

(A free translation of the original in Portuguese)

Votorantim Participações S.A.
(Parent company and consolidated)
Financial Statements at
December 31, 2008 and 2007
and Report of Independent Auditors

(A free translation of the original in Portuguese)

Report of Independent Auditors

To the Board of Directors and Shareholders
Votorantim Participações S.A.

- 1 We have audited the accompanying balance sheet of Votorantim Participações S.A. (the "Company") and the consolidated balance sheet of Votorantim Participações S.A. and its subsidiaries at December 31, 2008 and the related statements of income, of changes in shareholders' equity, of cash flows and of value added of the Company and the related consolidated statements of income, of cash flows and of value added, for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements. The audits of the financial statements at December 31, 2008 of the indirect associated companies Mineração Rio do Norte S.A., Petrocoque S.A. Indústria e Comércio, Sirama Participações Administração e Transportes Ltda., Companhia Minera Milpo S.A.A., Campos Novos Energia S.A. and VBC Energia S.A., the investments in which, accounted for on the equity method of accounting, totaled R\$ 1,327,099 thousand, as well as of the jointly-controlled company Aracruz Celulose S.A. and the subsidiaries Votorantim Finanças S.A. and Tivit - Tecnologia da Informação S.A., whose investments and consolidated assets totaled R\$ 7,846,594 thousand and R\$ 76,758,495 thousand respectively, were conducted by other independent auditors. Our opinion, insofar as it refers to the amounts of these investments and total assets and liabilities, as well as the participation of Votorantim Participações S.A. in the net income generated by them, in the amount of R\$ 621,046 thousand, is based solely on the reports of these other auditors.
- 2 We conducted our audits in accordance with approved Brazilian auditing standards, which require that we perform our audit to obtain reasonable assurance about whether the financial statements are fairly presented in all material respects. Accordingly, our work included, among other procedures: (a) planning our audit taking into consideration the significance of balances, the volume of transactions and the accounting and internal control systems of the Companies, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements, and (c) assessing the accounting practices used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

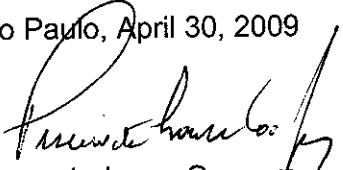
Votorantim Participações S.A.

- 3 In our opinion, based on our audits and on the reports of other independent auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Votorantim Participações S.A. and Votorantim Participações S.A. and its subsidiaries at December 31, 2008 and the results of operations, the changes in shareholders' equity, cash flows and the value added to the Company's operations, and the consolidated results of operations, cash flows and value added to the operations of the Company and its subsidiaries, for the year then ended, in accordance with accounting practices adopted in Brazil.
- 4 We previously audited the financial statements for the year ended December 31, 2007, comprising the balance sheet of Votorantim Participações S.A. and the consolidated balance sheet of Votorantim Participações S.A. and its subsidiaries at December 31, 2007, the statements of income, of changes in stockholders' equity and of changes in the financial position of the Company and the related consolidated statements of income and of changes in financial position, for the year then ended. The audits of the financial statements at December 31, 2007 of the indirect associated companies Mineração Rio do Norte S.A., Petrocoque S.A. Indústria e Comércio, Machadinho Energética S.A., Sirama Participações Administração e Transportes Ltda., Companhia Mineradora Milpo S.A.A. and Campos Novos Energia S.A., the investments in which, accounted for on the equity method of accounting, totaled R\$ 639,590 thousand, as well as of the jointly-controlled companies VBC Energia S.A., Aracruz Celulose S.A. and Usinas Siderúrgicas de Minas Gerais S.A. - Usiminas and the subsidiaries Votorantim Finanças S.A. and Tivit - Tecnologia da Informação S.A., with consolidated assets of R\$ 67,458,651 thousand, were conducted by other independent auditors. We issued an unqualified opinion on them, dated March 10, 2008, and that opinion, with respect to the amount of these investments and the total assets and liabilities, as well as Votorantim Participações S.A.'s participation in the income generated by them, in the amount of R\$ 1,890,637 thousand, was based solely on the reports of these other auditors. As mentioned in Note 2(j), the accounting practices adopted in Brazil were modified effective January 1, 2008. The financial statements for the year ended December 31, 2007, presented together with the financial statements for 2008, were prepared in accordance with the accounting practices adopted in Brazil in effect until December 31, 2007 and, as allowed by Technical Pronouncement No. 13 of the Brazilian Accounting Pronouncements Committee (CPC) - Initial Adoption of Law No. 11638/07 and Provisional Measure No. 449/08, have not been restated to facilitate comparison between the years.

Votorantim Participações S.A.

