for one bid of federal roads – BR-116 and BR-324 – in Bahia will be issued by May of this year, amounting to 637 km, with a 25-year term.

Thus, we can conclude that the road concession sector in the country is going through an important moment of expansion, since approximately 12,000 km shall be transferred to private administration, essentially doubling its current extension of toll roads granted by public authorities.

## **2. ECONOMIC CONJUNCTURE**

In 2007, there was a series of turbulences in the international financial markets. The U.S. real estate crisis, especially in credit to the high-risk segment, generated material losses to large financial institutions abroad and caused some apprehensiveness as to the future development of the world economy.

However, the Brazilian economy kept growing for the 15<sup>th</sup> consecutive year, propelled by the acceleration of domestic demand, especially as a response to the expansion of the salary

workforce in several segments of the economy and to its evolution in the national credit market. Also, data on investments suggest a consistency in the current economic growth process. In 2007, GDP grew by 5,4% versus 3.8% in 2006 and an average of 3.0% between 1993 and 2005. Market outlooks point to a 4.5% increase in 2008.

Inflation control allowed for new cuts in the basic interest rate – SELIC, which ended 2007 at 11.25% p.a., lower than the 13.25% p.a. recorded at the end of 2006. Inflation measured by IPCA/IBGE in 2007 reached 4.6% versus 3.1% in 2006. According to IGP-M/FGV, prices increased 7.8% in 2007 (3.8% in 2006). The IGP-M is the inflation index that restates toll fees in our concessions in the state of São Paulo, and the IPCA will be the index for fees on federal roads now managed by OHL Brasil.

### **3. MATERIAL FACTS ABOUT OUR RESULTS**

Our business evolution is directly related to the Brazilian economic scenario, since the volume of road traffic is historically related to the economic growth of the country.

Traffic on our toll roads increased by 8.6% in 2007, above the 2007 GDP, which is going to be approximately 5%, and above the traffic of vehicles in Brazilian concessions, which grew by 6.2%, according to the Brazilian Association of Road Concessionaires – ABCR.

In addition to traffic growth, other aspects that significantly affected our businesses in 2007 were:

- (i) A 4.4% toll tariff readjustment in concessions of the state of São Paulo on July 1, 2007;
- (ii) The incorporation of 12-month results from the operations of concessionaire Vianorte S.A., versus only 1 month in 2006; and
- (iii) The implementation of a new toll plaza in concessionaire Autovias (“Praça de Santa Rita”) in July 2007.

### **4. MARKET MAKER HIRING**

On January 22, 2007, we hired Ágora Sênior Corretora de Títulos e Valores Mobiliários as Market Maker.

The hiring of this Market Maker contributed to an increase in traded volume, an improvement in liquidity, and a reduction in the volatility of our shares on the market, in view of the Market Maker’s reference price policy.

### **5. FEDERAL ROAD AUCTIONS (SECOND STAGE OF THE FEDERAL CONCESSION PROGRAM)**



On October 9, 2007, we took part in the Public Bid of 7 Auctions of Federal Roads promoted by ANTT on BOVESPA. Sections of federal roads totaling 2,600.8 km were auctioned, and the winners were bidders who offered the lowest fee and who met all technical, operating, organizational, and financial prerequisites. Among such roads are two of the most important Brazilian roads, Fernão Dias, which connects Belo Horizonte (state of Minas Gerais) with São Paulo (state of São Paulo), and Régis Bittercourt, which connects the capital of the state of São Paulo with Curitiba (state of Paraná).

