

***Agência Especial de
Financiamento Industrial –
FINAME***

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

*Financial Statements For the Years and Six-
Month Period Ended December 31, 2008
and 2007 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 Shareholder and Management of
Agência Especial de Financiamento Industrial – FINAME
Rio de Janeiro – RJ

1. We have audited the accompanying balance sheet of Agência Especial de Financiamento Industrial – FINAME (the “Entity”) as of December 31, 2008, and the related statements of income, changes in shareholders' equity, cash flows and value added for the year and six-month period then ended, all expressed in Brazilian reais and prepared under the responsibility of the Entity's management. Our responsibility is to express an opinion on these financial statements.
2. Our audits were was 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 Entity, (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 financial position of Agência Especial de Financiamento Industrial – FINAME as of December 31, 2008, and the results of its operations, the changes in its shareholders' equity, its cash flows and the wealth generated and distributed among the elements that contributed to its generation for the year and six-month period then ended, in conformity with Brazilian accounting practices.
4. We had previously audited the financial statements of Agência Especial de Financiamento Industrial - FINAME, for the year ended December 31, 2007, comprising the balance sheet, the statements of income, changes in shareholders' equity, changes in financial position, and supplemental information comprising the statements of cash flows and value added, on which we issued an unqualified opinion dated January 30, 2008. As mentioned in note 2, Brazilian accounting practices were changed effective January 1, 2008. The financial statements for the year ended December 31, 2007, presented together with the 2008 financial statements, were prepared in accordance with Brazilian accounting practices in effect until December 31, 2007 and, as permitted by Technical Pronouncement CPC 13, First-Time Adoption of Law 11638/07 and Provisional Act 449/08, are not being restated with adjustments for purposes of comparability between years.

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

Rio de Janeiro, January 28, 2009

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Marcelo Cavalcanti Almeida
Engagement Partner

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

AGÊNCIA ESPECIAL DE FINANCIAMENTO INDUSTRIAL – FINAME

BALANCE SHEETS AS OF DECEMBER 31, 2008 AND 2007
(In thousands of Brazilian reais - R\$)

	Note	2008	2007
ASSETS			
CURRENT ASSETS		<u>20,117,060</u>	<u>15,172,572</u>
CASH		<u>976</u>	<u>2,299</u>
SECURITIES	4	<u>968,403</u>	<u>28,638</u>
Banco do Brasil exclusive investment fund		967,723	28,638
Stocks		680	-
INTERBANK ONLENDINGS	5	<u>17,330,205</u>	<u>13,869,316</u>
Interbank onlendings		17,401,700	14,088,260
Allowance for losses		(71,495)	(64,278)
Provision for rebates on special agricultural programs	5.7	-	(154,666)
LOANS	5	<u>1,702,408</u>	<u>1,212,479</u>
Loans		1,735,038	1,237,067
Allowance for losses		(32,630)	(24,588)
OTHER RECEIVABLES		<u>115,068</u>	<u>59,840</u>
Prepaid taxes	7.1	30,199	630
Tax credits	7.2	74,764	17,302
Linked to the National Treasury	14	-	28,867
Other		10,105	13,041
NON-CURRENT ASSETS		<u>48,759,270</u>	<u>39,236,417</u>
INTERBANK ONLENDINGS	5	<u>38,039,574</u>	<u>30,809,293</u>
Interbank onlendings		38,196,506	30,950,505
Allowance for losses		(156,932)	(141,212)
LOANS	5	<u>10,271,596</u>	<u>8,341,704</u>
Loans		10,468,473	8,510,863
Allowance for losses		(196,877)	(169,159)
OTHER RECEIVABLES		<u>448,100</u>	<u>85,420</u>
Tax credits	7.2	100,506	61,315
Linked to the National Treasury	14	316,535	-
Tax incentives		31,059	24,105
TOTAL ASSETS		<u><u>68,876,330</u></u>	<u><u>54,408,989</u></u>

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

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

AGÊNCIA ESPECIAL DE FINANCIAMENTO INDUSTRIAL - FINAME

BALANCE SHEETS AS OF DECEMBER 31, 2008 AND 2007
(In thousands of Brazilian reais - R\$)

	Note	2008	2007
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
		4,248,736	6,146,889
ONLENDINGS	6	3,728,931	5,903,658
BNDES		3,659,077	5,842,289
National Treasury		69,854	61,369
OTHER PAYABLES		519,805	243,231
Actuarial liabilities – FAMS	12.3	1,226	992
Credits restricted to transaction settlement		24,155	7,113
Dividends and interest on capital payable	9	59,777	84,372
Taxes on income	7.1	-	108,071
Other taxes		2,125	4,121
Accounts payable – FAPES	12.2	1,418	1,253
Provision for planned retirement program	13	3,422	7,979
Linked to the National Treasury	14	384,933	-
Other		42,749	29,330
NON-CURRENT LIABILITIES		60,793,016	44,630,382
ONLENDINGS	6	60,704,433	44,408,881
BNDES		58,543,632	42,475,070
National Treasury		2,160,801	1,933,811
OTHER PAYABLES		88,583	221,501
Accounts payable – FAPES	12.2	38,544	38,520
Provision for civil and labor contingencies	8	5,420	142,087
Actuarial liabilities – FAMS	12.3	36,325	31,051
Provision for planned program	13	8,294	9,843
SHAREHOLDERS' EQUITY	9	3,834,578	3,631,718
Capital		3,494,062	3,182,869
Capital increase under approval		316,988	137,656
Capital reserve		-	23,992
Profit reserve			
Legal reserve		13,132	34,086
Tax incentive reserve		10,396	-
Retained earnings		-	253,115
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>68,876,330</u>	<u>54,408,989</u>

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

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AGÊNCIA ESPECIAL DE FINANCIAMENTO INDUSTRIAL – FINAME

**STATEMENTS OF INCOME FOR THE SIX-MONTH
PERIOD ENDED DECEMBER 31, 2008 AND YEARS ENDED DECEMBER 31
(In thousands of Brazilian reais - R\$)**

	Note	2 nd half	2008	2007
INCOME FROM FINANCIAL INTERMEDIATION		6,274,945	7,584,914	1,826,345
Loans and interbank onlendings				
. Local currency		1,960,848	3,984,318	3,330,472
. Foreign currency		4,278,627	3,537,531	(1,576,660)
Income from transactions linked to the National Treasury		9,471	18,090	21,278
Income from securities		25,999	44,975	51,255
EXPENSES ON FINANCIAL INTERMEDIATION		(6,512,103)	(7,408,625)	(1,079,230)
Loans from BNDES and National Treasury				
. Local currency		(2,240,672)	(3,924,950)	(2,685,869)
. Foreign currency		(4,184,559)	(3,428,314)	1,537,377
Allowance for loan losses	11	(86,872)	(55,361)	69,262
GROSS PROFIT FROM FINANCIAL INTERMEDIATION		(237,158)	176,289	747,115
OTHER OPERATING INCOME (EXPENSES)		140,642	(4,909)	(244,222)
Reversal (recognition) of provisions for civil and labor contingencies		205,737	136,507	(131,044)
Tax expenses		(13,499)	(33,882)	(35,042)
Inflation adjustment of dividends and interest on capital – SELIC		-	(3,315)	(2,018)
Personnel expenses		(38,887)	(77,195)	(52,183)
Administrative expenses		(11,742)	(19,463)	(6,697)
Other operating expenses		(14,179)	(20,839)	(20,976)
Other operating income		13,212	13,278	3,738
INCOME BEFORE TAXES		(96,516)	171,380	502,893
Income tax	7	72,744	-	(136,670)
Social contribution tax	7	30,566	-	(49,270)
Deferred taxes – recognition	7	63,793	96,652	46,217
INCOME BEFORE PROFIT SHARING		70,587	268,032	363,170
Employee profit sharing		(5,395)	(5,395)	(7,920)
NET INCOME		65,192	262,637	355,250
EARNINGS PER SHARE		0,000111	0,000445	0,000603