- 5 The Parent company an consolidated statements of cash flows and of value added for the year ended December 31, 2007, prepared in connection with the financial statements for 2008, were subjected to the auditing procedures described in paragraph 2 and, based on our audits and on the reports prepared by other independent auditors with respect to the investees described in paragraph 4, in our opinion are fairly presented, in all material respects, in relation to the financial statements mentioned in paragraph 4, taken as a whole.

São Paulo, April 30, 2009



PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5



Júlio César dos Santos
Contador CRC 1SP137878/O-6

Votorantim Participações S.A. and Subsidiaries

Balance Sheets at December 31

In thousands of reais

(A free translation of the original in Portuguese)

Assets	Note	Parent company		Consolidated		Liabilities and shareholders' equity	Note	Parent company		Consolidated	
		2008	2007	2008	2007			2008	2007	2008	2007
Current assets						Current liabilities					
Cash and banks	4	425	300,949	1,910,238	1,934,469	Loans and financing	17	70,339	24,535	16,993,618	7,878,788
Interbank investments	6			6,148,389	15,977,491	Deposits	15			11,951,560	8,944,093
Financial investments and derivative financial instruments	5	2,945,752	3,208,065	23,785,444	26,870,259	Open market	16			11,774,243	17,347,430
Interbank accounts				37,899	1,006,101	Funds from acceptance and issuance of securities	18			1,034,471	509,563
Trade accounts receivable	7			2,487,787	2,532,712	Debentures	19(a)				269,153
Credit operations	8			18,046,638	12,976,669	Derivative financial instruments	27			6,303,246	2,859,638
Allowance for doubtful accounts				(576,904)	(568,470)	Suppliers		628	1,533	2,127,352	1,816,999
Inventories	9			4,845,343	3,377,364	Salaries and payroll charges		2,659	1,635	605,486	480,241
Taxes recoverable	10	369,981	330,094	1,977,978	2,034,135	Income tax and social contribution		1,568	11,179	694,925	890,851
Dividends receivable	11(a)	158,289	252,651	30,144	78,158	Taxes and contributions payable				437,843	440,261
Foreign exchange portfolio				3,721,508	856,958	Dividends and interest on own capital payable	11(b)	50,123	743,540	94,068	991,611
Other receivables		7,944	11,555	2,519,357	1,612,063	Foreign exchange portfolio				2,367,351	913,496
		<u>3,482,391</u>	<u>4,103,314</u>	<u>64,933,821</u>	<u>68,687,909</u>	Advances from customers				86,624	145,799
						Provision for contingencies and tax liabilities	21			951,375	660,149
						Other liabilities		19,946	39,190	3,026,244	2,428,493
Non-current assets								<u>145,263</u>	<u>821,612</u>	<u>58,448,406</u>	<u>46,576,565</u>
Long-term receivables						Non-current liabilities					
Interbank investments	6			1,191,591	984,311	Loans and financing	17	1,171,024	832,511	23,541,362	16,743,054
Financial investments and derivative financial instruments	5		143,664	3,089,816	820,357	Deposits	15			4,773,230	3,966,187
Trade accounts receivable	7			1,405	90,222	Open market	16			4,584,212	6,044,402
Credit operations	8			20,137,294	13,804,461	Funds from acceptance and issuance of securities	18			369,019	1,591,059
Allowance for doubtful accounts				(254,514)	(121,533)	Debentures	19(a)			3,826,328	4,005,394
Related parties	11(a)	3,538,401	1,153,116	725,774	513,744	Related parties	11(b)	5,122,734	4,716,253		
Judicial deposits	21	20,015	21,505	813,559	721,109	Deferred income tax and social contribution	20			10,512	940,009
Deferred income tax and social contribution	20	174,036	33,762	4,811,840	1,497,677	Provision for contingencies and tax liabilities	21	120,038	96,187	2,004,339	1,989,910
Taxes recoverable	10	4,814	5,330	1,218,476	894,414	Derivative financial instruments	27	18,182	1,574	775,028	904,276
Other receivables		330,766	34,617	1,069,355	995,990	Subordinated debt	19(b)			2,869,692	2,578,842
		<u>4,068,032</u>	<u>1,391,994</u>	<u>32,804,596</u>	<u>20,200,752</u>	Negative goodwill	22			2,547,138	2,500,632
						Other liabilities		12,140	129,982	1,699,594	1,013,114
Investments	12	23,463,976	25,349,434	1,833,161	1,428,764			<u>6,444,118</u>	<u>5,787,019</u>	<u>48,506,707</u>	<u>42,276,879</u>
Property, plant and equipment	13	10,516	11,091	26,887,666	20,822,152	Minority interest				<u>2,110,892</u>	<u>2,913,130</u>
Intangible assets	14	3,171	3,171	6,066,328	4,244,614	Shareholders' equity	23				
Deferred charges				470,908	637,926	Capital		12,380,538	12,380,538	12,380,538	12,380,538
		<u>23,477,663</u>	<u>25,363,696</u>	<u>35,258,063</u>	<u>27,133,456</u>	Capital reserve		836	836	836	836
						Revaluation reserve		17,047	17,047	17,047	17,047
		<u>27,545,695</u>	<u>26,755,690</u>	<u>68,062,659</u>	<u>47,334,208</u>	Carrying value adjustments		(35,208)	(35,208)	(35,208)	(35,208)
						Revenue reserves		12,075,492	1,017,808	11,567,262	1,017,808
						Retained earnings			10,834,144		10,839,314
								<u>24,438,705</u>	<u>24,250,373</u>	<u>23,930,475</u>	<u>24,255,543</u>
Total assets		<u>31,028,086</u>	<u>30,859,004</u>	<u>132,996,480</u>	<u>116,022,117</u>	Total liabilities and shareholders' equity		<u>31,028,086</u>	<u>30,859,004</u>	<u>132,996,480</u>	<u>116,022,117</u>