We were the winners of the bids related to the concessions of all 5 road lots in which we took part:

- (i) Lot 02, between the city of Curitiba and the border of the states of Santa Catarina and Rio Grande do Sul (BR-116/Paraná and Santa Catarina)
- (ii) Lot 04, between the Rio-Niterói bridge and the limit of the states of Rio de Janeiro and Espírito Santo (BR-101/Rio de Janeiro)
- (iii) Lot 05, Fernão Dias road (BR-381/Minas Gerais and São Paulo)
- (iv) Lot 06, Régis Bittencourt road (BR-116/São Paulo and Paraná)
- (v) Lot 07, between the cities of Curitiba and Florianópolis (BR-116/376/Paraná and 101/Santa Catarina)

Having observed the conditions set forth in each one of the public notices for the bids, and having complied with the schedules therein, the ratification of concession agreements occurred on December 13, 2007.

After the Grating Acts favoring OHL Brasil were issued by ANTT on February 14, 2008, the Agency executed concession agreements with the Special Purpose Entities (Concessionaires) created by the Company, granting them the right to explore and control sections of the toll roads that compose each of the lots for a 25-year term.

Investments in these toll roads are essential for improving Brazil's roadway infrastructure, and they shall be destined to construction works and to the implementation of services throughout the corridors which connect the most important economic centers in the country. These investments will directly reflect on the quality of Brazilian road transportation, which is vital for the country's competitiveness, improving toll roads in terms of safety, speed, economy, and comfort.

With the new concessions, we intend to obtain, after reaching these goals, the same approval indexes (94%) verified among users of our toll roads in the northern region of the state of São Paulo.

## **6. ECONOMIC-FINANCIAL PERFORMANCE**

### **GENERAL ASPECTS**

In 2007, our net income totaled R\$615.8 million, the Adjusted EBITDA was R\$382 million and Net Income was R\$74.9 million, versus R\$430.3 million, R\$277.5 million, and R\$99.4 million in 2006, respectively. These amounts correspond to variations of +43.1%, +37.7%, and -24.7%, respectively.

#### **GROSS SERVICES REVENUE**

In the fiscal year ended on December 31, 2007, gross service revenues increased 43.2%, from R\$471.3 million in 2006 to R\$675 million in 2007. Had the acquisition of Vianorte occurred on January 1, 2006, gross revenue would have increased 13.2%.

The following table shows the increase in our gross service revenues, as well as the contribution of each of our concessionaires to the total toll gross revenue earned in each year.

<b>Gross revenue (R\$ thousand)</b>	<b>2007</b>	<b>2006</b>	<b>Var. 07/06</b>
<b>Toll Revenue</b>	<b>667,329</b>	<b>465,634</b>	<b>43.3%</b>
Autovias	162,489	131,091	24.0%
Centrovias	151,887	137,006	10.9%
Intervias	198,123	184,879	7.2%
Vianorte	154,830	12,658	1,123.2%
<b>Ancillary Revenue</b>	<b>7,660</b>	<b>5,697</b>	<b>34.5%</b>
<b>Total Gross Revenue</b>	<b>674,989</b>	<b>471,331</b>	<b>43.2%</b>

\* see note (iv) below.

This R\$203.7 million increase when compared to 2006 was due to the following factors:

- (i) R\$31.4 million resulting from the 53.2% increase in traffic and -19.1% in Autovias' average tariff;
- (ii) R\$14.9 million resulting from the 8.4% growth in traffic and of 2.3% in Centrovias' average tariff;
- (iii) R\$13.2 million resulting from the growth of 5.6% in traffic and of 1.5% in Intervias' average tariff;
- (iv) R\$142.2 million resulting from the incorporation of 12-month results from Vianorte, versus only December in 2006 in that year's results; and
- (v) R\$2 million resulted from the 34.5% increase in ancillary revenues.

On July 1, 2007, concessionaire Autovias started operating the new Santa Rita toll plaza. This toll plaza was an "extension" of the São Simão plaza, and thus the tariff charged at the São Simão Plaza was reduced by 50%, and the other half is now being charged at the Santa Rita plaza, causing a reduction in Autovias' average tariff as of 3Q07, despite the increase in tolled traffic.

