KORNMYER ROBIN A
Form 4
January 26, 2006

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
KORNMYER ROBIN A

(Last) (First) (Middle)

5 WESTBROOK CORPORATE CENTER

(Street)

WESTCHESTER, IL 60154

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
CORN PRODUCTS INTERNATIONAL INC [CPO]

3. Date of Earliest Transaction (Month/Day/Year)
01/24/2006

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
VP, CAO & Controller

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative	2. Conversion	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if	4. Transaction	5. Number of Derivative	6. Date Exercisable and Expiration Date	7. Title and Amount of Underlying Securities

Security (Instr. 3)	or Exercise Price of Derivative Security		any (Month/Day/Year)	Code (Instr. 8)		Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		(Month/Day/Year)		(Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Stock Options (Right to buy)	$ 25.825	01/24/2006		A		12,000		01/24/2007 (1)	01/23/2016	Common Stock	12,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
KORNMYER ROBIN A 5 WESTBROOK CORPORATE CENTER WESTCHESTER, IL 60154			VP, CAO & Controller	

Signatures

Marcia E. Doane, Attorney in fact	01/26/2006
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The option vests in two equal annual installments beginning on January 24, 2007

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. he same TDBH's group. According to U.S. GAAP, there is no goodwill generation on business combination which involves companies under common control. In this situation, business combination must be stated at book value of the company acquired or merged.

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r.6. Business Combination – Santo Genovese

On December 24, 2004, the Company acquired control of Santo Genovese Participações Ltda., a closely held company, and owner of 99.99% of the representative share capital of Atrium Telecomunicações Ltda. The purchase price paid was R$113,440, with an additional cost acquisition of R$2,435, totaling the amount of R$115,875. The consolidated assets and liabilities of Santo Genovese as of December 31, 2004 amounted, respectively to R$34,137 and R$38,082. Santo Genovese's net operating revenue and net loss for the year ended December 31, 2004 amounted to R$21,663 and R$(1,259), respectively.

The Company initially recognized goodwill in the amount of R$119,820 and classified the goodwill under other assets in the Balance Sheet for the year ended December 31, 2004. Such goodwill has been amortized under Brazilian GAAP and has been reversed for U.S. GAAP purposes. This transaction was accounted for using the purchase method in accordance with SFAS 141, with the purchase price being allocated to the assets acquired and liabilities assumed based on the respective fair value. Under U.S. GAAP, the allocated fair value related to intangible assets (Customer Portfolio) has being amortized over ten years. For U.S. GAAP purposes, the purchase price of such acquisition was allocated as follows:

	2004 Acquisition
Amounts of the historical net assets of Santo Genovese under U.S. GAAP	(3,945)
Fair Value adjustments:	
Intangible assets – customer portfolio.	55,500
Debt	(5,275)
Goodwill.	86,671
Deferred Income Tax	(17,076)
Purchase Price.	115,875

r.7. Reversal of AIX negative goodwill

Under Brazilian GAAP, negative goodwill from the acquisition of Aix de Participações was amortized over two years as from January 1, 2007. Under U.S. GAAP, since the Aix de Participações shareholders'equity at the date of acquisition was equal to purchase price, no negative goodwill was generated.

r.8. Purchase accounting for the exchange of the Company´s shares for minority interest shares in former subsidiaries Telesp and CTBC

Under Brazilian GAAP, the exchange of all shares issued by the Company for minority interests in Telesp and CTBC was recorded based on the book value of the net assets of Telesp and CTBC, and the purchase price was considered to be the book value of the shares issued. Under U.S. GAAP, the purchase price would be the market value of the shares issued by the Company, and the minority interests acquired would be recorded at the fair value of the net assets. The purchase price of the Telesp and CTBC was R$665,692, lower than the net assets acquired. Under U.S. GAAP this difference reduces the fixed assets. The depreciation expense related to those fixed assets is adjusted in the reconciliation of net income under U.S. GAAP.

r.9. Sale of Ceterp Celular

Under Brazilian GAAP, when Ceterp was purchased it was recorded at the book value of the net assets of Ceterp, and no distinction was made for Ceterp Celular, the cellular phone business of Ceterp. At the time of the purchase of Ceterp, the Company was obligated to dispose of the cellular business

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within six months under the regulatory rules in Brazil. Under U.S. GAAP, EITF 87-11, "Allocation of Purchase Price to Assets to be Sold", when a subsidiary acquired in a purchase is intended to be sold within one year of the purchase date, that subsidiary should be recorded at its non-discounted net realizable value. Therefore, under U.S. GAAP, there would be no gain recognized on the sale of Ceterp Celular. The net income under U.S. GAAP has been adjusted to reflect the reversal of the gain of R$84,264, and the effect on the amortization of concession and depreciation of fixed assets.

s. Derivative instruments

As mentioned in Note 34, the Company contracted foreign currency swap contracts for short and long-term agreements at various exchange rates, in the notional amount of R$494.2 million (US$ 10.9 million, JPY15,042.3 million and EUR 24.8 million) and R$904 million (US$146.4 million, JPY40,029.5 million and EUR4 million) at December 31, 2008 and 2007, respectively. The Company also contracts swaps CDI + 0.35% for the percentage of CDI in the amount of R$1,500 million, flows similar to the debentures issued by company with maturity in 2010. Under Brazilian GAAP, until December 31, 2007, swap contracts were recorded at the notional amount multiplied by the terms of the contract as if they had been settled at the balance sheet date. As from January 1 2008, under Brazilian GAAP, all derivative instruments are recorded in the balance sheet at fair value (see Note 3b).

Under U.S. GAAP, the Company applies SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which was subsequently amended by SFAS Nos. 137 and 138. SFAS No. 133 must be applied to all derivative instruments and certain derivative instruments embedded in hybrid instruments and it requires that such instruments be recorded in the balance sheet either as an asset or liability measured at its fair value. Changes in the derivative's fair value are recognized currently in earnings unless specific hedge accounting criteria are met.

If the derivative is designated as a hedge, depending on the nature of the hedge, changes in the fair value of derivatives that are considered to be effective, as defined, will either offset the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or will be recorded in other comprehensive income until the hedged item is recorded in earnings. Any portion of a change in a derivative's fair value that is considered to be ineffective, as defined, must be immediately recorded in earnings. Any portion of a change in a derivative's fair value that the Company has elected to exclude from its measurement of effectiveness, such as the change in time value of option contracts, will also be recorded in earnings.