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

Votorantim Participações S.A. and Subsidiaries

Statements of Income Years Ended December 31

In thousands of reais, unless otherwise indicated

(A free translation of the original in Portuguese)

	Note	Parent company		Consolidated	
		2008	2007	2008	2007
Gross revenues					
Sales of products				24,487,196	24,214,200
Income from financial intermediation				11,581,579	7,427,103
Supply of electric energy				3,355,712	2,018,899
Service revenues				1,393,795	1,696,700
				<u>40,818,282</u>	<u>35,356,902</u>
Taxes on sales and services and other deductions				(5,735,540)	(4,940,671)
Net revenues				35,082,742	30,416,231
Cost of products and services				(16,034,220)	(14,776,964)
Expenses of financial intermediation				(8,777,844)	(4,585,772)
Gross profit				<u>10,270,678</u>	<u>11,053,495</u>
Operating income (expenses)					
Selling				(3,338,325)	(2,109,614)
General and administrative		(94,376)	(84,532)	(3,477,317)	(2,804,467)
Other operating income (expenses), net	24	884,634	40,208	2,401,629	1,102,944
		<u>790,258</u>	<u>(44,324)</u>	<u>(4,414,013)</u>	<u>(3,811,137)</u>
Operating profit (loss) before equity results and financial results		<u>790,258</u>	<u>(44,324)</u>	<u>5,856,665</u>	<u>7,242,358</u>
Results from equity investments					
Equity in results of investees	12	(480,022)	4,954,827	293,630	174,921
Exchange variation on foreign investments			(139,451)		(732,587)
Gains from change in participation		109,907			
Amortization of (goodwill) negative goodwill, net			(142,484)	(471,558)	(933,382)
		<u>(370,115)</u>	<u>4,672,892</u>	<u>(177,928)</u>	<u>(1,491,048)</u>
Financial income (expenses), net		<u>(43,318)</u>	<u>160,695</u>	<u>(6,150,820)</u>	<u>1,963,079</u>
Loss on derivative instruments				<u>(2,046,237)</u>	
Profit (loss) before taxation and minority interest		<u>376,825</u>	<u>4,789,263</u>	<u>(2,518,320)</u>	<u>7,714,389</u>
Income tax and social contribution	20				
Current			(7,378)	(2,402,469)	(2,029,366)
Deferred		150,786	2,308	4,636,401	(179,164)
Profit (loss) before taxation		<u>527,611</u>	<u>4,784,193</u>	<u>(284,388)</u>	<u>5,505,859</u>
Profit sharing				(311,528)	(282,241)
Minority interest				610,126	(418,439)
Net income for the year		<u>527,611</u>	<u>4,784,193</u>	<u>14,210</u>	<u>4,805,179</u>
Net income per thousand shares at the end of the year - R\$		<u>98.05</u>	<u>889.11</u>		

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

Votorantim Participações S.A.

Statements of Changes in Shareholders' Equity

In thousands of reais, unless otherwise indicated

(A free translation of the original in Portuguese)

	Note	Capital reserve		Revaluation reserve in subsidiaries	Carrying value adjustments	Revenue reserves			Total
		Capital	Tax incentives			Legal reserve	Profit retention	Retained earnings	
At December 31, 2006		12,380,538	836	17,047		778,598		7,425,406	20,602,425
Net income for the year								4,784,193	4,784,193
Appropriation of net income									
Legal reserve						239,210		(239,210)	
Dividends proposed and paid (R\$ 211.16 per thousand shares)								(1,136,245)	(1,136,245)
At December 31, 2007		12,380,538	836	17,047		1,017,808		10,834,144	24,250,373
Adjustments introduced by Law 11638/07	2(j)							(253,948)	(253,948)
Adjusted opening balance		12,380,538	836	17,047		1,017,808		10,580,196	23,996,425
Exchange variation of investees located abroad	3(b.2)				1,082,636				1,082,636
Hedge accounting of net foreign investments	3(b.2)				(1,047,918)				(1,047,918)
Fair value of available-for-sale financial assets					(69,926)				(69,926)
Net income for the year								527,611	527,611
Appropriation of net income									
Legal reserve						26,381		(26,381)	
Proposed dividends (R\$ 6.11 per thousand shares)								(50,123)	(50,123)
Investment reserve							11,031,303	(11,031,303)	
At December 31, 2008		<u>12,380,538</u>	<u>836</u>	<u>17,047</u>	<u>(35,208)</u>	<u>1,044,189</u>	<u>11,031,303</u>		<u>24,438,705</u>