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

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AGÊNCIA ESPECIAL DE FINANCIAMENTO INDUSTRIAL - FINAME

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2008
(In thousands of Brazilian reais - R\$)**

	Capital	Capital increase under approval	Capital reserve Tax incentive reserve	Legal reserve	Profit reserve Tax incentive reserve	Retained earnings	Total
Balances as of January 1, 2008	3,182,869	137,656	23,992	34,086	-	253,115	3,631,718
Capital increase (Note 9)	311,193	179,332	(23,992)	(34,086)	-	(432,447)	-
Net income	-	-	-	-	-	262,637	262,637
Allocation of income							
. Legal reserve	-	-	-	13,132	-	(13,132)	-
. Tax incentive reserve (Note 2)	-	-	-	-	10,396	(10,396)	-
. Dividends	-	-	-	-	-	(59,777)	(59,777)
Balances as of December 31, 2008	<u>3,494,062</u>	<u>316,988</u>	<u>-</u>	<u>13,132</u>	<u>10,396</u>	<u>-</u>	<u>3,834,578</u>
Changes in year	<u>311,193</u>	<u>179,332</u>	<u>(23,992)</u>	<u>(20,954)</u>	<u>10,396</u>	<u>(253,155)</u>	<u>202,860</u>

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AGÊNCIA ESPECIAL DE FINANCIAMENTO INDUSTRIAL - FINAME

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX-MONTH
PERIOD ENDED DECEMBER 31, 2008
(In thousands of Brazilian reais - R\$)**

	Capital	Capital increase under approval	Capital reserve Tax incentive reserve	Profit reserve Legal reserve	Profit reserve Tax incentive reserve	Retained earnings	Total
Balances as of July 1, 2008	3,182,869	390,772	23,992	34,086	-	197,444	3,829,163
Capital increase (Note 9)	311,193	(73,784)	(23,992)	(34,086)	-	(179,331)	-
Net income	-	-	-	-	-	65,192	65,192
Allocation of income							
. Legal reserve	-	-	-	13,132	-	(13,132)	-
. Tax incentive reserve (Note 2)	-	-	-	-	10,396	(10,396)	-
. Dividends	-	-	-	-	-	(59,777)	(59,777)
Balances as of December 31, 2008	<u>3,494,062</u>	<u>316,988</u>	<u>-</u>	<u>13,132</u>	<u>10,396</u>	<u>-</u>	<u>3,834,578</u>
Changes in six-month period	<u>311,193</u>	<u>(73,784)</u>	<u>(23,992)</u>	<u>(20,954)</u>	<u>10,396</u>	<u>(197,444)</u>	<u>5,415</u>

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AGÊNCIA ESPECIAL DE FINANCIAMENTO INDUSTRIAL - FINAME

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR DECEMBER 31, 2007
(In thousands of Brazilian reais - R\$)**

	Capital	Capital increase under approval	Capital reserve Tax incentive reserve	Profit reserve Legal reserve	Retained earnings	Total
Balances as of January 1, 2007	3,182,869	-	16,151	16,323	137,656	3,352,999
Capital increase (Note 9)	-	137,656	-	-	(137,656)	-
Tax incentive reserve . Use	-	-	7,841	-	-	7,841
Net income	-	-	-	-	355,250	355,250
Allocation of income . Legal reserve	-	-	-	17,763	(17,763)	-
. Dividends	-	-	-	-	(84,372)	(84,372)
Balances as of December 31, 2007	3,182,869	137,656	23,992	34,086	253,115	3,631,718
Changes in year	-	137,656	7,841	17,763	115,459	278,719

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AGÊNCIA ESPECIAL DE FINANCIAMENTO INDUSTRIAL - FINAME

**STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH
PERIOD ENDED DECEMBER 31, 2008 AND YEARS ENDED DECEMBER 31
(In thousands of Brazilian reais - R\$)**

	2nd half	2008	2007
Cash flows from operating activities			
Net income	65,192	262,638	355,250
Items not requiring cash outlay	(181,726)	(175,999)	16,124
Recognition (reversal) of allowance for losses	86,872	55,361	(69,262)
Recognition (reversal) of reserves for labor and civil contingencies	(205,737)	(136,507)	131,044
Depreciation and amortization	932	1,799	558
Recognition of tax credits, net	(63,793)	(96,652)	(46,217)
Changes in assets and liabilities	1,062,002	935,495	(840,715)
. Increase in financing, net	(8,410,490)	(13,166,352)	(6,512,082)
. Increase in other assets, net	(319,856)	(323,735)	(11,383)
. Increase in loans and onlendings, net	9,385,888	14,120,825	5,735,363
. Increase in other liabilities, net	406,460	304,757	(52,613)
Net cash provided by (used in) operating activities	945,468	1,022,134	(469,341)
Cash flows from financing activities			
.Dividends paid	(84,372)	(84,372)	(45,885)
Net cash provided by financing activities	(84,372)	(84,372)	(45,885)
Increase in cash	861,096	937,762	(515,226)
Change in cash and cash equivalents			
At beginning of six-month/year	107,603	30,937	546,163
Cash + cash equivalents (1)	107,603	30,937	546,163
At end six-month/year	968,699	968,699	30,937
Cash + cash equivalents (1)	968,699	968,699	30,937
Increase in cash	861,096	937,762	(515,226)

(1) Includes cash and Banco do Brasi exclusive investment fund shares.

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AGÊNCIA ESPECIAL DE FINANCIAMENTO INDUSTRIAL – FINAME

**STATEMENTS OF VALUE ADDED
FOR THE SIX-MONTH
PERIOD ENDED DECEMBER 31, 2008 AND YEARS ENDED DECEMBER 31
(In thousands of Brazilian reais – R\$)**

	2nd half of 2008		2008		2007	
REVENUES	6,201,286		7,542,832		1,899,345	
Financial intermediation	6,274,945		7,584,914		1,826,345	
Other operating revenues	13,193		13,256		3,726	
Reversal (recognition) of allowance for losses	(86,872)		(55,361)		69,262	
Non-operating revenues	20		23		12	
EXPENSES	6,233,673		7,240,911		1,302,530	
Financial intermediation	6,425,231		7,353,264		1,148,492	
Other operating expenses	(192,346)		(116,770)		154,035	
Non-operating expenses	788		4,417		3	
INPUTS PURCHASED FROM THIRD PARTIES	10,244		16,660		5,685	
Materials, electric power and other	2,166		3,331		907	
Outside services	8,078		13,329		4,778	
GROSS VALUE ADDED	(42,631)		285,261		591,130	
RETENTIONS	931		1,799		558	
Depreciation, amortization and depletion	931		1,799		558	
NET VALUE ADDED GENERATED BY THE ENTITY	(43,562)		283,462		590,572	
VALUE ADDED FOR DISTRIBUTION	(43,562)	100.00%	283,462	100.00%	590,572	100.00%
DISTRIBUTION OF VALUE ADDED	(43,562)	100.00%	283,462	100.0%	590,572	100.0%
Personnel and related charges	33,466	-76.8%	67,708	23.9%	47,319	8.0%
Employee profit sharing	5,395	-12.4%	5,395	1.9%	7,920	1.3%
Taxes payable	(147,980)	339.7%	(52,959)	-18.7%	179,903	30.5%
Rentals	364	-0.8%	680	0.2%	180	0.0%
Dividends	59,777	-137.2%	59,777	21.1%	84,372	14.3%
Retained earnings	5,416	-12.45%	202,861	71.6%	270,878	45.9%