Additionally, it is worth informing that in 2007, traffic in concessionaire Vianorte grew by 5.8% in pro-forma terms compared to 2006, considering its acquisition on January 1, 2006.

## DEDUCTIONS FROM SERVICES RENDERED AND NET REVENUES

Our net services revenues increased 43.1% from R\$430.3 million in 2006 to R\$615.8 million in 2007. Had the acquisition of Vianorte occurred on January 1, 2006, our net revenue would have grown 13.1%.

The table below presents the breakdown of our net service revenue by concessionaire.

Net Services Revenue (R\$ thousand)	2007	2006	Var. 07/06
Autovias	149,677	120,778	23.9%
Centrovias	139,809	126,487	10.5%
Intervias	183,650	171,451	7.1%
Vianorte	142,677	11,619	1,128.0%
<b>Total Net Revenue</b>	<b>615,813</b>	<b>430,335</b>	<b>43.1%</b>

The taxes incurred on our gross service revenue increased by 44.3%, from R\$41 million in 2006 to R\$59.2 million in 2007. As a percentage of the gross service revenues, such taxes represented 8.7% of gross services revenues in 2007.

## TOTAL COSTS

Total costs (cost of services rendered plus general, administrative, and tax expenses) grew by 50.4%, or R\$130.3 million in 2007, compared to 2006. If accounting for the acquisition of Vianorte on January 1, 2006, total costs would have increased by 11.7%.

Total Costs* (R\$ thousand)	2007	2006	Var. 07/06	2006 Pró-Forma	Var. 07/06 Pró-Forma
Personal	(54,693)	(41,255)	32.6%	(50,599)	8.1%
Professional/Outsourced Serv, others	(107,432)	(75,443)	42.4%	(96,865)	10.9%
Depreciation and Amortization	(162,379)	(112,633)	44.2%	(140,787)	15.3%
Fixed Concession Charge Paid	(38,122)	(11,634)	227.7%	(38,085)	0.1%
Variable Charge	(20,752)	(14,788)	40.3%	(18,536)	12.0%
Taxes Expenses	(5,563)	(2,844)	956.0%	(3,367)	65.2%
<b>Total Costs*</b>	<b>(388,941)</b>	<b>(258,597)</b>	<b>50.4%</b>	<b>(348,239)</b>	<b>11.7%</b>

\* Total of: Cost of Service Provided, G&A, including remuneration of the Board of Directors and Management and Tax Expenses.

Pró-Forma: Considering the acquisition of Vianorte in 01/01/2006

The R\$130.3 million growth in the Company's total costs is mainly due to the following factors:

- (i) R\$89.6 million resulting from the incorporation of 11 months of the 2006 costs in Vianorte, for comparison purposes;
- (ii) R\$21.6 million resulting from the finalization and consequent start of the depreciation of several works executed in our concessionaires during 2007, especially in concessionaire Vianorte;
- (iii) R\$4.1 million with Personnel expenses, mainly resulting from the 4% collective wage bargaining in March 2007, from the staff increase and salary

- readjustments, from the profit sharing and results and from contractual rescissions occurred at Vianorte;
- (iv) R\$10.6 million with costs and expenses from professional services, outsourced services, routine maintenance and other, especially through the readjustment of agreements executed in the year, and the start of operations of the new toll plaza on Autovias (Santa Rita);
  - (v) R\$2.2 million resulting from the increase of variable charge cost, due to the gross revenue growth of concessionaires; and
  - (vi) R\$2.2 million for the increase in tax expenses essentially for CPMF expenses (Brazilian excise tax) for financing operations in Autovias and Intervias.