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

Votorantim Participações S.A. and Subsidiaries

Statements of Cash Flows Years Ended December 31

In thousands of reais

(A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2008	2007	2008	2007
Cash flows from operating activities				
Net income (loss) before taxation	376,825	4,789,263	(2,518,320)	7,714,389
Adjustments to reconcile the net income (loss) above to cash used in operating activities				
Interest and monetary and exchange variations	472,860	149,913	9,481,885	625,731
Fair value adjustment of derivatives			3,068,736	
Equity in results of investees	480,022	(4,954,827)	(293,630)	(174,921)
Exchange variation of foreign investments		139,451		732,587
Amortization of (goodwill) negative goodwill, net		142,484	471,558	933,382
Depreciation, amortization and depletion	823	847	1,460,351	1,745,881
Net book value of permanent asset disposals		159,204	329,552	933,942
Allowance for doubtful accounts			790,008	638,355
Provision for contingencies and tax liabilities	15,269	1,434	533,109	295,312
	1,345,799	427,769	13,323,249	13,444,658
Changes in assets and liabilities				
Financial investments and derivative financial instruments	325,660	(1,363,526)	(2,295,256)	(4,648,357)
Interbank accounts			1,007,816	419,241
Trade accounts receivable			16,033	(106,285)
Credit operations			(12,039,913)	(10,335,929)
Inventories			(1,348,846)	(302,887)
Taxes recoverable	(39,371)	162,949	(313,988)	147,810
Foreign exchange portfolio			(1,410,695)	369,507
Judicial deposits	1,490	3,829	(198,966)	(151,651)
Other credits and receivables	5,135	17,114	(613,505)	317,172
Deposits			(1,893,366)	338,295
Suppliers	(905)	527	303,429	107,517
Taxes and contributions payable		(173,586)	40,111	(436,507)
Salaries and social contributions	1,024	(6,235)	(195,418)	(203,168)
Advances from customers			(59,175)	(72,580)
Other obligations and liabilities	(115,350)	150,500	1,603,275	(406,770)
Related parties	(1,560,170)	(703,478)	(212,030)	8,307
Deferred income			60,411	3,640
Minority interest			(179,812)	(163,265)
Cash from operations	(36,688)	(1,484,137)	(4,406,646)	(1,671,251)
Income tax and social contribution paid	(9,611)		(2,572,757)	(2,791,352)
Net cash used in operating activities	(46,299)	(1,484,137)	(6,979,404)	(4,462,603)

Votorantim Participações S.A. and Subsidiaries

Statements of Cash Flows Years Ended December 31 In thousands of reais

(continued)

	Parent company		Consolidated	
	2008	2007	2008	2007
Cash flows from investing activities				
Acquisitions of property, plant and equipment		(316)	(7,722,484)	(4,673,242)
Increase in intangible assets	(6,094)		(71,995)	(51,485)
Acquisition of investments		(171,393)	(1,188,501)	(547,812)
Goodwill (negative goodwill) on acquisition of investments		(197,142)	(1,782,351)	(1,113,230)
Initial cash and cash equivalents of acquired/merged subsidiaries		1,442,326	13,233	120,937
Receipt of dividends	572,953	1,905,797	161,052	54,362
Net cash provided by (used in) investing activities	<u>566,859</u>	<u>2,979,272</u>	<u>(10,591,046)</u>	<u>(6,210,470)</u>
Cash flows from financing activities				
Borrowings, net of payments	(77,545)	(423,559)	4,999,880	3,049,087
Money market funding			(1,168,510)	2,260,916
Liabilities for loans and onlendings			4,752,389	2,552,575
Subordinated debts			290,850	2,578,842
Payment of dividends	(743,540)	(770,760)	(909,085)	(655,679)
Net cash provided by (used in) financing activities	<u>(821,085)</u>	<u>(1,194,319)</u>	<u>7,965,524</u>	<u>9,785,741</u>
Increase (decrease) in cash and cash equivalents	(300,524)	300,816	(9,604,926)	(887,332)
Effect of exchange rate fluctuations			(41,037)	(44,505)
Cash and cash equivalents at the beginning of the year	<u>300,949</u>	<u>133</u>	<u>18,896,271</u>	<u>19,828,108</u>
Cash and cash equivalents at the end of the year	<u><u>425</u></u>	<u><u>300,949</u></u>	<u><u>9,250,308</u></u>	<u><u>18,896,271</u></u>