Beginning in January 2003, the Company began designating a portion of new derivative contracts as fair value hedges of its foreign currency denominated debt. The Company had R$468.8 million (JPY 15,042.3 million and EUR 24.8 million) as of December 31, 2008 and R$875.7 million (US$130.5 million, JPY 40,029.5 million and EUR4 million) as of December 31, 2007, of notional value cross currency swap contracts with a fair value of R$475.6 million for 2008 (R$912.4 million for 2007) designated as fair value hedges of a portion of the Company´s foreign currency denominated debt. The Company is hedging the related foreign currency (US dollar, Japanese yen and Euro) and interest rate risk associated with such indebtedness. The Company calculates the effectiveness of these hedges both at inception and on an ongoing basis (i.e., at least quarterly). Since these derivative contracts qualify for hedge accounting under U.S. GAAP, the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in earnings. At December 31, 2008 and 2007, the value of the Company's debt subject to these accounting hedges is lower by R$2.5 million and higher by R$2.1 million, respectively, representing the related mark-to-market adjustment, which was recorded in the statement of operations as part of financial income/expense. For the year ended December 31, 2008, no ineffectiveness was included in earnings. Ineffectiveness of R$(1.9 million) for the year ended December 31, 2007, was included in earnings. The U.S. GAAP adjustment reflects differences in the designation of some derivative contracts as fair value hedge under Brazilian GAAP and U.S. GAAP.

The Company's remaining derivative contracts at December 31, 2008 have not been designated as accounting hedges. Such derivatives were also recorded at fair value in the consolidated balance sheets at

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December 31, 2008. The U.S. GAAP adjustment also includes expenses of R$0.08 million in 2008 (income of R$1.25 million in 2007 and R$0.82 million in 2006, respectively) related to the difference between the recorded value of these derivative instruments under Brazilian GAAP and U.S. GAAP.

For the years ended December 31, 2008 and 2007, the Company decided not to contract hedges to nonfinancial liabilities denominated in foreign currencies. The Company, however, is still monitoring the results of such nonfinancial liabilities and may contract new hedges in the future if such nonfinancial exposure becomes relevant or if the Company so decides for any other reason.

t. Deferred charges

Pre-operating expenses recorded as deferred charges for Brazilian GAAP have been expensed for U.S. GAAP purposes. The effects of deferred assets amortization on net income for the years ended on December 31, 2008, 2007 and 2006 are R$8,450, R$5,978 and R$13,425, respectively.

u. Consolidation method

Under Brazilian GAAP, equity investments in joint ventures are consolidated proportionally, according to the Company's interest in each joint venture. Under U.S. GAAP, investments in joint ventures would not be consolidated, but rather recorded under the equity method of accounting. For U.S. GAAP, the Company's investment on the net equity and the equity in net income or loss would be recorded as a singleline item. The investments in Companhia ACT de Participações, Aliança Atlântica and Companhia AIX de Participações had the following impact on the consolidated financial statements for Brazilian GAAP:

Balance Sheet	ACT		AIX		Aliança Atlântica	
	2008	2007	2008	2007	2008	2007
Assets						
Current assets	16	14	5,233	6,284	6,470	4,042
Noncurrent assets	-	-	67,092	61,056	-	-
Permanent Asset	-	10	15,650	25,793	57,703	53,202
Total assets	16	24	87,975	93,133	64,173	57,244
Liabilities						
Current liabilities	-	2	2,228	9,601	30	9
Long-term liabilities	-	-	29,080	17,236	-	-
Deferred income	-	-	-	-	-	-
Total liabilities	-	2	31,308	26,837	30	9

Income Statement	ACT			AIX			Aliança Atlântica		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Net operating revenue	26	26	25	12,340	9,996	11,471	-	-	-
Cost of goods and services	-	-	-	(14,670)	(15,927)	(15,966)	-	-	-
Operating expenses	(23)	(28)	(26)	(1,923)	(7,446)	(2,140)	4,964	4,964	(68)
Financial expense, net	-	-	-	(4,512)	(4,656)	(4,726)	160	160	25
Other revenues (expenses)	-	-	-	(421)	-	-	(13,929)	4,161	1,973
Income Tax and Social Contribution	-	-	-	(1,217)	(1,151)	(1,837)	-	-	-
Net income	3	(2)	(1)	(10,402)	(19,184)	(13,198)	(8,805)	9,285	1,930

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The Company has analyzed its participation over Cabo SP, Lemontree, TVA Sul and GTR-T and the transaction was considered not material under the scope of FIN46 as of December 31, 2008 and that those entities are under legal control of Abril Group.

v. Comprehensive income

SFAS 130 "Reporting Comprehensive Income" establishes standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. The objective of the statement is to report all changes in shareholders' equity that result from transactions and other economic events of the period other than transactions with owners ("comprehensive income"). Comprehensive income is the total net income and other nonowner equity transactions that result in changes in net equity.

For Brazilian GAAP purposes, under CPC Technical Pronouncement No. 02, as mentioned in Note 3.d., translation adjustments electing to foreign subsidiary is recognized in equity as from January 1, 2008. Under U.S. GAAP, translation adjustment is recognized in equity. The income effect was reversed for Brazilian GAAP for the years ended on December 31, 2007 and 2006.

For the years ended December 31, 2008, 2007 and 2006, the components of comprehensive income include foreign currency translation adjustments related to the investments that have functional currency other than Brazilian Reais, application since 2006 of SFAS158 - adjustment related to unrecognized gain or loss and net transition obligation, additional minimum liability calculated in accordance with SFAS 87 through 2006, and fair value of available for sale equity securities in Portugal Telecom, and other investments which are recorded at fair value for U.S.GAAP purposes in accordance with SFAS 115. The following represents the statement of comprehensive income prepared under U.S. GAAP:

Statement of Comprehensive Income	2008	2007	2006
Net Income per U.S. GAAP	2,500,117	2,370,071	2,930,245
Other Comprehensive Income:			
Foreign currency translation adjustments – Aliança Atlântica	862	(4,161)	1,061
Pension Plan – SFAS158, net of tax	(14,820)	14,166	27,373
Minimum liability – SFAS87, net of tax	-	-	8,614
Fair value of available for sale equity securities – SFAS 115, net of tax	(24,982)	(7,781)	28,011
Total	(38,940)	2,224	65,059
Comprehensive income	2,461,177	2,372,295	2,995,304

w. Acquisition of the IP network and I-Telefônica

On December 2002, the Company acquired the assets and customer portfolio for the “IP Comutado” and “Speedy Link” services of Telefônica Empresas S.A (See Note 13). In 2003, the Company’s subsidiary, A. Telecom S.A. entered into an agreement with an affiliate, Terra Networks Brasil S.A., for the purchase of certain software used to provide free access service to Internet, called I-Telefônica. Under Brazilian GAAP these transactions were recorded at fair market value of the net assets acquired. Under U.S. GAAP, transfers and exchange of nonmonetary assets between entities under common control should be recorded at historical cost. Thus, for U.S. GAAP purposes the difference between fair market value and historical cost of assets has been recorded directly to shareholders´ equity as capital distributed. Subsequent period adjustments reverse the amortization of the fair value recognized under Brazilian GAAP.

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x. Leases

Atrium Telecomunicações Ltda. (merged into subsidiary A.Telecom) has leased certain computer hardware and switching equipment under a noncancelable lease. Under Brazilian GAAP, all leases are considered to be operating leases, with lease expense recorded when paid until January 1, 2008. As from this date, with the first adoption of Law No.11,638/07, in conformity with CPC 06 – Leases, approved by CVM Resolution No. 554, dated November 12, 2008, this lease is considered a capital lease. Therefore, for Brazilian GAAP and U.S. GAAP, the Company is required to record the asset at the present value of the minimum lease payments with a corresponding debt obligation. Depreciation is recorded over the estimated useful life of the asset. Interest expense is recognized over the life of the lease and payments under the lease are amortized to principal and interest under the effective interest method.