#### NET FINANCIAL INCOME (EXPENSES)

Our net financial expenses went from R\$35.6 million in 2006 to R\$97.3 million in 2007; a 173.7% increase. The following table shows the breakdown of our net financial revenues (expenses) for the years 2007 and 2006:

Financial Result (R\$ thousand)	2007	2006	Var. 07/06
<b>Financial Revenue</b>	<b>11,895</b>	<b>17,940</b>	<b>-33.7%</b>
<b>Financial Expenses</b>	<b>(109,153)</b>	<b>(53,518)</b>	<b>104.0%</b>
BNDES/CEF	(33,345)	(30,246)	10.2%
Other Financial Revenue	(39,429)	(16,079)	145.2%
Monetary Correction of Fixed Concession Charge	(36,379)	(7,193)	405.8%
<b>Net Exchange Variation</b>	<b>(66)</b>	<b>22</b>	<b>-400.0%</b>
<b>Net Financial Result</b>	<b>(97,324)</b>	<b>(35,556)</b>	<b>173.7%</b>
% Net Revenue	-15.8%	-8.3%	

The R\$61.8 million growth in our net financial result resulted in the following factors:

- (i) A R\$6.0 million reduction in consolidated financial income, resulting from the decrease in the period's cash balance and in yield rates of financial investments;
- (ii) A R\$12.1 million increase, due to the incorporation of 11 months of Vianorte and a R\$9.0 million reduction for the partial amortization of debt with BNDES/CEF, resulting in a net increase of R\$3.1 million;
- (iii) A R\$23.4 million increase in other financial expenses mainly due to expenses with interest from the increase of the company's indebtedness, related to the acquisition of Vianorte; and
- (iv) A R\$29.2 million growth in the monetary correction of fixed concession charge due to the strong increase in General Market Price Index (IGP-M) variation during 2007 compared to 2006, especially in the second half of the year.

#### NET INCOME

In 2007, net income decreased by 24.7%, from R\$99.4 million in the year ended on December 31, 2006 to R\$74.9 million in the year ended on December 31, 2007.

We highlight below the main points that explain this income reduction:

- (i) In 2006, we set up a deferred tax credit provision worth R\$22.4 million relating to goodwill utilization, already amortized on an accounting basis, in the acquisition of concessionaires Autovias, Centrovias, and Intervias. Without such a provision in 2006, net income in 2007 would have decreased 2.8%;
- (ii) Other factors which contributed to reduce the 2007 net income were increased expenses with amortization and depreciation due to the volume of new investments; and financial expenses related to the increase in the company's indebtedness and average inflation (IGP-M) in the period.

#### **EBITDA and ADJUSTED EBITDA**

Adjusted EBITDA increased by R\$104.5 million, or 37.7%, from R\$277.5 million in 2006 to R\$382 million in 2007. Considering the acquisition of Vianorte on January 1, 2006, Adjusted EBITDA would have grown by 15.7%.

The table below shows the EBITDA and Adjusted EBITDA calculations:

<b>EBITDA and Adjusted EBITDA</b> <b>(R\$ thousand)</b>	<b>2007</b>	<b>2006</b>	<b>Var.</b> <b>07/06</b>	<b>2006</b> <b>Pró-Forma</b>	<b>Var. 07/06</b> <b>Pró-Forma</b>
<b>Net Revenue</b>	<b>615,813</b>	<b>430,335</b>	<b>43.1%</b>	<b>544,369</b>	<b>13.1%</b>
Cost of Services Provided	(320,434)	(214,639)	49.3%	(292,647)	9.5%
Amort. and Depreciation	200,501	124,267	61.3%	178,871	12.1%
Others Revenues	84	168	-50.0%	168	-50.0%
Operating Revenue (Expenses)*	(67,922)	(43,958)	54.5%	(55,592)	22.2%
<b>EBITDA</b>	<b>428,042</b>	<b>296,173</b>	<b>44.5%</b>	<b>375,169</b>	<b>14.1%</b>
Fixed Concession Charge Paid	(46,057)	(18,688)	146.5%	(45,139)	2.0%
<b>Adjusted EBITDA</b>	<b>381,985</b>	<b>277,485</b>	<b>37.7%</b>	<b>330,030</b>	<b>15.7%</b>
Adjusted EBITDA Margin	62.0%	64.5%		60.6%	