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

AGÊNCIA ESPECIAL DE FINANCIAMENTO INDUSTRIAL - FINAME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS
ENDED DECEMBER 31, 2008 AND 2007 AND SIX-MONTH
PERIOD ENDED DECEMBER 31, 2008
(Amounts in thousands of Brazilian reais – R\$)

1. Operations

1.1) History

Agência Especial de Financiamento Industrial (“FINAME” or the “Entity”), a wholly-owned subsidiary of BNDES, was established by Decree No. 59170 of September 2, 1966 and Decree-Law No. 45 of November 18, 1966, to manage the fund created by Decree No. 55275 of December 22, 1964. Subsequently, with the enactment of Law No. 5662 of June 21, 1971, FINAME was converted into a state-owned company.

1.2) Purposes and activities

In order to promote the development, consolidation and modernization of the Brazilian capital goods manufacturing sector, through financing for the sale in Brazil and abroad of machinery and equipment manufactured locally, FINAME operates by onlending its funds through an extensive network of qualified financial institutions.

Its operations are characterized by capillarity, simplicity and operating agility, serving customers of all manufacturing segments.

FINAME serves its borrowers through four operating programs:

- a) FINAME – supports the purchase of machinery and equipment for the domestic market, providing more favorable financing conditions to micro and small companies, international competitiveness and regional development programs.
- b) Agricultural FINAME – has the purpose of providing specific support for the purchase of new machinery and equipment for agribusiness production. Its operations aim at fostering farm mechanization and increasing farm productivity.
- c) BNDES – EXIM – Foreign Trade Credit Program is designed to support Brazilian exporting manufacturers. Its operations started in 1990 to finance pre-shipments, through an advance of funds to manufacturers for payment of current costs of production sold in the foreign market. Post-shipment financing started in 1991, by refinancing exporters through the discount of exchange bills or the assignment of letters of credit rights. The special pre-shipment financing started in 1997, to finance the production of goods for export not linked to any particular shipment during the pre-shipment stage.
- d) FINAME LEASING – has the purpose of financing, by means of financial institutions, the purchase of domestic machinery and equipment for lease transactions.

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AGÊNCIA ESPECIAL DE FINANCIAMENTO INDUSTRIAL - FINAME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 AND SIX-MONTH PERIOD ENDED DECEMBER 31, 2008 (Amounts in thousands of Brazilian reais – R\$)

2. Basis of Preparation and Presentation of Financial Statements – adoption of Law 11638/07

The financial statements have been prepared in accordance with Brazilian Corporate Law and Central Bank of Brazil's standards, and are presented in the format required by the Standard Chart of Accounts for National Financial Institutions (COSIF), although the approval for becoming a financial institution is in progress.

On December 28, 2007, Law 11638/07 was enacted, altering, revoking and adding new provisions to the Brazilian Corporate Law (Law 6404, of December 15, 1976), especially with respect to chapter XV, Fiscal Year and Financial Statements.

Although the Central Bank of Brazil (BACEN) has not yet issued standards on changes required by said Law, until standards are fully introduced in COSIF, Management decided to adopt for the first time the provisions of Law 11638/07 and Provisional Act 449/08, with a transition date of January 1, 2008, based on Paragraph 1 of article 186 of Law 6404/76 and, subsidiarily, the standards set forth by the Brazilian Securities and Exchange Commission - CVM, not conflicting with BACEN regulations. The changes introduced by this Law that affected the Entity's financial statements as of December 31, 2008 are as follows:

- Replacement of the statement of changes in financial position by the statement of cash flows – CVM Resolution 547/2008;
- Inclusion of the statement of value added - CVM Resolution 557/2008;
- Recording of investment grants (tax incentives) in income, in the amount of R\$10,396 thousand – CVM Resolution 555/2008;
- Related parties – Note 10 – CVM Resolution 560/2008.

To allow comparability of income and shareholders' equity with amounts that might have been obtained if the Company had not been required to adopt the provisions of Law 11638/07 and Provisional Act 449/08, Finame estimated the impact thereof on income and shareholders' equity as of December 31, 2008 as shown below:

	R\$ thousand	
	As of December 31, 2008	
	Income	Shareholders' equity
Reported amounts	262,638	3,834,579
Adjustments required by Law 11638/07		
- Tax incentives recorded in the year	(10,396)	-
Amounts that might have been reported had these adjustments not been made	<u>252,242</u>	<u>3,834,579</u>

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AGÊNCIA ESPECIAL DE FINANCIAMENTO INDUSTRIAL - FINAME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 AND SIX-MONTH PERIOD ENDED DECEMBER 31, 2008 (Amounts in thousands of Brazilian reais – R\$)

3. Summary of significant accounting practices

3.1) Results of operations

Operations with fixed rates are stated at redemption amount, and income and expenses for future periods are recorded as a reduction of related assets and liabilities. Operations with floating rates or indexed to foreign currencies are adjusted through the balance sheet date.

Other income and expenses are recognized on the accrual basis, observing the daily pro rata basis for those of a financial nature.

The 17% appreciation of the Brazilian currency in relation to the US dollar in 2007 impacted significantly the statement of income - for example, income from loans in foreign currency is negative (loss) and expenses on loans and financing denominated in foreign currencies, in particular the US dollar, are positive (gain).

3.2) Securities and derivatives

According to Central Bank of Brazil Circular 3068, of November 8, 2001, securities in the portfolio are classified into one of the following three categories, according to Management's intention, as follows:

- a) trading securities;
- b) available-for-sale securities; and
- c) held-to-maturity securities.

Trading securities and available-for-sale securities are stated at fair value on the balance sheet date and held-to-maturity securities are stated at cost plus income earned through the balance sheet date.

Adjustments to fair value of trading securities are recorded against the related income or expense account in the statement of income for the period.

Adjustments to fair value of securities classified as available-for-sale are recorded in a separate caption in shareholders' equity, net of taxes, and are transferred to the statement of income upon realization through the definitive sale of the respective securities.

Investments in investment funds are measured on a daily basis and are, therefore, marked to market, and the corresponding contra entries are recorded in the statement of income.

As of December 31, 2008 and 2007, FINAME had no derivative transactions.

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AGÊNCIA ESPECIAL DE FINANCIAMENTO INDUSTRIAL - FINAME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 AND SIX-MONTH PERIOD ENDED DECEMBER 31, 2008 (Amounts in thousands of Brazilian reais – R\$)

3.3) Loans, interbank onlendings and allowance for losses

Loans and interbank onlendings are classified according to the Management's risk assessment, taking into consideration the economic situation, past experience and specific risks related to the operation, debtors and guarantors, according to the parameters established by Central Bank of Brazil Resolution 2682/99, which requires a periodic analysis of the portfolio and its classification in nine levels, in which AA is minimum risk and H is maximum risk.

Income from transactions (loans and interbank onlendings) past-due for more than 60 days, regardless of their risk level, is only recorded as income when actually received. Transactions classified as level H, if past-due, remain in this classification for six months, after which they are written off against the recorded allowance and controlled, for at least five years, in memorandum accounts, with no record in the balance sheet.