For the years ended on December 31, 2007 and 2006, the reconciliation of net income and for the year ended on December 31, 2007, the reconciliation of shareholders' equity from Brazilian GAAP to U.S. GAAP reflect the recorded adjustments to capital lease under U.S. GAAP, since under Brazilian GAAP all leases were considered to be operating leases.

y. Sale-type lease – "Posto Informático"

In 2007, A.Telecom, subsidiary of the Company began to commercialize an integrated IT solution named "Posto Informático" allowing access to Internet, connection of private networks and rental of IT equipment to its customers. Under Brazilian GAAP, until January 1, 2008, date of the first adoption of Law No. 11,638/07 revenue from the provision of this service is recognized in income on a monthly basis as rental services over the term of contract. As from this date, under CPC Technical Pronouncement No. 6, as mentioned in Note 3.a., in the capacity of lessor, the Company executed lease agreements for IT equipment (Posto Informático) that meet the criteria of finance leases. On the date the equipment is installed, income is recognized for the present value of lease payments and matched with accounts receivable. Investments made in the acquisition of equipment are recorded as "Inventories" and recognized as lease costs upon installation. The difference between gross and net investment value is recognized as unrealized financial income and the related financial expenses are posted to each period over the lease term reflecting a periodic interest rate on the outstanding liability balance.

Under U.S. GAAP, this transaction is accounted for as a multiple element arrangement whereby revenues are allocated to the lease and non-lease deliverables included in the bundled arrangement based upon the estimated relative fair values of each element. The revenues from access to Internet and connection of private networks are recognized on a monthly basis as communication services over the term of lease contract, and the revenue from sale-types lease of IT equipment is recognized when the equipment is installed at the customer premises and risks and benefits of ownership have been transferred.

z. Payment of dividends and interest on capital

In accordance with the Company's Bylaws, the Board of Directors can approve the distribution of interim dividends and interest on share capital throughout the course of the year. Under both Brazilian GAAP and U.S. GAAP, these payments are recognized when they are formally declared by the Board. However, in accordance with Brazilian

GAAP, the Company's financial statements are required to reflect as a liability, dividends that exceed mandatory dividends when they are proposed by management. This differs from U.S. GAAP in that under U.S. GAAP, these payments would be recognized only after they are formally approved at the Annual Shareholders' Meeting that occurs the following year. Thus, under U.S. GAAP, on December 31, 2008 and 2007, dividends of R$395,109 and R$350,938 would be reclassified from liabilities to shareholders' equity (see Note 18).

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aa. Present value discount on noncurrent recoverable VAT (or ICMS)

Under Brazilian GAAP, as from January 1 2008, noncurrent indirect taxes recoverable (VAT or ICMS) are discounted at present value. Under U.S. GAAP, according to APB 21, such assets are not subject to discounting.

Net income reconciliation of the difference between U.S. GAAP and Brazilian GAAP

	2008	2007	2006
Consolidated net income as reported under Brazilian GAAP	2,419,971	2,362,960	2,816,151
Add (deduct):			
Different criteria for:			
b) Amortization of monetary restatement of 1996 and 1997	(37,127)	(38,951)	(36,722)
c) Capitalized interest	53,706	34,469	35,302
c) Depreciation of capitalized interest	(170,398)	(177,739)	(48,111)
Contributions to plant expansion:			
k) Amortization and realization of deferred credit and amortization of donations	32,837	32,486	30,882
d) Pension and other postretirement benefits – See Note 37.e)	65,071	28,054	37,109
r.8) Decrease in depreciation expense due to reduction of fixed assets for fair value in excess of purchase price on merger of Telesp and CTBC	45,031	45,284	45,069
r.6) Santo Genovese acquisition			
Write-off of the fair market value of liabilities		-	-
Amortization of customer portfolio	(5,550)	(5,550)	(5,550)
Reversal of goodwill amortization under Brazilian GAAP	11,982	11,982	11,982
x) Leasing Santo Genovese	764	(17)	(316)
y) Sale-type lease – “Posto Informático”	-	11,294	-
r.9) Merger of Ceterp			
Depreciation of the fair market value of assets	2,761	2,777	2,763
Amortization of concession	-	-	-
o) Deferred research expenses	3,262	4,982	8,495
t) Pre-operating expenses included in deferred assets	8,450	5,978	13,425
r.7) Reversal of negative goodwill amortization – AIX	(8,735)	(8,735)	-
s) SFAS 133 adjustments – Derivative instruments	(2,754)	(18,273)	(16,348)
s) Derivative on purchase commitments	4,547	4,383	4,399
p) Deferred revenues from activation fees, net	(4,149)	18,086	28,398
w) Amortization of IP Network	7,257	7,255	7,182
w) Amortization of I-Telefonica	7,018	14,162	14,162
Other	-	-	1,043
n) Reversal of Cofins	-	-	17,500
	82,087	87,355	34,202

r.4) Reversal of goodwill amortization recognized under Brazilian GAAP - TDBH			
m) Impairment loss of goodwill Figueira unit	-	(32,625)	-
r.4) Intangible asset amortization	(20,575)	(20,577)	(8,573)
r.3) Surplus value depreciation – TDBH's minority allocation	(613)	(5,170)	(2,154)
r.2) Navytree-Consolidation adjustments and reversal of goodwill amortization	51,443	3,011	-
k)Donations and subsidies for investment - TDBH	20	228	95
aa) Reversal of present value discount on noncurrent recoverable VAT	2,946	-	-
g) Deferred tax on above adjustments	(49,135)	(1,199)	(59,079)
v) Foreign currency translation adjustment – Aliança Atlântica	-	4,161	(1,061)
U.S. GAAP net income	2,500,117	2,370,071	2,930,245

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Net income per share in accordance with U.S. GAAP	2008	2007	2006
Common shares			
Basic and diluted earnings per share	4.63	4.39	5.48
Weighted average common shares – basic	168,609,291	168,609,292	167,242,724
Weighted average common shares – diluted	168,638,238	168,609,292	167,242,724
Preferred shares			
Basic and diluted earnings per share	5.10	4.83	6.02
Weighted average preferred shares – basic	337,232,189	337,232,189	334,342,809
Weighted average preferred shares - diluted	337,276,489	337,232,189	334,342,809

Shareholders' equity reconciliation of the difference between U.S. GAAP and Brazilian GAAP