\* Total of: Cost of Service Provided, G&A, including remuneration of the Board of Directors and Management and Tax Expenses and Other Oper. Revenues  
Pró-Forma: Considering the acquisition of Vianorte in 01/01/2006

The Company's Adjusted EBITDA margin in 2007 stood at 62%, a 2.5 percentage point decrease versus the 64.5% recorded in 2006, mainly due to the incorporation of Vianorte's results, which showed lower margins when compared to the rest of our concessionaires. Similarly, in pro-forma terms, if accounting for the acquisition of Vianorte in January 2006, the Adjusted EBITDA margin would have increased by 1.4 percentage points, from 60.6% to 62.0%.

#### **INVESTMENTS**

The cash flow of investments in 2007 in our concessionaires totaled R\$250.4 million. Approximately 33% of these investments were carried out by Centrovias, with 24% by

Intervias, 23% by Vianorte, and 20% by Autovias, in compliance with the investment schedule of each concessionaire.

In Autovias, we worked on the execution of side ways of SP-330 and also implemented loops, additional lanes, and paving and highway facility renovations (special maintenance). We also extended the São Simão Toll Plaza on SP-330.

In Centrovias, we invested in duplication works for SP-225, which was concluded in December 2007.

In Intervias, we recovered paving on SP-330 (Second Intervention), completed the implementation of an additional lane on SP-215, and continued duplication works on SP-147 with SP-191, including the implementation and widening of viaducts and the remodeling of intersection and return facilities.

Vianorte has performed recovery and renovation works and facilities along SP-330, as well as the recovery of bridges and viaducts, and has completed the drainage works and the implementation of a pedestrian overpass.

We have updated our investment projections, which will be focused on complying with our obligations resulting from state concession agreements over the next five years. With this, we estimate to invest R\$210 million in 2008 and R\$285 million between 2009 and 2012.

As for recently-acquired federal roads, nearly R\$4.2 billion will be invested in recently-acquired federal roads between 2008 and 2012, largely for the recovery of road infrastructure, toll plazas, equipment, vehicles, CCOs, lane duplication, and the construction of overpasses, cloverleaves, and contours. For the 2013-33 period, investment forecasts will be R\$2.2 billion, destined to maintain the entire infrastructure and the construction of third lanes where necessary, in order to accommodate traffic increases.

#### **FINANCIAL POSITION**

The Company's consolidated net debt (loans and financings less cash, banks, and financial investments) was practically stable, going from R\$429.1 million on December 31, 2006 to R\$429.7 million in December 2007.

However, there has been a significant improvement in our debt profile. Gross indebtedness decreased by R\$79.3 million, totaling R\$510.5 million. Out of our debt at the end of each period, 77.2% was allocated in the long-term at the end of 2007, versus 44.5% observed at the end of 2006.

The Company's total indebtedness on December 31, 2007 is denominated in reais: 56.3% correspond to agreements with BNDES and CEF, with long-term maturities and interest linked to the Long-Term Interest Rate (TJPL); 42.6% corresponds to agreements linked to CDI; and 1.1% correspond to agreements with fixed charges and other.

Our net debt/Adjusted EBITDA ratio (past 12 months) decreased from 1.5x in December 2006 to 1.1x in December 2007.

## **7. DIVIDENDS**

Our shareholders have the right to receive at least a 25% mandatory dividend of the net income for the year, adjusted pursuant to article 202 of the Corporate Law. Should the management bodies inform the annual general meeting that the distribution of dividends is not compatible with our financial condition, the shareholders will decide in favor or against the distribution.

The Annual General Meeting held on April 19, 2007 approved the payment of dividends referring to the fiscal year ended on December 31, 2006, as well as the payment of profits realized in 2005, which so far were recorded under realizable profits reserve, which amounted to R\$41.8 million, corresponding to R\$0.60746801835 per common share.