Renegotiated operations remain at least at the same risk level in which they were classified. Renegotiated loans and interbank onlendings that had already been written off against the allowance and that were recorded in memorandum accounts are classified as level H, and possible gains resulting from the renegotiation are only recognized in income when realized.

The allowance for loan losses, considered sufficient by Management, complies with the criteria established by the Central Bank of Brazil.

3.4) Monetary adjustment of receivables and payables

Receivables and payables legally or contractually subject to exchange variation or indices are adjusted through the balance sheet dates. The contra entries of these adjustments are recorded in the statement of income for the period.

3.5) Recognition of actuarial assets and liabilities

a) Pension plan

Actuarial assets, determined by actuaries, are not recognized as assets of the sponsor because it is not possible to offset such amounts against future contributions, as set forth by the pension fund regulations.

The portion of actuarial gains and losses to be recognized as an increase or decrease in future liabilities, to be determined by actuaries, will correspond to the excess of the higher of 10% of the fair value of the plan assets or 10% of actuarial liabilities discounted to present value, and this portion is recognized over the average future time of service of the active participants of the plan. The effect of deferring actuarial gains and losses is recognized through the annual expense on the pension plan, determined by the actuaries.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 AND SIX-MONTH PERIOD ENDED DECEMBER 31, 2008 (Amounts in thousands of Brazilian reais – R\$)

Expenses on sponsor's contributions to the pension plan are recognized in the statement of income on an accrual basis.

b) Health care plan

Actuarial liabilities, determined by actuaries, are recognized by the sponsor as an increase in existing provision, with a corresponding contra entry to the statement of income.

Expenses on sponsor's contributions to the post-employment health care plan are charged to income on the accrual basis.

3.6) Income and social contribution taxes

The provision for income tax is recorded based on book income, adjusted for additions and deductions set forth by tax legislation at the rate of 15%, plus a 10% surtax on taxable income exceeding R\$120 thousand for the six-month period (R\$240 thousand for the year), in accordance with prevailing legislation. Social contribution tax is calculated at the rate of 9% until April 2008 and 15% beginning May 2008 (Law 11727/08).

Deferred income and social contribution taxes on temporary additions are recorded under the caption "Tax credits", according to Central Bank of Brazil Resolution 3059/02.

3.7) Accounting estimates

The preparation of financial statements in conformity with Brazilian accounting practices and regulations of the Central Bank of Brazil and the Brazilian Securities and Exchange Commission requires Management to use judgment in determining and recording accounting estimates. Assets and liabilities subject to these estimates and assumptions include the allowance for loan losses, provision for contingencies, accrued taxes, and realization of tax credits. Actual results could differ from those estimates.

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4. Securities

According to Central Bank of Brazil Circular 3068, of November 8, 2001, securities in the portfolio are classified according to Management's intent to trade or hold them to maturity.

As of December 31, 2008 and 2007, the securities portfolio, classified in accordance with the categories set forth by the regulation above, was as follows:

4.1) By nature and issuer

	R\$ thousand	
	As of December 31,	
	2008	2007
Trading securities:		
<i>Private sector:</i>		
Banco do Brasil exclusive investment fund	967,723	28,638
Available-for-sale securities:		
<i>Private sector:</i>		
Stocks	680	-
Total	968,403	28,638
Current	968,403	28,638
Long-term	-	-
Total	968,403	28,638

	R\$ thousand	
	As of December 31,	
	2008	2007
Summary by issuer		
Public sector	-	-
Private sector	968,403	28,638
Total	968,403	28,638

4.2) Maturity

	R\$ thousand							
	As of December 31,							
	2008							
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	5 to 15 years	Over 15 years	Total
Trading securities								
<i>Private sector:</i>								
Banco do Brasil exclusive investment fund	967,723	-	-	-	-	-	-	967,723
Available-for-sale securities								
Stocks	680	-	-	-	-	-	-	680
Total	106,914	-	-	-	-	-	-	106,914

	R\$ thousand							
	As of December 31,							
	2007							
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	5 to 15 years	Over 15 years	Total
Trading securities								
<i>Private sector:</i>								
Banco do Brasil exclusive investment fund	28,638	-	-	-	-	-	-	28,638
Total	28,638	-	-	-	-	-	-	28,638

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4.3) Banco do Brasil exclusive investment fund

This Fund is classified as trading securities according to Central Bank of Brazil Circular 3068, of November 8, 2001.

The Fund's portfolio consists basically of government securities issued by the National Treasury and under the custody of SELIC (Special Settlement and Custody System).

The breakdown of the Fund's portfolio is as follows:

	R\$ thousand	
	As of December 31,	
	2008	2007
BB Urano 2 Fund		
ASSETS		
Cash and cash equivalents	10,006	2
Repurchase agreements		
Treasury bills (LFT)	934,927	-
Securities available for trading		
Treasury bills (LFT)	22,799	7,412
National Treasury bills (LTN)	-	21,226
Other	1	2
	967,733	28,642
LIABILITIES		
Accounts payable	(10)	(4)
	(10)	(4)
TOTAL	967,723	28,638

Breakdown of the securities included in the Fund's assets by maturity:

	Number	R\$ thousand					Total
		As of December 31,					
		2008					
		Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	From 5 to 15 years	
BB Urano 2 Fund							
Treasury bills (LFT)	257,544	934,927	7,894	-	14,905	-	957,726
		934,927	7,894	-	14,905	-	957,726
	Number	R\$ thousand					Total
		As of December 31,					
		2007					
		Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	5 to 15 years	
BB Millenium Extramercado Fund							
Treasury bills (LFT)	2,236	-	-	-	7,412	-	7,412
National Treasury bills (LTN)	23,923	-	21,226	-	-	-	21,226
		-	21,226	-	7,412	-	28,638

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5. Loans and Interbank Onlendings

5.1) Breakdown

	R\$ thousand	
	As of December 31,	
	2008	2007
Loans	12,203,511	9,747,930
Allowance for losses	(229,507)	(193,747)
	11,974,004	9,554,183
Interbank onlendings	55,598,206	45,038,765
Allowance for losses	(228,427)	(205,490)
Provision for rebates on special agricultural programs (Note 5.7)	-	(154,666)
	55,369,779	44,678,609
Total	67,343,783	54,232,792
Current	19,032,613	15,081,795
Long-term	48,311,170	39,150,997
Total	67,343,783	54,232,792

5.2) Gross portfolio by sector

	R\$ thousand	
	As of December 31,	
	2008	2007
Public sector	8,912,528	7,472,589
Private sector		
Financial intermediation	46,685,681	37,565,848
Other services	12,203,508	9,748,258
	58,889,189	47,314,106
	67,801,717	54,786,695
Allowance for losses	(457,934)	(399,237)
Provision for rebates on special agricultural programs	-	(154,666)
Total	67,343,783	54,232,792

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5.3) Gross portfolio by maturity

	<u>R\$ thousand</u> <u>As of December 31,</u> <u>2008</u>
Past-due	-
Current:	
2009	19,136,738
2010	16,014,671
2011	11,742,211
2012	7,373,419
2013	3,531,852
After 2013	10,002,826
Total	<u>67,801,717</u>
	<u>R\$ thousand</u> <u>As of December 31,</u> <u>2007</u>
Past-due	497
Current:	
2008	15,324,831
2009	12,824,464
2010	9,266,139
2011	5,762,913
2012	2,706,658
After 2012	8,901,193
Total	<u>54,786,695</u>

5.4) Concentration of gross portfolio

	<u>R\$ thousand</u>			
	<u>As of December 31,</u>			
	<u>2008</u>	<u>%</u>	<u>2007</u>	<u>%</u>
10 largest customers	42,925,135	63.3	34,401,480	62.8
50 next largest customers	23,903,266	35.3	19,737,926	36.0
Other	973,316	1.4	647,289	1.2
Total	<u>67,801,717</u>	<u>100.0</u>	<u>54,786,695</u>	<u>100.0</u>

5.5) Breakdown of portfolio and allowance for losses by risk level

The National Monetary Council established, through Resolution 2682 of December 21, 1999, published by the Central Bank of Brazil, a system for recognizing the allowance for loan losses. The rule, which defines the risk ratings for performing and nonperforming loans and the related percentages, became effective in March 2000.