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

Votorantim Participações S.A. and Subsidiaries

Statements of Value Added Years Ended December 31

In thousands of reais

(A free translation of the original in Portuguese)

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Income				
Products sold and services rendered - gross			32,342,674	30,820,659
Other income	1,147,960	82,201	4,043,065	194,880
Allowance for doubtful accounts - reversal		(1)	(32,332)	(32,197)
	<u>1,147,960</u>	<u>82,200</u>	<u>36,353,407</u>	<u>30,983,342</u>
Inputs acquired from third parties				
Cost of products and goods sold and services rendered	(40,578)	(31,682)	(16,629,281)	(14,071,694)
Loss/recovery of asset values	(2,081)	(693)	(27,154)	(67,882)
	<u>(42,659)</u>	<u>(32,375)</u>	<u>(16,656,435)</u>	<u>(14,139,576)</u>
Gross value added	1,105,301	49,825	19,696,972	16,843,766
Depreciation, amortization and depletion	(823)	(847)	(1,460,351)	(1,745,881)
Amortization of goodwill (negative goodwill)		(142,484)	(471,558)	(933,382)
	<u>1,104,478</u>	<u>(93,506)</u>	<u>17,765,063</u>	<u>14,164,503</u>
Net value added generated by (used in) the entity				
Value added received through transfer				
Equity in the results of investees	(480,022)	4,815,376	293,630	(557,666)
Financial income	734,837	714,326	9,722,062	8,634,334
	<u>254,815</u>	<u>5,529,702</u>	<u>10,015,692</u>	<u>8,076,668</u>
Total value added to distribute	<u>1,359,293</u>	<u>5,436,196</u>	<u>27,780,755</u>	<u>22,241,171</u>
Distribution of value added				
Personnel and social charges				
Direct compensation	(27,042)	(17,729)	(2,198,702)	(1,627,197)
Benefits	(2,387)	(2,068)	(536,122)	(465,721)
Taxes and contributions				
Federal	(13,848)	(64,028)	(4,446,005)	(5,308,434)
State	(42)	(77)	(2,915,792)	(2,349,503)
Municipal	(75)	(101)	(53,755)	(38,529)
Lenders				
Interest	(773,975)	(553,631)	(17,919,119)	(6,671,255)
Rentals	(14,313)	(14,369)	(168,190)	(159,390)
Dividends distributed	(50,123)	(1,136,245)	(138,986)	(397,524)
Minority interest			610,126	(418,439)
Earnings reinvested	(477,488)	(3,647,948)	(14,210)	(4,805,179)
Value added distributed	<u>(1,359,293)</u>	<u>(5,436,196)</u>	<u>(27,780,755)</u>	<u>(22,241,171)</u>

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

(A free translation of the original in Portuguese)

Votorantim Participações S.A. and Subsidiaries

Notes to the Financial Statements at December 31, 2008 and 2007

All amounts in thousands of reais unless otherwise indicated

1 Operations

Votorantim Participações S.A. ("Parent company" or "Company") is a privately-held corporation based in São Paulo - SP which, together with its subsidiaries comprise the Votorantim Group ("Group"). The Company's corporate purpose is the management of assets and businesses and investment in other civil and commercial companies of any nature, to further the Group's interests.

For management purposes the businesses is divided into three areas: Votorantim Industrial, Votorantim Finanças and Votorantim Novos Negócios. For corporate purposes, it is divided into the following segments:

(a) Industrial Segment

The industrial segment includes Votorantim Novos Negócios ("VNN"), specialized in the Group's new investments and engaged in business diversification and risk capital management, and Votorantim Industrial ("VID"), which operates in the following markets (business units):

(i) Votorantim Cement Division ("VC")

The Votorantim Cement Division is comprised of companies that manufacture cement, aggregates, hydrated lime, mortar, agricultural limestone, plaster and concrete. Through its investees, in addition to the operations in Brazil, VC carries out operations in the United States, Canada and Bolivia.

In December 2008 VC concluded the acquisition of 15.15% of the capital of Cementos Bio Bio S.A. ("Bio Bio"), leading company in the cement and concrete sector in Chile with shares listed on the Santiago Stock Exchange.

In February 2008 it acquired 100% of Prairie Material Sales Inc. ("Prairie"), one of the largest concrete and aggregates companies in the Midwest of the United States, headquartered in Chicago.

In October 2007 the assets of the Prestige Group ("Prestige"), operating in Florida (United States), were acquired to supply ready-mixed concrete and sprayed concrete in the states of Florida, North Carolina, California and Texas.