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	2008	2007
Total shareholders' equity as reported under Brazilian GAAP	10,045,692	9,905,242
Add (deduct):		
Different criteria for:		
b) Monetary restatement of 1996 and 1997	46,514	83,642
c) Capitalized interest	102,704	48,998
c) Depreciation of capitalized interest	(76,525)	93,873
z) Reversal of proposed dividends	395,109	350,938
k) Contributions to plant expansion:		
Subscribed capital stock	215	215
Deferred credit		
Expansion plan contributions	(232,946)	(234,468)
Donations and subsidies for investments	(167,511)	(168,288)
Amortization of deferred credit		
Expansion plan contributions	224,585	206,817
Donations and subsidies for investments	145,494	132,726
d) Pension and other postretirement benefits	146,788	81,717
r.8) Merger of Telesp and CTBC:		
Fair market value of assets	(665,692)	(665,692)
Accumulated depreciation related to fair market value of assets	645,026	599,995
r.6) Santo Genovese acquisition		
Write-Off of the fair market value of liabilities	5,275	5,275
Amortization of customer portfolio.	(22,200)	(16,650)
Reversal of goodwill amortization under Brazilian GAAP	47,928	35,946
x) Leasing Santo Genovese	-	(824)
y) Sale-type lease – “Posto Informático”	-	11,294
r.9) Merger of Ceterp:		
Fair market value of assets	(25,949)	(25,949)
Depreciation of the fair market value of assets	22,112	19,351
Concession	(58,315)	(58,315)
Amortization of concession	58,315	58,315
r.3) Merger of TDBH’s minority interest – purchase accounting:		
Fair market value of assets allocation,	7,937	7,937
Deferred income tax on fair market value of assets allocation	(2,699)	(2,699)
Depreciation of the fair market value of assets allocation	(7,937)	(7,324)
Goodwill allocation	4,026	4,026
r.2) Navytree – Consolidation adjustments and reversal of goodwill amortization	54,454	3,011
o) Deferred research expenses	(1,043)	(4,305)
t) Pre-operating expenses included in deferred charges	-	(8,460)
a.a) Reversal of present value discount on noncurrent recoverable VAT	34,943	-
r.7) Reversal of negative goodwill amortization – AIX	-	8,735

s) SFAS 133 adjustments – Derivative instruments	(3,512)	18,334
s) Derivative on purchase commitments	(24,471)	(29,018)
p) Deferred revenues from activation fees, net	(48,444)	(44,295)
w) Capital distributed – IP Network and I-Telefonica		
Cost	(143,372)	(143,627)
Amortization	114,348	100,328
r.4) Reversal of goodwill amortization recognized under Brazilian GAAP-TDBH	244,423	162,336
m) Impairment loss of goodwill Figueira unit	(32,625)	(32,625)
r.4) Intangible asset amortization	(144,027)	(123,452)
k) Donations and subsidies for investment – TDBH	-	(20)
g) Deferred tax effects on above adjustments	(90,149)	(36,628)
v) OCI – Pension Plan SFAS158, net of taxes	26,718	41,538
v) OCI – fair value of available for sale equity securities SFAS115, net of taxes	-	101,214
r.5) Merged goodwill – Katalyx and Adquira (TDBH)	(1,440)	(1,440)
U.S. GAAP shareholders' equity	10,623,749	10,477,724

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Consolidated statements of changes in shareholders' equity in accordance with U.S. GAAP

	Shareholders' equity
Balances at December 31, 2005	10,264,795
Merger of Capital - TDBH	597,124
Merger of Losses - TDBH	(76,917)
Recess right to the shareholders due to merger of TDBH – treasury shares	(17,719)
Unclaimed dividends	180,956
Net income for the year	2,930,245
Dividends and interest on shareholders' equity	(3,129,604)
Merger of TDBH's minority interest	9,264
Reversal of Pension Plan accumulated effect - TDBH	88
OCI - Minimum liability – SFAS87, net of tax	8,614
OCI – Pension Plan – SFAS158, net of tax	27,373
OCI – Foreign currency translation adjustment – Aliança Atlântica	1,061
OCI – Fair value of available for sale equity securities – SFAS115, net of tax	28,011
Balances at December 31, 2006	10,823,291
Unclaimed dividends	209,769
Net income for the year	2,370,071
Dividends and interest on shareholders' equity	(2,927,631)
OCI – Pension Plan – SFAS158, net of tax	14,166
OCI – Foreign currency translation adjustment – Aliança Atlântica	(4,161)
OCI – Fair value of available for sale equity securities – SFAS115, net of tax	(7,781)
Balances at December 31, 2007	10,477,724
Merger of DABR in 2008,11,30	63,394
Net income for the year	2,500,117
Dividends and interest on shareholders' equity	(1,925,938)
Interest on shareholders' equity	(523,600)
Withholding income tax on interest on shareholders' effects	(92,400)
Unclaimed- dividends, net	163,392
OCI – Pension Plan – SFAS158, net of tax	(14,820)
OCI – Foreign currency translation adjustment – Aliança Atlântica	862
OCI – Fair value of available for sale equity securities – SFAS115, net of tax	(24,982)
Balances at December 31, 2008	10,623,749

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Disclosure of Accumulated Other Comprehensive Income Balance

	Foreign Currency Translation	Unrealized Gain on Securities, net of tax	Pension Plan - SFAS 158 adjustment, net of tax	Accumulated Other Comprehensive Income
Balance at December 31, 2006	14,510	108,994	27,373	150,877
Current period change	(6,305)	(11,788)	21,464	3,371
Income tax on current period change	2,144	4,008	(7,298)	(1,146)
Balance at December 31, 2007	10,349	101,214	41,539	153,102
Current period change	1,306	(37,852)	(22,455)	(59,001)
Income tax on current period change	(444)	12,870	7,635	20,061
Balance at December 31, 2008	11,211	76,232	26,719	114,162

37. Additional disclosures required by U.S. GAAP

a. Reconciliation of operating income under Brazilian GAAP to operating income under U.S. GAAP

	2008	2007	2006
Brazilian GAAP operating income	3,501,664	3,340,446	3,924,258
Reversal of financial expense, net	227,886	306,932	331,055
Reversal of federal contingency – PIS and COFINS	-	-	(106,633)
Reversal of OCI – Foreign currency translation adjustment	-	4,161	(1,061)
U.S. GAAP adjustments-			
Amortization of monetary restatement of 1996 and 1997	(37,127)	(38,951)	(36,722)
Depreciation of capitalized interest	(170,398)	(177,739)	(48,111)
Contribution to plant expansion – amortization of deferred credit and donations	32,837	32,486	30,882
Pension and other post-retirement benefits	65,071	28,054	37,109
Sale-type lease – “Posto Informático”	-	9,046	-
Decrease in depreciation expense due to reduction of fixed assets for fair value in excess of purchase price on merger of Telesp and CTBC	45,031	45,284	45,069
Merger of Ceterp			
Depreciation of the fair market value of assets	2,761	2,777	2,763
Amortization of concession	-	-	-
Reversal of Cofins	-	-	17,500

Deferred research expenses	3,262	4,982	8,495
Pre-operating expenses included in deferred assets	8,450	5,978	13,425
Reversal of negative goodwill amortization – AIX	(8,735)	(8,735)	-
Deferred revenue on activation fees, net	(4,149)	18,086	28,398
Amortization of IP network	7,257	7,255	7,182
Amortization of Itelefonica	7,018	14,162	14,162
Amortization of Santo Genovese’s customer portfolio	(5,550)	(5,550)	(5,550)
Reversal of goodwill amortization under Brazilian GAAP – Santo Genovese.	11,982	11,982	11,982