The distribution of dividends to Shareholders was carried out on May 7, 2007, and the Company's shares are now being traded "ex-dividends" as of April 20, 2007.

## **8. HUMAN RESOURCES**

The Company considers its human resources at all levels to be a relevant asset that is fundamental for the achievement of its goals and for continuous growth in strategic markets; the timely and adequate fulfillment of the obligations settled in its agreement with the Granting Authority; the maintenance of a satisfactory relationship with the communities in which the concessionaires operate; the quality fulfillment of user needs and the expectations of profitability, remuneration, and good governance required by the market, shareholders, and investors.

The Company and its subsidiaries had, in December 2007, 1,392 employees, versus 1,350 in December 2006.

The payment of the Profit Sharing Program (PLR) referring to the fiscal year 2007 will be carried out in 2008, according to criteria set forth by the current legislation, such as performance, attendance, level of responsibility, and service years.

We maintain permanent training programs for our employees, especially those allocated in operational areas.

## 9. SOCIAL RESPONSIBILITY

By means of its concessionaires, OHL Brasil develops socio-environmental initiatives involving education, health, culture, and the environment, especially with the communities in which the concessionaires operate.

### EDUCATION

In 2007, OHL Brasil's educational projects were carried out in the concessionaires managed by us in the state of São Paulo, reaching 113 thousand students and counting on the support of 4,723 teachers of 207 public schools in 44 cities in the interior of the State of São Paulo.

These educational projects offer an innovative view on themes and highlights on teachings that value and motivate respect for life. Humanizing traffic by means of education is the path we have chosen in order to raise awareness among youth and to educate adults towards respect and value for life.

### HEALTH

The Health Program for Truck Drivers is an activity focused on users who drive on roads managed by our concessionaires. Its goal is to offer them access to guidance and health exams that can alert them to problems that might interfere with the exercise of their jobs.

By December 2007, 106 thousand drivers were assisted. The programs received different names in each concessionaire, but the idea is the same:

- (i) *Health on the Road* on Autovias;
- (ii) *Pit Stop* on Vianorte;
- (iii) *More Health on the Road* on Centrovias and
- (iv) *Health in the Driver's Seat* on Intervias

We maintain partnerships with public companies and institutions, enabling the conduction of cholesterol, diabetes, triglyceride, and blood pressure exams; vaccination; dental treatment; evaluation and procedures with specialized podiatrists; orientations on sexually-transmitted diseases; condom distribution, etc.

### CULTURE

The cultural projects prepared by our concessionaires aim at promoting culture in the regions covered by toll roads managed by the concessionaires, with support founded mainly on the tax waiver of the Rouanet Law.

The main projects supported in 2007 were:

- (i) *Orquestra Sinfônica de Ribeirão Preto* (the Symphonic Orchestra of Ribeirão Preto), an institution that will celebrate its 70<sup>th</sup> anniversary in 2008



- and that, in 2007, produced and presented the opera *Il Rigoletto* with the support of OHL Brasil;
- (ii) *Porta-Luvas Magazine*, with six issues, each one with a total circulation of one million units, distributed at toll plazas, educational institutions, the Ministry of Culture, etc. The magazine is an initiative of Emaná Cultura;
  - (iii) *Recovery of paintings by Benedito Calixto*, in the city of Bocaína (State of São Paulo);
  - (iv) *Doutores da Alegria* (“Happiness Doctors”), a group that promotes ludic activities with hospital patients in order to help them recover;
  - (v) *Oficina de Leitura* (“Reading Workshop”), a Project developed in Ribeirão Preto.

## ENVIRONMENT

OHL Brasil conducts several measures for education and awareness directed at both its employees and to society at large, either by supporting projects developed in the regions where it operates or by managing environmental issues.