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(ii) Votorantim Metal Division ("VM")

In the metal segment, Votorantim operates in the aluminum zinc, nickel and steel markets.

In addition to its operations in Brazil, the Metal Division has investments in Peru, through Votorantim Metais - Cajamarquilla S.A., where it operates in the production and sale of zinc.

In August 2008 VM acquired an additional interest of 9.87% in the capital of one of the Votorantim Metais - Cajamarquilla S.A. investees, Compania Minera Milpo S.A., for US\$ 199,689 thousand, equivalent to R\$ 327,110 on that date, including goodwill of R\$ 270,989, becoming the holder of 34.75% of that company. In October 2008, that investee acquired 84.54% of class A shares, with voting rights, of Companhia Minera Atacocha S.A.A.

In January 2008, VM became the holder of 100% of the North American company U.S.Zinc Corporation ("USZinc"), which operates in the U.S. domestic market with recycling of industrial residues from galvanization, production of metallic zinc and higher value-added products such as zinc oxide and zinc powder, having five manufacturing units in the United States and a plant in China, which went into operation in early 2008.

(iii) Votorantim Siderurgy Division ("VS")

On July 1, 2008 the Votorantim Group created a new segment to manage its siderurgy activities, comprising Siderúrgica Barra Mansa (Brazil), Acerías Paz Del Rio (Colombia) and Acerbrag S.A. (Argentina), as well as to administer the Group's participation in Usinas Siderúrgicas de Minas Gerais S.A. - Usiminas.

The activities in Colombia, in the long steel market, are carried out through an interest of 52% in Acerías Paz Del Rio ("APDR"), acquired in early 2007. As a result of the Public Offering of Shares in April, an additional 20.57% were added to that interest, which is now 72.57% of total capital.

Also in 2008, VS acquired an interest of 62.32% in Acerbrag S.A.

(iv) Votorantim Pulp and Paper Division ("VCP")

Operating in forestry exploitation and manufacturing and sale of short-fiber pulp, paper for printing and writing and special paper, with integrated operations in Brazil ranging from the production of timber to the distribution of products to the end consumer, VCP's shares are traded on the São Paulo Stock Exchange and its Level III ADRs are traded on the New York

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Stock Exchange. Approximately 60% of the pulp production is channeled to the foreign market, whereas the paper production is mainly sold in Brazil.

At December 31 VCP held an ownership interest of 12.35% of the total capital of jointly-controlled subsidiary Aracruz Celulose S.A. and, up to August 2008, it held a 50% interest in the total capital of jointly-controlled subsidiary Ripasa S.A. Celulose e Papel ("Ripasa"). On that date, Ripasa's shareholders' equity was split up and changed to a production unit in a consortium system between VCP and Suzano, operating through Consórcio Paulista de Papel e Celulose - Conpacel as from September 1, 2008. The split up assets were merged into VCP's balance sheet as from September 1, 2008, proportionally to its ownership interest in Ripasa.

On February 1, 2007 the Votorantim Group entered into an agreement with International Paper, the purpose of which was the exchange of industrial and forest assets between these two companies. As a result of this agreement, VCP transferred to International Paper the pulp and paper plant based in the municipality of Luiz Antonio (State of São Paulo), as well as the forest base of this unit. In turn, International Paper transferred to VCP its assets relating to a pulp plant under construction, with all related rights, as well as the land and planted forests located in the outskirts of Três Lagoas (State of Mato Grosso do Sul). This transaction generated negative goodwill of R\$ 1,781,000 relating to the difference between the shareholders' equity of the companies participating in the exchange. This new pulp plant went into operation in March 2009.

In September 2007 VCP and the Finnish company Ahlstrom Corporation formalized a joint venture involving the paper businesses of VCP's unit located in Jacareí (State of São Paulo). On August 29, 2008 VCP and Ahlstrom Corporation signed a new purchase and sale agreement related to the 40% ownership interest held by VCP, in the amount of R\$ 66,844.

On June 10, 2008 VCP and Suzano signed with CMT a Private Agreement for the Purchase and Sale of Shares, Transaction, Settlement and Other Covenants, through which the market value of R\$ 152,847 was paid and the transfer of shares was made. Also the total amount of R\$ 144,731 related to the out-of-court agreement for the waiver of any claims against VCP and total settlement was paid, and the balance corresponding to the out-of-court agreement was appropriated to income for the period. On July 14, 2008 the Board of Directors approved the cancellation of the treasury shares acquired in the previous transaction. As a result of the Option Instrument, 340,048 shares are still not available for exercising the option (Zarzur Family), representing R\$ 38,937 at December 31, 2008, including interest based on the Selic (Special System for Settlement and Custody) rate since December 31, 2005.

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On January 20, 2009 the negotiations with the members of the Lorentzen, Moreira Salles and Almeida Braga families for an additional acquisition of approximately 28% of Aracruz voting capital were concluded. In March 2009 the Safra family exercised its tag along rights and, as a result, VCP now holds 84% of the voting capital of Aracruz, as detailed in Note 28(a).