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Amortization of derivatives on purchase commitments	4,547	4,383	4,399
Leasing Santo Genovese	30	296	196
Reversal of goodwill amortization under Brazilian GAAP – TDBH	82,087	87,355	34,202
Impairment loss of goodwill - Figueira unit	-	(32,625)	-
Customer portfolio amortization - ITAÚ	(20,575)	(20,577)	(8,573)
Surplus value depreciation – TDBH's minority interest allocation	(613)	(5,170)	(2,154)
Navytree – Consolidation adjustments and reversal of goodwill amortization	51,443	3,011	-
Amortization of donations - TDBH	20	228	95
AIX de Participações adjustments – proportional consolidation	4,253	13,377	6,635
ACT de Participações adjustments – proportional consolidation	(3)	2	1
Aliança Atlântica adjustments – proportional consolidation	(4,964)	(4,964)	68
Other	-	(10,519)	(4,521)
U.S. GAAP operating income	3,803,485	3,635,453	4,304,551

b. Reconciliation of net revenues and costs under Brazilian GAAP to net revenues and costs under U.S. GAAP

1) Net operating revenue

Net operating revenue under Brazilian GAAP differs from U.S. GAAP on the recognition of revenues from activation fees and value added and other sales taxes, as presented below:

	2008	2007	2006
Net revenue under Brazilian GAAP	15,978,985	14,727,562	14,643,021
Reclassification to cost of services			
Value added and other sales taxes	5,978,565	5,575,502	5,530,866
Reclassification of costs of public telephones	76,223	108,996	101,785
U.S. GAAP adjustments-			
Recognition of deferred revenue on activation fees, net	(4,149)	18,086	28,398
AIX de Participações adjustments – proportional consolidation	(12,340)	(9,996)	(11,471)
ACT de Participações adjustments – proportional consolidation	(26)	(26)	(26)
Revenue recognition - "Posto Informático"	-	51,845	-
Net revenue under U.S. GAAP	22,017,258	20,471,969	20,292,573

2) Cost of services

	2008	2007	2006

Brazilian GAAP cost of services	(8,726,408)	(8,022,760)	(7,780,510)
Reclassification from net revenues			
Value added and other taxes sales taxes	(5,978,565)	(5,575,502)	(5,530,866)
Reclassification of costs of public telephones	(76,223)	(108,996)	(101,785)
U.S. GAAP adjustments-			
Amortization of monetary restatement of 1996 and 1997	(37,127)	(38,951)	(36,722)
Depreciation of capitalized interest	(170,398)	(177,739)	(48,111)

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Contribution to plant expansion – amortization of deferred credit	32,837	32,486	30,882
Decrease in depreciation expense due to reduction of fixed assets for fair value in excess of purchase price on merger of Telesp and CTBC	45,031	45,284	45,069
Merger of Ceterp – depreciation of fair market value of assets and concession	2,761	2,777	2,763
Amortization of IP network	7,257	7,255	7,182
Amortization of Itelefonica	7,018	14,162	14,162
Sale-type lease – “Posto Informático”	-	(42,799)	-
Amortization of Santo Genovese’s customer portfolio	(5,550)	(5,550)	(5,550)
Amortization of derivatives on purchase commitments	4,547	4,383	4,399
Leasing Santo Genovese	30	296	196
Customer portfolio amortization – ITAÚ	(20,575)	(20,577)	(8,573)
Surplus value depreciation – TDBH’s minority interest allocation	(613)	(5,170)	(2,154)
Amortization of donations – TDBH	20	228	95
AIX de Participações adjustments – proportional consolidation	14,670	15,927	15,966
Allowance for reduction to recoverable value of inventories	(3,743)	(5,700)	(4,569)
Other	-	-	1,043
U.S. GAAP cost of services	(14,905,031)	(13,880,946)	(13,397,083)
U.S. GAAP gross profit	7,112,227	6,591,023	6,895,490

c. Total assets and property, plant and equipment under U.S. GAAP

	2008	2007	2006
Total assets	20,878,000	20,203,482	18,824,659
Property, plant and equipment	46,622,801	47,307,200	45,028,189
Accumulated depreciation	(36,713,900)	(36,026,713)	(33,009,977)
Net property, plant and equipment	9,908,901	11,280,487	12,018,212

d. Intangible Assets

Following is a summary of the Company’s intangible assets subject to amortization:

	2008				
	Patents and trademarks	Software use rights	License	Customer Portfolio	Others
Gross	1,536	2,520,983	312,654	329,977	1,464,405
Accumulated amortization	(1,515)	(1,732,047)	-	(180,868)	(429,952)
Net	20	788,936	312,654	149,109	1,034,453
Amortization expense	4	310,642	-	36,999	29,115
Amortization period	10 years	5 years	-	10 years	5 to 10 years

	2007				
	Patents and trademarks	Software use rights	License	Customer Portfolio	Others
Gross	1,536	2,237,523	348,005	349,658	169,448
Accumulated amortization	(1,511)	(1,421,405)	-	(143,868)	(123,975)
Net	25	816,118	348,005	205,790	45,473
Amortization expense	-	337,353	-	29,893	15,648
Amortization period	10 years	5 years	Indefinite	10 years	5 years

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The estimated aggregate amortization expense for the next five years is as follows:

	Amount
2008	335,599
2009	274,589
2010	190,694
2011	123,244
2012	69,903

e. Fair Value Measurements (SFAS 157)

We adopted SFAS 157 on January 1, 2008, which provides a definition of fair value, establishes a framework for measuring fair value, and requires expanded disclosures about fair value measurements. The standard applies when GAAP requires or allows assets or liabilities to be measured at fair value; therefore, it does not expand the use of fair value in any new circumstance.

SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 clarifies that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices available in active markets (i.e., observable inputs) and the lowest priority to data lacking transparency (i.e., unobservable inputs). Additionally, SFAS 157 requires an entity to consider all aspects of nonperformance risk, including the entity’s own credit standing, when measuring the fair value of a liability.

SFAS 157 establishes a three-level hierarchy to be used when measuring and disclosing fair value. An instrument’s categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. Following is a description of the three hierarchy levels:

Level 1 - Inputs are quoted prices in active markets for identical asset or liabilities as of the measurement date. Additionally, the entity must have the ability to access the active market, and the quoted prices cannot be adjusted by the entity.

Level 2 - Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices in active markets for similar assets or liabilities; quoted prices in inactive markets for identical or similar assets or liabilities; or inputs that are observable or can be corroborated by observable market data by correlation or other means for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs are supported by little or no market activity. The unobservable inputs represent management's best assumptions of how market participants would price the assets or liabilities. Generally, Level 3 assets and liabilities are valued using pricing models, discounted cash flow methodologies, or similar techniques that require significant judgment or estimation.

In accordance with SFAS 157, we measure our cash equivalents, marketable securities, foreign currency and interest rate derivative swap contracts at fair value. Our cash equivalents and marketable securities is classified within Level 1, because it is valued using quoted market prices or alternative pricing sources and models utilizing market observable inputs. Our foreign currency, interest rate derivative swap contracts and financing and loans assigned as fair value hedge are classified within Level 2 as the valuation inputs are based on quoted prices and market observable data of similar instruments.