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Accordingly, allowances for performing and nonperforming balances relating to interbank onlendings and loans were as follows:

a) Interbank onlendings

Risk level	Status	R\$ thousand				
		Interbank onlendings		% Allowance	Allowance	
		As of December 31,			As of December 31,	
		2008	2007		2008	2007
AA	Performing	17,377,173	15,512,905	0.00	-	-
A	Performing	36,128,042	25,200,356	0.50	180,640	126,002
B	Performing	1,771,743	4,268,384	1.00	17,718	42,683
C	Performing	295,609	13,497	3.00	8,868	405
D	Performing	150	8,026	10.00	15	803
E	Performing	6,147	-	30.00	1,844	-
H	Performing	19,342	35,100	100.00	19,342	35,100
	Nonperforming	-	497		-	497
Total		55,598,206	45,038,765		228,427	205,490
Current		17,401,700	14,088,260		71,495	64,278
Long-term		38,196,506	30,950,505		156,932	141,212
Total		55,598,206	45,038,765		228,427	205,490

b) Loans

Risk level	Status	R\$ thousand				
		Loans		% Allowance	Allowance	
		As of December 31,			As of December 31,	
		2008	2007		2008	2007
AA	Performing	2,031,281	1,746,811	0.00	-	-
A	Performing	155,746	138,723	0.50	779	694
B	Performing	3,634,289	2,524,640	1.00	36,343	25,246
C	Performing	6,381,247	5,308,672	3.00	191,437	159,261
D	Performing	-	22,675	10.00	-	2,267
E	Performing	-	186	30.00	-	56
H	Performing	948	6,223	100.00	948	6,223
Total		12,203,511	9,747,930		229,507	193,747
Current		1,735,038	1,237,067		32,630	24,588
Long-term		10,468,473	8,510,863		196,877	169,159
Total		12,203,511	9,747,930		229,507	193,747

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5.6) Changes in allowance for losses on loans and interbank onlendings

	R\$ thousand		
	As of December 31,		
	2008		
	Loans	Interbank onlendings	Total
Balance at beginning of year	193,747	205,490	399,237
Recognition, net	36,270	22,938	59,208
Write-offs against the allowance	(510)	(1)	(511)
Balance at end of year	229,507	228,427	457,934

	R\$ thousand		
	As of December 31,		
	2007		
	Loans	Interbank onlendings	Total
Balance at beginning of year	261,673	222,304	483,977
Reversal, net	(67,892)	(16,814)	(84,706)
Write-offs against the allowance	(34)	-	(34)
Balance at end of year	193,747	205,490	399,237

The effect on the statement of income is shown in note 11.

5.7) Provision for rebates on special agricultural programs

Through Decree 6201, of August 28, 2007, regulated by Central Bank of Brazil Resolution 3496, of August 30, 2007, the Federal Government authorized the granting of rebates on rural investment financing installments falling due in 2007, including operations carried out under the Finame Special Agricultural Program. The cost of which will be assumed by FINAME.

Consequently, the Entity accrued R\$169,204 as of December 31, 2008 of the costs resulting from the granting of rebates on operations carried out under the Finame Special Agricultural Program, which will be assumed by FINAME, as provided for in article 5 of Decree 6201/07. Onlendings are already shown net of such costs.

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6. Onlendings

6.1) Breakdown

	R\$ thousand					
	As of December 31,					
	2008			2007		
	Local currency	Foreign currency	Total	Local currency	Foreign currency	Total
BNDES	49,627,262	12,575,447	62,202,709	38,579,777	9,737,582	48,317,359
National Treasury	2,230,655	-	2,230,655	1,995,180	-	1,995,180
	51,857,917	12,575,447	64,433,364	40,574,957	9,737,582	50,312,539
Current			3,728,931			5,903,658
Long-term			60,704,433			44,408,881
Total			64,433,364			50,312,539

Onlendings from BNDES in local currency are subject to monetary adjustment based on the TJLP (long-term interest rate) variation plus interest of up to 2% per year, and must be settled by 2019. Foreign currency onlendings are adjusted based on the exchange variation of US dollar or UMBNDES (BNDES monetary unit) plus interest of up to 6.23% per year, and must be settled by 2024.

Onlendings from the National Treasury are subject to monetary adjustment based on the IGP-M (General Market Price Index) variation and interest of 10.09% per year and must be settled by March 2011.

6.2) Maturity

	R\$ thousand
	As of December 31,
	2008
Current:	
2009	3,728,931
2010	1,859,042
2011	3,851,491
2012	1,555,665
2013	1,291,896
After 2013	52,146,339
Total	64,433,364
	R\$ thousand
	As of December 31,
	2007
Current:	
2008	5,903,658
2009	9,474,095
2010	8,333,854
2011	10,077,697
2012	6,991,560
After 2012	9,531,675
Total	50,312,539

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7. Income tax and social contribution

7.1) Current

FINAME calculates income tax and social contribution based on annual taxable income and is subject to monthly payments on an estimated basis, whenever the tax suspension/reduction is not applicable, as provided for in articles 27 to 35 of Law 8981/95 and other applicable legislation.

In the second half of 2008 and, as of December 31, 2008, FINAME recorded tax loss carryforwards and, thus, did not generate taxes payable.

As of December 31, 2007, FINAME recorded provisions for social contribution (at a 9% rate) and income tax (at a 15% rate, plus a 10% surtax). Such provisions were calculated on income before deduction of income tax and social contribution expenses.

Income and social contribution taxes were calculated as follows:

	R\$ thousand					
	2 nd half of 2008		As of December			
	Income tax	Social contribution	2008		2007	
	Income tax	Social contribution	Income tax	Social contribution	Income tax	Social contribution
Income before taxes	(96,515)	(96,515)	171,381	171,381	502,893	502,893
Employee profit sharing	(5,395)	(5,395)	(5,395)	(5,395)	(7,920)	(7,920)
Tax basis	(101,910)	(101,910)	165,986	165,986	494,973	494,973
Total income tax and social contribution at the rates of 25% and 9% (1)	(25,477)	(9,172)	41,496	14,939	123,743	44,548
Effects of additions (deductions) on tax calculation:						
• Allowance for loan losses (BACEN Resolution 2682/99)	22,276	8,019	14,674	5,283	(21,185)	(7,627)
• Credits written off as loss	(107,372)	(38,654)	(109,432)	(39,395)	(4,504)	(1,622)
• Actuarial liabilities – FAMS	582	209	1,377	496	734	264
• Reserve for labor and civil contingencies	(51,449)	(18,522)	(34,167)	(12,300)	32,761	11,795
• Planned employee termination program	(181)	(65)	(1,527)	(550)	4,455	1,604
• Effect of increased CSLL rate (May to December)	-	(26,418)	-	(21,795)	-	-
• Other additions and deductions, net	(1,282)	(448)	(2,580)	(1,163)	666	308
• Effect of tax loss carryforwards	90,159	54,485	90,159	54,485	-	-
Income tax and social contribution	(72,744)	(30,566)	-	-	136,670	49,270

(1) On June 23, 2008, Law 11727 was enacted, establishing, among other measures, an increase in social contribution tax from 9% to 15% for financial institutions and insurance and capitalization companies. The Law became effective May 1, 2008.