We can highlight the plantation of over 825,000 native tree seedlings by December 2007, carried out mainly in areas of degradation of riparian forests, which contributes to the recovery of such areas.

Additionally, by means of Autovias, we have settled an agreement with Jardim Zoobotânico de Franca (Zoobotanical Garden of the city of Franca) to produce seedlings and redwood promotion programs, and we sponsored the environmental education program called *Mergulho na Bacia* (“A Dive into the Basin”), carried out in the cities of Jaú and Dois Córregos.

The *Via das Águas* (“Water Path”) program, implemented by Autovias, was recognized by IBTTA and received the Toll Excellence Award 2007 for social responsibility.

Vianorte’s *Carbon Free* program received an honorable mention at 5<sup>o</sup> Benchmarking Ambiental Brasileiro (5<sup>th</sup> Brazilian Environmental Benchmarking event), for the carbon neutralization carried out at km 358 of the Armando de Salles Oliveira road.

## TOURISM INCENTIVE

*Incentivo ao Turismo* (“Tourism Incentive”) was initially created to meet the requirement to obtain an environmental license for the construction works of the SP 225 duplication, and it served the cities of:

- (i) Brotas: The acquisition of IT furniture and equipment for the Environmental Interpretation Center – CIAM; the signalization of accesses to tracks and tourist attractions; the construction of the city’s portal and preparation of environmental mapping, in addition to the training and qualification of technicians to work at the CIAM.

- (ii) Dois Córregos: Construction of the Águas do Lajeado Environmental Park, which includes the construction of the administrative building, bathrooms, a pier, and a portal.
- (iii) Itirapina: The reconstruction of the old train station for the installation of Comtur, a tourist information station, and the craftsman's house.

At the same time, other initiatives were developed, such as:

- (i) The propagation of the regional tourist guides “Caminhos do Tietê” (“Tietê Ways”), in the region of Jaú, and “Chapada Guarani” (“Guarani Plateau”) in the region of São Carlos, by means of toll receipts.
- (ii) Sponsoring of the São Carlos Tourist Map.

#### **SUPPORT TO CITIES**

The goal is to promote measures that potentialize positive impacts related to the development of cities affected by works of expansion or improvement of the roadway system. It consists of seminars, studies, research, and debates, among others.

The program was developed by Centrovias and is comprised of two seminars: *Aqüífero Guarani – Sustainable Handling and Social Control* and *Sustainable Development – Water Resources, Transportation, Master and Tourism Plans*. Moreover, three studies are being conducted by Fundação Unesp in order to serve the cities of Brotas, Dois Córregos, and Itirapina, for the organized occupation of the soil, legislation to implement the master plan, and orientations about the preparation of the master plan.

#### **SUPPORT TO SOCIAL INSTITUTIONS**

OHL Brasil recognized the work of several entities that provide social assistance in order to promote social inclusion and citizenship. In 2007, OHL Brasil supported the following projects:

- (i) *NGO Vida Nova - Casa das Mangueiras*, in Ribeirão Preto;
- (ii) *Centro de Voluntariado* in Ribeirão Preto;
- (iii) *Nosso Lar* in São Carlos;
- (iv) *Projeto Esporte Cidadão* and *ABCD Bandeirantes* in Rio Claro.

### **10. CVM INSTRUCTION 381/2003**

In compliance with Instruction 381/2003 issued by the Brazilian Securities and Exchange Commission (CVM), we inform that regarding the fiscal year ended on December 31,

2007, our Independent Auditors were hired only to provide external auditing services regarding the Company's financial statements.

#### **11. COMMITMENT CLAUSE**

The Company is linked to the Market Arbitration Chamber, pursuant to the Commitment Clause in the Bylaws.

#### **12. ACKNOWLEDGMENTS**

We thank our users, employees, shareholders, neighboring communities, governmental institutions, suppliers, service providers, financing companies, and other collaborators.

São Paulo, March 12, 2008.

The Management