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The following table summarizes our financial assets and liabilities recorded at fair value as of December 31, 2008:

Description	December 31, 2008	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Cash Equivalents				
Short-term investments	1,709,013	1,709,013	-	-
Marketable Securities				
Portugal Telecom	210,431	210,431	-	-
Zon Multimédia	19,531	19,531	-	-
Other Investments	35,416	35,416	-	-
Foreign currency derivative contracts				
Cross-currency interest rate swap agreements	511,059	-	511,059	-
Interest rate prefixed swap agreements	1,524,371	-	1,524,371	-
Total Assets	4,009,821	1,974,391	2,035,430	-
Liabilities				
Loans and financing under fair value hedge	475,625	-	475,625	-
Foreign currency derivative contracts				
Cross-currency interest rate swap agreements	451,976	-	451,976	-
Interest rate prefixed swap agreements	1,525,050	-	1,525,050	-
Total Liabilities	2,452,651	-	2,452,651	-

The valuation method used for the calculation of fair value of loans, financing and derivative instruments (foreign currency and interest rate derivative swap contracts) was the discounted cash flow considering the expected settlements and realization of such financial assets and liabilities at the market rates prevailing at balance sheet date. For derivative instruments the method used for the calculation of fair value is presented in more details in Note 34.

In order to minimize its exposure to the local variable interest rate (CDI), the Company invests its excess cash, amounting to R$1,709,013, substantially in short-term investments (Bank Deposit Certificates) based on the CDI rate variation. The book values of these instruments approximate market values, since they may be redeemed in the short term.

For the year ended on December 31, 2008, short-term investments generated a gain of R$ 161,927, which was included as financial expense, net in our results of operations.

Also, during the year ended on December 31, 2008, our foreign currency derivative contracts generated a gain of R$59,082 and interest rate derivative swap contracts (CDI x prefixed) a loss of R$679, which have been included as financial expense, net in our results of operations.

f. Pension and post-retirement benefits

A summary of the liability as of December 31, 2008 and 2007 for the Company's active employees defined benefit pension plan (PBS/Visão/CTB/Visão Assist) is as follows:

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PBS/Visão Telesp/CTB/Visão Assist/Visão T.Empresas	2008	2007
Funded status:		
Accumulated benefit obligation:		
Vested	116,060	96,070
Nonvested	21,288	17,152
Total	137,348	113,222
Projected benefit obligation	146,939	120,153
Fair value of plan assets	(185,441)	(169,380)
Excess of projected obligation (assets)	(38,502)	(49,227)
Accrued pension cost (Asset)	(38,502)	(49,227)

Change in benefit obligation and items not yet recognized as a component of net periodic pension cost

	PBO	Unrec.G/(L)	Unrec.NTO
Balance at December 31, 2006	119,581	44,026	(2,552)
Service cost	3,683	-	-
Interest cost	11,615	-	-
Amortization	-	(2,137)	815
Benefit payments and expenses	(9,915)	(158)	-
Actuarial (gain)/loss	(4,811)	4,811	-
Asset experience	-	18,133	-
Business combination – inclusion of T.Empresas	-	-	-
Balance at December 31, 2007	120,153	64,675	(1,737)
Service cost	2,972	-	-
Interest cost	12,257	-	-
Amortization	-	(3,333)	815
Benefit payments and expenses	(10,112)	21	-
Actuarial (gain)/loss	21,669	(21,669)	-
Asset experience	-	1,712	-
Business combination – inclusion of T.Empresas	-	-	-
Balance at December 31, 2008	146,939	41,406	(922)

Disclosure of net periodic pension cost

	2008	2007	2006
Service cost (net of employee contributions)	2,776	3,472	2,960

Interest cost on PBO	12,257	11,615	11,872
Expected return on assets	(18,391)	(15,973)	(15,705)
Amortization of initial transition obligation	815	815	815
Amortization of (gains) losses	(3,333)	(2,137)	(1,152)
Net periodic pension cost	(5,876)	(2,208)	(1,210)

Change in accrued pension cost

	2008	2007
Accrued pension cost at beginning of year	(49,228)	(20,207)
Net periodic pension cost	(5,876)	(2,208)
Employer contributions	(5,852)	(5,350)
Business combination – inclusion of T.Empresas	-	-
Other Comprehensive Income – SFAS158 adjustments	22,454	(21,463)
Accrued pension cost at end of year	(38,502)	(49,228)

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Change in plan assets

	2008	2007
Plan assets at beginning of year	169,381	139,788
Actual contribution	6,069	5,403
Actual distributions and expenses	(10,112)	(9,916)
Actual return on plan assets	20,103	34,106
Assets acquired in a business combination	-	-
Plan assets at end of year	185,441	169,381

Estimated future benefit payments

	PBS/Visão	CTB	PBS-A	PAMA
2009	10,975	3,676	386,430	55,232
2010	11,332	3,557	400,628	61,062
2011	11,787	3,428	415,012	67,473
2012	12,246	3,291	429,598	74,453
2013	12,724	3,149	444,351	82,064
Years 2014-2018	70,582	13,570	2,441,671	547,741

The actuarial assumptions used in 2008 and 2007 are mentioned in Note 32.

Asset allocation

The asset allocation for the Company’s defined benefit pension plan (PBS - Telesp) at the end of 2008 and 2007, and the target allocation for 2009, by asset category, are as follows:

Asset category	Target Allocation for 2009	Percentage of Plan Assets at Year End 2008	2007
Equity securities	19.0%	22.0%	22.0%
Loans	1.0%	0.1%	0.1%
Fixed income	80.0%	77.9%	77.9%
Total	100.0%	100%	100%

The allocation of pension plan assets in Brazil is regulated by the Brazilian federal government. The primary allocation of a pension plan's portfolio assets is to fixed-income securities. The plan may also allocate up to 50% of its assets variable-rate securities and up to 5% of its assets loans to participants. The company's pension plan managers seek to maximize return on the plan's assets while balancing potential risks in order to guarantee the payment of benefits to the plans' participants and to reduce future costs. Based on the foregoing investment considerations, the Company's pension plan managers intend to invest, through 2008, portfolio assets as follows: 80% in fixed-rate securities in order to protect the plans from volatility in the Brazilian equity markets and limit investments in such markets to 19.0% of the plans' total investments.

The asset mix is the same for both plans (PBS and Visão) and composed of fixed-income, equities and loans.

The plan's asset return is the average after-tax return of each asset category weighted by target allocations. Asset categories returns are based on long term macroeconomic scenarios.