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The balance payable is as follows:

	R\$ thousand	
	As of December 31,	
	2008	2007
Taxes on income:		
• Provision		
Income tax	-	136,670
Social contribution	-	49,270
	<u>-</u>	<u>185,940</u>
• Prepayments		
Income tax	-	(61,300)
Social contribution	-	(16,569)
	<u>-</u>	<u>(77,869)</u>
Taxes payable	<u>-</u>	<u>108,071</u>

Recoverable taxes are as follows:

	R\$ thousand	
	As of December 31	
	2008	2007
• Prepayments		
Income tax	21,764	-
Social contribution	8,435	-
Audiovisual incentive	-	630
Total	<u>30,199</u>	<u>630</u>
Current	30,199	630
Long-term	-	-
Total	<u>30,199</u>	<u>630</u>

7.2) Tax credits

	R\$ thousand	
	As of December 31	
	2008	2007
• Breakdown of deferred assets:		
Credits written off as loss	23,684	23,226
Provisions for civil and labor contingencies	98	46,639
Employee profit sharing	2,158	2,693
Planned employee termination program	4,686	6,059
Tax loss	90,159	-
Tax loss carryforwards (social contribution)	54,485	-
Total	<u>175,270</u>	<u>78,617</u>
Current	74,764	17,302
Long-term	100,506	61,315
Total	<u>175,270</u>	<u>78,617</u>

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Pursuant to Central Bank of Brazil Resolution 3059/02, FINAME recognizes deferred tax assets on temporary additions that will be deductible from income tax and social contribution bases in the future, and on tax loss carryforwards, which will be offset against taxable income in future years. The social contribution rate was increased from 9% to 15%, as required by article 17 of Law 11727/08.

As of December 31, 2008, the contra entry of deferred income tax and social contribution was as follows:

	R\$ thousand	
	12/31/2008	12/31/2007
Income tax	51,493	33,983
Social contribution	45,159	12,234
Total	96,652	46,217

Basically, deferred tax assets on temporary differences arise from:

- a) Credits written off as loss: refer to losses on loans or interbank onlendings which are past due for more than 360 days or had their maturity accelerated due to noncompliance with contract clauses. Such receivables may be under amicable collection by the receivable recovery department or, otherwise subject to court collection;
- b) Reserves for civil and labor contingencies: refer to labor (Note 8.a) and civil (Note 8.b) contingencies; and
- c) Planned retirement program: estimated costs of the plan to give retirement of employees who qualify for retirement for length of service (Note 13).

Tax credits on temporary additions are realized upon payment, utilization or reversal of the related provisions. Credits from tax loss carryforwards are offsettable against future taxable income, limited to 30% in each period.

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The amounts recognized and written off in the year are as follows:

	R\$ thousand				
	12/31/07	Increase in social contribution rate	Recognition	Realization	12/31/08
Credits written off as loss	23,226	4,099	204	(3,845)	23,684
Reserve for civil and labor contingencies	46,639	8,230	40,155	(94,926)	98
Employee profit sharing	2,693	475	2,158	(3,168)	2,158
Planned employee termination program	6,059	1,069	457	(2,899)	4,686
Tax loss	-	-	90,159	-	90,159
Tax loss carryforwards (social contribution)	-	-	54,485	-	54,485
Total	78,617	13,873	187,618	(104,838)	175,270

	R\$ thousand			
	12/31/06	Recognition	Realization	12/31/07
Credits written off as loss	30,484	10	(7,268)	23,226
Reserve for civil and labor contingencies	386	50,008	(3,755)	46,639
Employee profit sharing	1,530	2,693	(1,530)	2,693
Total	32,400	58,770	(12,553)	78,617

Unrecorded tax credits as of December 31, 2008 totaled R\$211,630. This amount refers basically to the allowance for loan losses (Central Bank of Brazil Resolution 2682/99) and allowance for losses on investments arising from tax incentives (FINOR – Northeast Investment Fund), for which tax credits are not recognized since they are not expected to be realized. Pursuant to Central Bank of Brazil Resolution 3059/02, tax credits can only be recognized on amounts that will be realized in up to 5 years, a period changed to 10 years under Central Bank of Brazil Resolution 3355/06. However, the 5-year timeframe has been conservatively maintained for the realization of tax credits, and these amounts will either be realized over a longer period or are not expected to be realized.

The expected realization of tax credits is as follows:

	R\$ thousand					
	2009	2010	2011	2012	2013	Total
Credits written off as loss	21,466	808	1,144	-	266	23,684
Provision for civil and labor contingencies	-	6	78	-	14	98
Accrued employee profit sharing	2,158	-	-	-	-	2,158
Planned employee termination program	1,369	1,312	1,092	913	-	4,686
Tax loss	31,107	33,611	25,441	-	-	90,159
Tax loss carryforwards (social contribution)	18,664	20,167	15,654	-	-	54,485
Total	74,764	55,904	43,409	913	280	175,270

The present value of recorded tax credits, calculated considering the average funding rate, is R\$145,494.

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Under article 5 of Resolution 3059/02, the assets corresponding to the portion of tax credits must be written off whenever the amounts effectively realized in two consecutive periods are less than 50% of the amounts estimated for the same period in a technical study prepared by the Entity. The provisions of this article are not applicable to tax credits recognized before the date on which such Resolution took effect. As of December 31, 2008, no write-offs of such nature have been made.

The tax credits recognized after this Resolution took effect total R\$159,397.

8. Provision for civil and labor contingencies

FINAME is a party to labor and civil lawsuits arising from the normal course of business.

The lawsuits were classified into three risk of loss categories: probable, possible and remote, based on the likelihood of loss according to the opinion of the internal and external legal counsel who analyze the nature, similarity with previous cases, complexity, previous court decisions and the status of the lawsuits.

The use of this classification criterion complies with CVM Resolution 489, of October 3, 2005, concerning contingencies, which recommends recognizing a provision in the total amount of contingencies classified as probable and the disclosure of contingencies classified as possible.

The provisions recognized were considered by Management to be sufficient to cover any losses.

The provisions recognized by nature are as follows:

	R\$ thousand	
	As of December 31,	
	2008	2007
Labor lawsuits	5,385	5,114
Civil lawsuits	35	136,973
Total	5,420	142,087
Current	-	-
Long-term	5,420	142,087
Total	5,420	142,087

a) Labor lawsuits

The provision for labor contingencies basically refers to lawsuits for job reinstatement of dismissed employees.

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Changes in the provision for labor contingencies in the period are as follows:

	R\$ thousand	
	As of December 31,	
	2008	2007
Balance at beginning of year	5,114	11,024
Payment	(57)	-
Recognition (reversal), net	328	(5,910)
Balance at end of year	5,385	5,114

As of December 31, 2008, there are 8 ongoing lawsuits classified as possible loss, in the estimated amount of R\$2,223.

b) Civil lawsuits

Lawsuits refer to contractual issues. The main of which, related to the compensation for certain agricultural activities, discussed with the National Treasury, was filed in 2007, and, with the enactment of Law 11775, of 09/17/08, reversed to income for 2008 and recorded under Other Liabilities – National Treasury with a contra entry to Expenses on Financial Intermediation (Note 14).