(v) Votorantim Energy Division ("VE")

The Energy Division manages the production of 35 hydroelectric power plants, some of which under the shared energy system and others owned by the Votorantim Group, as well as four thermoelectric power plants. The Votorantim Group owns another five hydroelectric power plants which are in the project phase or under construction.

(vi) Votorantim Agribusiness Division ("VA")

The Agribusiness Division is mainly engaged in the production of concentrated orange juice, and has commercial offices in Europe, North America and Asia, in addition to port terminals in Santos, Antwerp (Belgium) and Newcastle (Australia).

(vii) Votorantim Chemical Division ("VQ")

The Chemical Division supplies raw materials such as nitrocellulose, hydrofluoric acid and aluminum fluoride to various industrial sectors.

(b) Financial Segment

Votorantim Financial Division ("VF")

The Financial Division operates in the wholesale, retail, treasury and resource management sectors. It has a subsidiary and a branch in Nassau, as well as an office in London and a brokerage firm in New York. The main activities carried out by this division are related to: (i) consumer financing (especially vehicle financing); (ii) investment banking and treasury products for corporate customers; (iii) resource management; (iv) brokerage; and (v) lease transactions for both corporate entities and individuals.

In January 2009 Banco do Brasil S.A. ("BB") and VF communicated to the market a strategic partnership agreement, through which BB will hold an ownership interest of 49.99% of the voting capital and 50.00% of the total capital of Banco Votorantim S.A., as described in Note 28(b).

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(c) VBC Energia - "Energy Segment"

The Votorantim Group held, up to December 31, 2008, a 50% ownership interest in VBC Energia ("VBC"), the main shareholder of CPFL Energia S.A., one of the leading companies in the Brazilian electric energy sector. As described in Note 28(c), in January 2009, this ownership interest was sold to third parties for the amount of R\$ 2,666 thousand.

(d) Information on new and discontinued operations

Besides the acquisitions and disposals previously mentioned, on November 3, 2008, the Votorantim Group sold its ownership interests in subsidiaries Alellyx S.A. ("Alellyx") and Canavialis S.A. ("Canavialis"), for R\$ 511,781. The gain of R\$ 511,781 obtained in the transaction was recorded under "Other operating income (expenses), net".

The amounts of the operations included in or excluded from the consolidated financial statements for the year ended December 31, 2008 as a result of these operations are summarized as follows:

	Inclusions			Exclusions		
	Prairie	USZinc	Acerbrag	VBC	Alellyx	Canavialis
Current assets	103,095	145,575	103,834	549,156	2,341	4,062
Non-current assets			1,316	1,051,663		
Permanent assets	521,202	71,634	69,389	1,304,118	6,981	3,954
Current liabilities	74,508	41,170	125,083	686,425	11,402	9,003
Non-current liabilities		1		1,548,215	750	
Shareholders' equity	549,789	176,037	49,456	670,297	(2,830)	(987)
Net sales	607,500	598,850	346,729	1,373,418		5,666
Cost of sales	(575,108)	(575,961)	(185,234)	(918,793)		(666)
Operating profit (loss)	(53,855)	(38,553)	79,924	268,426	(8,770)	5,000
Net income (loss)	(34,117)	(38,683)	51,656	176,905	(8,770)	(3,308)

The balance sheet amounts shown above represent the balances at the base date of the acquisition/disposal. The result amounts of the operations are those included on December , 2008 consolidated financial statements.

2 Presentation of the Financial Statements

The financial statements were prepared and are being presented in accordance with accounting practices adopted in Brazil, based on the provisions of Brazilian Corporation Law. These financial statements were approved by the Company's management on April 29, 2009.

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The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, including estimates relating to the selection of the useful lives of property, plant and equipment, provisions necessary for contingent liabilities, determination of assumptions to calculate the fair value of financial instruments and accruals for income tax and other similar charges. Actual results may differ from the estimates.

The practices and regulations that govern the preparation and presentation of the financial statements underwent significant changes as from the fiscal year ended December 31, 2007. Such changes are commented on below:

Alterations to the Brazilian Corporation Law - Law No. 11638/07 and Provisional Measure No. 449/08

In December 2007 Law 11638/07, which alters the Brazilian Corporation Law, was enacted and later amended by Provisional Measure No. 449 ("MP 449/08"), of December 2008 which, among other provisions, has established the Transitional Tax System (RTT) to determine taxable income.

The main purpose of these changes was to amend the Brazilian Corporation Law to allow the process of convergence of the accounting practices adopted in Brazil with those included in the International Financial Reporting Standards issued by the International Accounting Standards Board - IASB. The adoption of this Law and MP is mandatory for annual financial statements for years that began on or after January 1, 2008.