A summary of the Sistel pension plan as of December 31, 2008 and 2007 for the multiemployer portion (inactive employees pension plan) – PBS-A, is as follows:

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Pension benefit plan– PBS-A

	2008	2007
Funded status:		
Accumulated benefit obligation		
Vested. .	4,977,285	4,225,533
Projected benefit obligation. .	4,977,285	4,225,533
Fair value of plan assets. .	(6,828,191)	(6,853,284)
Plan assets in excess of obligations	(1,850,906)	(2,627,751)

A summary of the post-retirement benefits plan (health care plan – PAMA) is as follows:

Health Care Plan – PAMA

	2008	2007
Funded Status:		
Accumulated post-retirement benefit obligation:		
Active participants	37,110	33,710
Fully eligible active plan participants	9,098	7,823
Inactive participants	1,506,410	1,185,019
	1,552,618	1,226,552
Fair value of plan assets	(554,595)	(561,415)
Obligations in excess of plan assets	998,023	665,137

In 2008, the Company made contributions to the PAMA in the amount of R$5 (R$5 in 2007 and R$32 in 2006). PBS-A is a noncontributory plan.

g. Concentrations of risk

The credit risk on accounts receivable is dispersed. The Company constantly monitors the level of accounts receivable and limits the risk of past-due accounts, interrupting access to telephone lines in case the customer does not pay the related bills within 30 days. Exceptions are made for telecommunications services that must be maintained for security or national defense reasons.

For conducting its business, the Company is fully dependent upon the fixed-line telecommunications concession as granted by the Federal Government. The Concession Agreement expired on December 31, 2005, and was renewed, on December 22, 2005, for more 20 years. However, the agreement can be changed on December 31, 2010, 2015 and 2020. Such condition allows ANATEL to set up new conditions and new goals for universalization and quality of telecommunication services, according to the conditions in force by that moment. Every two years, during a 20 years period, public regime companies will have to pay a renewal charge which will correspond to 2% of its prior-year SFTC revenue, net of taxes and social contributions.

Approximately 25% of the Company’s employees are members of the main telecommunications industry labor union, Sindicato dos Trabalhadores em Empresas de Telecomunicações e Operadores de Mesas Telefônicas no Estado de São Paulo, the Labor Union of Employees of Telecommunications Companies and Telecommunications Desk Operators in the State of São Paulo, or SINTETEL, which is associated with the Federação Nacional dos Trabalhadores em Telecomunicações, the National Federation of Telecommunications Workers or FENATTEL. The collective labor agreement was renewed on September 1, 2007 and will expire on August 31, 2008. The Company's management considers relations with its workforce to be satisfactory. The Company has never experienced a work stoppage that had a material effect on its operations.

There is no concentration of available sources of labor, services, concessions or rights, other than those mentioned above, that could, if suddenly eliminated, severely impact the Company's operations.

h. Deferred Income taxes

Under Brazilian GAAP, deferred taxes are classified as current or noncurrent based upon the expected

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period of reversal. Under U.S.GAAP, deferred taxes are classified as current or noncurrent based on the classification of the related asset or liability for financial reporting. A deferred tax liability or asset that is not related to an asset or liability for financial reporting, including deferred tax assets related to carryforwards, are classified according to the expected reversal date of the temporary difference. The classification of our deferred tax assets and liabilities under U.S. GAAP is as follows as of December 31, 2008 and 2007. Current deferred tax asset of R$521,879 and R$589,286, respectively, current deferred tax liability of R$154,787 and R$202,397, respectively, noncurrent deferred tax asset of R$595,898 and R$473,135, respectively, and noncurrent deferred tax liability of R$267,094 and R$294,621, respectively.

Additionally, under Brazilian GAAP, Telefônica Data S.A and A.Telecom (subsidiaries of the Company) did not recognize deferred income tax and social contribution assets of R$62,512 and R$ 35,379 for the year ended on December 31, 2008, respectively and Telefônica Data S.A. did not recognize deferred income tax and social contribution assets of R$42.4 million for the year ended on December 31, 2007, as mentioned in Note 7.1., due to the uncertainties involving their realization. Under U.S. GAAP Telefônica Data S.A. and A.Telecom recorded those amounts, and as a result of the uncertainty involving their realization, a full valuation allowance in the same amount was also recorded in 2008 and 2007.

i. New accounting pronouncements

Recently Adopted Standards

- In December 2008, the FASB issued FSP FIN 46(R)-8, “Disclosures about Variable Interest Entities” (FSP FIN 46(R)-8). FSP FIN 46(R)-8 requires enhanced disclosures about a company’s involvement in VIEs. The enhanced disclosures required by this FSP are intended to provide users of financial statements with an greater understanding of: (i) the significant judgments and assumptions made by a company in determining whether it must consolidate a VIE and/or disclose information about its involvement with a VIE; (ii) the nature of restrictions on a consolidated VIEs assets reported by a company in its statement of financial position, including the carrying amounts of such assets; (iii) the nature of, and changes in, the risks associated with a company’s involvement with a VIE; (iv) how a company’s involvement with a VIE affects the company’s financial position, financial performance, and cash flows. This FSP was effective for the year ended December 31, 2008 and had no impact on the Consolidated Financial Statements.

- In May 2008, the FASB issued SFAS No. 162, “The Hierarchy of Generally Accepted Accounting Principles” (SFAS 162). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements that are presented in conformity with generally accepted accounting principles in the United States. This statement was effective for the year ended December 31, 2008 .

- In February 2007, FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities”, a standard that provides companies with an option to report selected financial assets and liabilities at fair value. The Standard requires companies to provide additional information that shows the effect of the Company’s choice to use fair value on its earnings. It also requires entities to display the fair value of those assets and liabilities for which the Company has chosen to use fair value on the face of the balance sheet. The new Statement does not eliminate disclosure requirements included in other accounting standards, including requirements for disclosures about fair value measurements included in FASB Statements No. 157, “Fair Value Measurements”, and No. 107, “Disclosures about Fair Value of Financial Instruments”. This statement was effective for the year ended December 31, 2008 and had no impact on the Consolidated Financial Statements as management did not elect the fair value option for any other financial instruments or certain other assets and liabilities.

- In September 2006, the FASB issued SFAS 158, which requires companies to (i) fully recognize,

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as an asset or liability, the overfunded or underfunded status of defined benefit pension and other postretirement benefit plans; (ii) recognize changes in the funded status through other comprehensive income in the year in which the changes occur; (iii) measure the funded status of defined benefit pension and other postretirement benefit plans as of the date of the company's fiscal year end; and (iv) provide enhanced disclosures. The provisions of SFAS 158 were effective for the year ended December 31, 2006, except for the requirement to measure the funded status of retirement benefit plans on Company's fiscal year end, which was effective for the year ended December 31, 2008. Since the Company's measurement date was already December of each year, this change had no impact on its Consolidated Financial Statements.

- In September 2006, FASB issued SFAS No. 157, "Fair Value Measurements". SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurement. SFAS No. 157 does not require any new fair value measurements. This statement is initially effective for financial statements issued for fiscal years beginning after November 15, 2007 (calendar year 2008), and is to be applied prospectively as of the beginning of the year in which it is initially applied. For all nonrecurring fair value measurements of nonfinancial assets and liabilities, the statement is effective for fiscal years beginning after November 15, 2008 (calendar year 2009). Since the Company has not changed its current practice, this change had no impact on its Consolidated Financial Statements. See Note 21 on Financial Instruments.