Changes in the provision for civil contingencies in the period are as follows:

	R\$ thousand	
	As of December 31,	
	2008	2007
Balance at beginning of year	136,973	20
Recognition (reversal), net	(136,938)	136,953
Balance at end of year	35	136,973

As of December 31, 2008, there are 3 ongoing lawsuits classified as possible loss, in the estimated amount of R\$1,755.

9. Shareholders' equity

As of December 31, 2008 and 2007, FINAME's subscribed capital is represented by 589,580,236 registered common shares, without par value, held by Banco Nacional de Desenvolvimento Econômico e Social – BNDES.

FINAME allocated 5% of its 2008 net income of R\$262,637 for the recognition of the legal reserve of R\$13,132 and the tax incentive reserve of R\$10,396 thousand. For purposes of payment of mandatory minimum dividends to the shareholder, FINAME allocated 25% of the net income after the recognition of the legal reserve and tax incentive reserve, equivalent to R\$59,777 thousand. A capital increase using current year's and remaining balance of net income, in the amount of R\$179,332 thousand, is in progress. The planned capital increase will be completed after approval by the Ministry of Finance and publication in the Federal Official Gazette, as required in Decree 2673, of July 16, 1998.

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BNDES' Executive Board approved, upon Decision 109/2008-BNDES, of February 15, 2008, a capital increase through the capitalization of the remaining balance of retained earnings for 2007, amounting to R\$253,115.

From net income for 2007, in the amount of R\$355,250 thousand, FINAME allocated 5% to legal reserve, in the amount of R\$ 17,763 thousand. As minimum mandatory distribution to shareholders, 25% of net income after recognizing the legal and tax incentive reserves, equivalent to R\$ 84,372 thousand, was allocated as dividends.

BNDES' Executive Board approved, upon Decision 115/2007-BNDES, of February 15, 2007, a capital increase through the capitalization of the remaining balance of retained earnings for 2006, amounting to R\$137,656 thousand. The planned capital increase will be completed after approval by the Ministry of Finance and publication in the Federal Official Gazette, as required in Decree 2673, of July 16, 1998.

10. Transactions with the Parent Company

10.1) Transactions with the parent company BNDES

The transaction with BNDES were as follows:

	R\$ thousand	
	2 nd half of 2008	As of December 31, 2008 2007
Assets		
Onlendings		
Local currency		686,993 1,222,934
Liabilities		
Onlendings		
Local currency		(49,627,262) (38,579,777)
Foreign currency		(12,575,447) (9,737,582)
		<u>(62,202,709) (48,317,359)</u>
Income		
Onlendings		
Local currency	1,413	311,614 354,819
Expenses		
Onlendings		
Local currency	(885,504)	(1,672,673) (1,461,971)
Foreign currency	(4,184,336)	(3,427,930) 1,537,743
	<u>(5,069,840)</u>	<u>(5,100,603) 75,772</u>

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10.2) Transactions with the National Treasury – BNDES's single shareholder

The terms and conditions for these transactions, detailed in note 6, are summarized below:

	R\$ thousand	
	As of December 31	
	2 nd half of 2008	2008 2007
Liabilities		
Onlendings		(2,230,655) (1,995,180)
Expenses:		
Onlendings	(362,015)	(583,296) (104,154)

10.3) Transactions with Welfare and Pension Plan Foundation of BNDES – FAPES

Transactions with FAPES and Health Care and Welfare Fund (FAMS), administered by FAPES, summarized below, are detailed in note 12:

	R\$ thousand	
	As of December 31	
	2008	2007
Liabilities		
Accounts payable – FAPES – Pension plan	(39,962)	(39,773)
Actuarial liabilities – FAMS – Health care plan	(37,551)	(32,043)

	R\$ thousand	
	As of December 31	
	2 nd half of 2008	2008 2007
Expenses		
Pension plan	(3,426)	(4,813) (3,673)
Health care plan	852	(2,328) (1,436)

11. Income (expenses) on allowance for losses

Income from allowance for losses:

	R\$ thousand	
	As of December 31	
	2 nd half of 2008	2008 2007
Reversal (recognition) of term sale of securities, net	(60,913)	(36,270) 67,892
Reversal (recognition) of interbank onlendings, net	(28,696)	(22,938) 16,814
Recovery of receivables written off as loss	2,737	3,847 (15,444)
Recognized income (expense), net	(86,872)	(55,361) 69,262

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12. Pension Plan

12.1) Pension plan:

FAPES (Welfare and Pension Plan Foundation of BNDES) is a private pension plan entity. Its main purpose is to supplement the social security benefits granted by the National Institute of Social Security (INSS) to the employees of its sponsors: BNDES, FINAME, BNDESPAR and FAPES itself.

FAPES has a defined benefit plan and uses the capitalization financial system to measure its provisions.

Sponsors must provide to FAPES, when required, funds for covering any technical deficits identified by an actuarial revaluation, as established by the Foundation's bylaws, pursuant to legislation in force.

Based on FAPES' balance sheet as of December 31, 2008, there is a deficiency, before receivables from sponsor, between the guarantee assets and the actuarial obligation, in the amount of R\$24,382 (surplus of R\$15,280 as of December 31, 2007), equivalent to 9.6% (4.9% as of December 31, 2007) of total guarantee assets of FAPES. The actuarial liability is covered by Accounts payable - FAPES (Note 12.2) recorded in FINAME, in accordance with accounting rules set forth by Accounting Procedure and Standard (NPC) 26 issued by the Brazilian Institute of Independent Auditors (IBRACON). Considering the sponsors' receivables, the pension plan has a deficiency of R\$64,344 (surplus of R\$55,053 as of December 31, 2007) equivalent to 25.4% (17.5% as of December 31, 2007) of total guarantee assets.

The actuarial liability was measured by an independent actuary under the Projected Unit Credit (PUC) method, based on analyses carried out in September 2008. The amounts were adjusted through December 31, 2008 based on actuarial interest of 6% per year and monetary adjustment based on the INPC (National Consumer Price Index) variation.

The table below shows the contributions made by FINAME to fund the benefit plan, in accordance with the limit established by legislation in force:

	Thousand R\$		
	2 nd half of 2008	As of December 31,	
		2008	2007
Payroll	10,75	19,276	18,475
Participants' contributions	3 858	1,557	2,091
Sponsor's contributions	1,306	2,280	2,091

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12.2) Accounts payable – FAPES

Refer to debt acknowledgement contracts entered into with the sponsors, with fixed amortization term and monthly payments, with a total of thirteen installments each year, calculated by the Price System and subject to an actuarial interest rate of 6% per year, plus administrative costing rate and monetary adjustment, which occurs at the same time and ratio as the salary adjustment or general changes of the sponsors' employees.

The debt balance is as follows:

	R\$ thousand	
	As of December 31,	
	2008	2007
2002 contracts (a)	27,927	25,968
2004 contracts (b)	12,035	13,805
Total	39,962	39,773
Current	1,418	1,253
No-current	38,544	38,520
Total	39,962	39,773

- (a) Refers to the agreement between the BNDES group entities and their employees regarding the recognition of changes in working hours, pursuant to Law No. 10556, of November 13, 2002, which resulted in a 16.67% increase in the participants' contribution salary, directly impacting the benefit plan's mathematical provisions. For partial coverage of the increase in such reserves in 2002, contracts establishing the debt repayment in 390 installments were entered into. The payment began in January 2003.
- (b) Refers to conversion of the mathematical provisions to be recognized (according to BNDES group's request and Central Bank of Brazil's recommendation), which were being amortized on a monthly basis since November 1998 through extraordinary contributions, into debt acknowledged by the sponsors, falling due by November 2018. The first installment was paid in December 2004. The unadjusted amounts refer to controversial amounts resulting from different actuarial monetary adjustment criteria, which were conservatively recorded by FAPES.