- In October 2008, the FASB issued FSP No. 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active" (FSP 157-3). FSP 157-3 clarifies the application of SFAS 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. FSP 157-3 was effective for the Company on December 31, 2008 for all financial assets and liabilities recognized or disclosed at fair value in the Consolidated Financial Statements on a recurring basis (at least annually). The adoption of FSP FAS 157-3 had no impact on the Consolidated Financial Statements.

Recently Issued Standards

- In December 2008, the FASB issued FSP No. FAS 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets," (FSP FAS 132(R)-1). FSP FAS 132(R)-1 amends SFAS No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits," to provide guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plans. This guidance is intended to ensure that an employer meets the objectives of the disclosures about plan assets in an employer's defined benefit pension or other postretirement plan to provide users of financial statements with an understanding of the following: how investment allocation decisions are made; the major categories of plan assets; the inputs and valuation techniques used to measure the fair value of plan assets; the effect of fair value measurements using significant unobservable inputs on changes in plan assets; and significant concentrations of risk within plan assets. FSP FAS 132(R)-1 is effective for the year ending December 31, 2009. As FSP FAS 132(R)-1 only requires enhanced disclosures, management anticipates that the adoption of FSP FAS 132(R)-1 will not have an impact on the Consolidated

Financial Statements.

- In November 2008, the FASB ratified Emerging Issues Task Force ("EITF") Issue No. 08-6, "Equity Method Investment Accounting Considerations" ("EITF 08-6"). EITF 08-6 clarifies the accounting for certain transactions and impairment considerations involving equity method investments. EITF 08-6 is effective for fiscal years beginning after December 15, 2008, with

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early adoption prohibited. The Company is in the process of evaluating the impact, if any, of EITF 08-6 on its consolidated financial statements.

- In November 2008, the FASB ratified EITF Issue No. 08-7, "Accounting for Defensive Intangible Assets" ("EITF 08-7"). EITF 08-7 clarifies the accounting for certain separately identifiable intangible assets which an acquirer does not intend to actively use but intends to hold to prevent its competitors from obtaining access to them. EITF 08-7 requires an acquirer in a business combination to account for a defensive intangible asset as a separate unit of accounting which should be amortized to expense over the period the asset diminishes in value. EITF 08-7 is effective for fiscal years beginning after December 15, 2008, with early adoption prohibited. The company is in the process of evaluating the impact, if any, of EITF 08-7 on its consolidated financial statements.

    - In April 2008, the FASB issued FAS No. 142-3, “Determination of the Useful Life of Intangible Assets” (FSP 142-3). FAS 142-3 amends the factors to be considered in developing renewal or extension assumptions used to determine the useful life of intangible assets under SFAS No. 142, “Goodwill and Other Intangible Assets.” Its intent is to improve the consistency between the useful life of an intangible asset and the period of expected cash flows used to measure its fair value. This FSP is effective prospectively for intangible assets acquired or renewed after January 1, 2009.. The Company does not expect FSP 142-3 to have a material impact on its accounting for future acquisitions of intangible assets.

- In March 2008, the Financial Accounting Standards Board (FASB) issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities – An Amendment of SFAS No. 133” (SFAS 161). SFAS 161 seeks to improve financial reporting for derivative instruments and hedging activities by requiring enhanced disclosures regarding the impact on financial position, financial performance, and cash flows. To achieve this increased transparency, SFAS 161 requires (i) the disclosure of the fair value of derivative instruments and gains and losses in a tabular format; (ii) the disclosure of derivative features that are credit risk-related; and (iii) cross-referencing within footnote disclosures to enable financial statement users to locate important information about derivative instruments. As SFAS 161 only requires enhanced disclosures, management anticipates that the adoption of SFAS 161 will not have an impact on the Consolidated Financial Statements.

- In February 2008, the FASB issued FSP No. FAS 157-1, “Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13,” which states that SFAS No. 13, “Accounting for Leases,” (SFAS 13) and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under SFAS 13 are excluded from the provisions of SFAS 157, except for assets and liabilities related to leases assumed in a business combination that are required to be measured at fair value under SFAS No. 141, “Business Combinations,” (SFAS 141) or SFAS No. 141 (revised 2007), “Business Combinations,” (SFAS 141(R)). The Company will apply FSP No. FAS 157-1 to full leasing transactions.

- Also in February 2008, the FASB issued FAS 157-2, which delays the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). FSP 157-2 partially defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP. The adoption of SFAS 157 for all nonfinancial assets and nonfinancial liabilities is effective beginning January 1, 2009. The Company is still in the process of evaluating the impact

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that SFAS 157 will have on its nonfinancial assets and liabilities not valued on a recurring basis (at least annually).

- In December 2007, the FASB also issued SFAS No. 160, “Non-controlling Interests in Consolidated Financial Statements, an amendment of ARB 51.” This statement clarifies that a non-controlling (minority) interest in a Operating Subsidiary is an ownership interest in the entity that should be reported as equity in the consolidated financial statements. It also requires consolidated net income to include the amounts attributable to both the parent and non-controlling interest, with disclosure on the face of the consolidated income statement of the amounts attributed to the parent and to the non-controlling interest. This statement will be effective prospectively for fiscal years beginning after December 15, 2008 (calendar year 2009), with presentation and disclosure requirements applied retrospectively to comparative financial statements. The Company is currently evaluating the provisions of this statement.

- In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 141(R), “Business Combinations.” Statement 141(R) establishes principles and requirements for how an acquiring entity in a business combination recognizes and measures the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information needed to evaluate and understand the nature and financial effect of the business combination. This statement will be effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008 (calendar year 2009). The impact of the adoption of SFAS 141R on the Company’s consolidated financial position, results of operations will largely be dependent on the size and nature of the business combinations completed after the adoption of this statement.

38. Subsequent events

On March 25, 2009, the General Shareholders’ Meeting approved the distribution of additional dividends in the amount of R$395.1 million, based on retained earnings as of the annual financial statements of December 31, 2008 and unclaimed dividends and interest on shareholders’ equity of the same year. The shareholders individually registered as such at the end of the day, on March 25, 2009 would be able to receive those dividends with payments starting before the end of 2009 fiscal year at Management’s discretion.

Per share amounts of additional dividends are presented as follows:

	Common	Preferred (*)
Amount per share: R$	0.732276119092	0.805503731002

(*) 10% higher than the dividend granted to each common share, in accordance with article 7 of the Company’s bylaws

At the same date, on March 25, 2009, Management decided that those interest on shareholders' equity approved by the Board of Directors on December 09, 2008, in the gross amount of R$416 million (R$353.6 million, including withholding income tax) would also have the starting payment date before the end of 2009 fiscal year.

Per share amounts of interest on shareholders' equity approved on December 9, 2008 and pending payment are as follows:

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Amount per share: R$	Immune or Exempt Legal Entities (gross value)	Income Tax Withhold (15%)	Taxed Legal Entities and Individuals (net value)
Common shares	0.770991877059	0.115648781558	0.655343095501
Preferred shares (*)	0.848091064765	0.127213659714	0.720877405051

(*) 10% higher than the dividend granted to each common share, in accordance with article 7 of the Company’s bylaws

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