12.3) Other employee benefits

a) Health care plan

FINAME, as a wholly-owned subsidiary of BNDES, sponsors the FAMS (Health Care and Welfare Fund), created primarily to provide the plan's participants and dependents with benefits that supplement or are similar to those granted by the INSS. These benefits, which include healthcare, hospital and dental care services under free- or directed-choice systems, are provided to the employees since 1976, under BNDES Executive Board Resolution No. 933/98, also applicable to BNDES subsidiaries.

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FAMS beneficiaries are active and retired employees of FINAME and their dependents; in the event of death of the principal beneficiary, the dependent is assured of his/her right to the benefits over a maximum of 24 months.

FAMS receives funds donated by FINAME to attain its goals. These funds are managed by FAPES, which is also responsible for annual budgeting and detailing of operating costs required by FAMS.

FAMS is not covered by guarantee assets. Benefits are prepaid by FINAME based on budgets prepared by FAPES, which files a monthly Accountability Schedule prepared to support the expenses incurred.

As of December 31, 2008, the amount of the actuarial obligation to covered participants and active participants for the average future time of service was recorded based on the update of the actuarial valuation made by an independent actuary on September 2008.

	R\$ thousand	
	As of December 31,	
	2008	2007
Actuarial obligation to active participants	25,407	22,070
Actuarial obligation to covered participants	23,414	20,786
Amount of actuarial obligation	48,821	42,856
Unrecognized actuarial losses	(11,270)	(10,813)
Net actuarial liability	37,551	32,043
Current	1,226	992
No-current	36,325	31,051
Total	37,551	3,043

	Thousand R\$		
	As of December 31,		
	2 nd half of 2008	2008	2007
Net expense in the period:			
Cost of current service	602	928	686
Cost of interest	2,979	5,220	4,559
Unrecognized actuarial losses (gains), net	(19)	913	933
Total	3,562	7,061	6,178

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b) Other benefits

In addition to FAMS, FINAME grants the following benefits to its active employees:

	R\$ thousand		
	As of June 30,		
	2 nd half of 2008	2008	2007
Transportation voucher	-	1	8
Meal voucher	280	607	642
Daycare centers	20	43	43
Total	300	651	693

12.4) Results of actuarial valuation of the pension plan

	R\$ thousand	
	As of December 31,	
	2008	2007
Change in fair value of plan assets:		
Fair value of plan assets at beginning of year	314,075	245,908
Expected return on plan assets	33,717	26,336
Contributions received by the fund *	7,263	7,290
Benefits paid	(12,561)	(10,122)
Actuarial gain (loss) on plan assets at beginning of six-month period	(88,980)	44,662
Fair value of plan assets at end of year (1)	253,514	314,074
Change in actuarial obligation:		
Present value of actuarial obligation at beginning of year	264,195	242,755
Cost of interest	27,795	14,266
Cost of current service	4,539	3,709
Benefits paid	(12,561)	(10,122)
Actuarial loss on actuarial obligation at beginning of year	20,578	13,587
Present value of actuarial obligation at end of year (2)	304,546	264,195
(3) Present value of assets in excess of obligations (1 – 2)	(51,032)	49,879
(4) Unrecognized actuarial losses (gains)	75,414	(34,599)
(5) Net actuarial assets (liabilities) before receivables from sponsor (3 + 4)	24,382	15,280
(6) Receivables from sponsor	39,962	39,773
Net actuarial assets (5 + 6)	64,344	55,053

* Includes R\$3,426 as of December 31, 2008 and R\$3,108 as of December 31, 2007 of contributions from other participants.

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	R\$ thousand		
	As of December 31,		
	2 nd half of 2008	2008	2007
Net expense in the period			
Cost of current service	2,459	4,539	3,708
Cost of interest	20,068	27,795	14,266
Expected return on plan assets	(17,291)	(33,717)	(26,336)
Participants' contributions	(711)	(1,562)	(1,539)
Unrecognized net actuarial gains	-	(456)	-
Total	4,525	(3,401)	(9,901)

The main assumptions adopted in the actuarial valuation were:

Type	Specification	
	As of December 31,	
	2008	2007
Benefits plan:	Defined benefit	Defined benefit
Benefits considered:	All regulatory benefits	All regulatory benefits
Actuarial valuation method:	Projected unit credit method	Projected unit credit method
Mortality table:	AT-2000	AT-2000
Disability:	Álvaro Vindas	Álvaro Vindas
Average turnover up to 47 years old for those joining the plan after 12/31/1977:	0% per year	0% per year
Average turnover after 47 years old for those joining the plan by 12/31/1977	0% per year	0% year
Expected salary increase for active participants:	2.4426% and 2.9546% per year, for assistants and technicians, respectively, up to the expected retirement age	2.4426% and 2.9546% per year, for assistants and technicians, respectively, up to 51 years and nil after 51 years
Expected increase in pension benefits granted:	0% per year	0% per year
Expected increase in health care benefits granted:	3% actual increase and 2% due for ageing	5% per year
Rate used to discount actuarial liabilities to present value	Interest of 6% per year plus 4.5% adjustment	Interest of 6% per year plus 4.5% adjustment
Expected rate of return on plan assets:	Interest of 6% per year plus 4.5% adjustment	Interest of 6% per year plus 4.5% adjustment

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13. Planned Retirement Program

After the decision of the STF (Federal Supreme Court) establishing that the voluntary retirement of employees does not automatically terminate the employment contract, a large number of employees remained working at the BNDES while receiving the retirement benefit, which impaired the expected renewal of its personnel.

The Planned Retirement Program, which encourages employees who qualify for full or early retirement for length of service to leave the BNDES was approved in the 2007 Collective Bargaining Agreement to ensure the renewal of personnel and that the experience of the retirees is passed on to the new employees.

According to a FAPES estimate, in the next five years 713 employees will be eligible to the Program, which corresponds to approximately 35% of the current personnel of BNDES Group.

The estimated disbursement on December 31, 2008 resulting from the implementation of the program is approximately R\$11,716. The disbursement for the next 12 months is estimated at R\$3,422.

14. Assets and Liabilities with the National Treasury

14.1) **Assets** – Refer to amounts receivable from the National Treasury to equalize interest from Federal Government's incentive programs (Pronaf, Revitaliza and Agrícolas) with a fixed rate below the long-term interest rate (TJLP) to TJLP plus 1%.

14.2) **Liabilities** – Refer to amounts payable to the National Treasury to equalize interest from Federal Government's incentive programs (Modermaq and Moderfrota) with fixed rate above TJLP. In other words, under programs whose fixed rate is higher than TJLP, any excessive interest in relation to TJLP shall be returned to the National Treasury, pursuant to Law 11775/08.

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BOARD OF DIRECTORS:

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LUIZ AUBERT NETO – Member

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ROBERTO SMITH – Member

SUPERINTENDENCY OF THE FINANCIAL AREA:

MARIA ISABEL REZENDE ABOIM

HEAD OF THE ACCOUNTING DEPARTMENT:

VÂNIA MARIA DA COSTA BORGERTH - CRC-RJ 064.817/4