The changes in the Brazilian Corporation Law had the following principal impacts on the Company's financial statements:

(a) Adjustment of assets and liabilities to present value

Assets and liabilities arising from long-term operations, or short-term ones, if significant, were adjusted to present value.

**(b) Classification and measurement of
financial instruments**

Financial instruments classified as held for trading, especially the financial investments, were recognized at their fair values. Financial instruments classified as available-for-sale were also recognized at their fair value, with the amount relating to the change in fair value recorded in shareholders' equity.

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The derivative financial instruments were classified as held for trading and recorded at their fair value with changes in fair value included in results.

**(c) Periodic evaluation of the recoverability
of permanent assets**

The Company and its subsidiaries evaluated the recoverability of the assets recorded in their balance sheets, including intangible assets, and no provision was required at December 31, 2008.

**(d) Reclassification of the amounts recorded
in deferred charges**

The Company and its subsidiaries evaluated the amounts recorded in deferred charges and decided to reclassify certain amounts to property, plant and equipment and intangible assets, as well as to write-off certain deferred items against the opening balance of retained earnings in 2008.

(e) Foreign investments

The assets, liabilities and results of subsidiaries located abroad which represent only an extension of the Group's activities are now accounted for in the same functional currency as the parent company, that is, in reais. The exchange variation of the investments in the other subsidiaries was recorded, in 2008, directly in shareholders' equity, under "Carrying value adjustments", together with the exchange variation on loans and financing designated as hedges of these investments.

(f) Non-operating Income (Expenses), net

In view of the elimination, in the statement of income, of the "Non-operating income (expenses)" caption, the items of this nature were reclassified to "Other operating income (expenses), net".

(g) Transitional Tax System - MP 449/08

In order to calculate income tax and social contribution on net income for 2008, the Company and its subsidiaries may elect the Transitional Tax System (RTT), in which they are allowed to eliminate the accounting effects of Law 11638/07 and MP 449/08 through entries in the Taxable Income Assessment Book (LALUR) or auxiliary records, without any modification to

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the commercial accounting records. The election of this system will be made on filing the Corporate Income Tax Return (DIPJ) for 2008.

The financial statements for the year ended December 31, 2008 were prepared taking into consideration management's best estimates, which, at the moment, indicate the election of the RTT.

(h) Mandatory allocation of the retained earnings balance

The Company's retained earnings at December 31, 2008 were fully allocated to revenue reserves.

(i) Revaluation reserve

The Company opted to maintain the revaluation reserve balances in subsidiaries.

(j) First-time adoption of Law 11638/07 and MP 449/08

As permitted by the Brazilian Accounting Pronouncements Committee (CPC) Pronouncement 13 - First-time Adoption of Law 11638/07 and MP 449/08, management of the Company and its subsidiaries opted to strictly follow article 186, item 1, of Law 6404/76, and consider January 1, 2008 as the transition date for the new accounting practices adopted in Brazil.

The adjustments required for the adoption of the new Brazilian accounting practices, as of the transition date and that affected the results of the Company and its subsidiaries for the year ended December 31, 2008, are described below:

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	2007		2008	
	Shareholders's equity		Result for the year	
	Parent company	Consolidated	Parent company	Consolidated
Balances according to Law 6404/76	24,250,373	24,255,543	3,596,347	3,082,946
Reversal of deferred charges	(118,964)	(118,964)		
Mark to market of financial instruments - industrial segment	(96,925)	(96,925)	(3,068,736)	(3,068,736)
Mark to market of financial instruments - financial segment	14,592	14,592		
Other	(52,651)	(52,651)		
Balances according to Law 11638/07 and MP 449/08	<u>23,996,425</u>	<u>24,001,595</u>	<u>527,611</u>	<u>14,210</u>

Management analyzed the other adjustments arising from the adoption of Law 11638/07 and MP 449/08 at the transition date, but did not identify any material effects.

(k) Reclassifications

As a result of the adoption of Law 11638/07, the following accounts of the prior year financial statements were reclassified to adjust them to the current year's presentation: cash and banks, deferred charges, intangible assets, deferred income and non-operating income.

3 Significant Accounting Practices

The principal accounting practices adopted in the preparation of these financial statements are described below:

(a) Cash and cash equivalents

These comprise cash, bank deposits and short-term investments with high liquidity and immaterial risk of change in value.

(b) Financial investments and derivative financial instruments

(b.1) Classification and measurement

The Company and its subsidiaries classify their financial assets according to the following categories: (i) measured at fair value through profit or loss, (ii) loans and receivables, (iii) held to maturity and (iv) available-for-sale. The classification depends on the purposes for which the

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financial assets were acquired. Management determines the classification of the financial assets when first recorded.

Financial assets measured at fair value through profit or loss

These are financial assets held for active and frequent trading. Derivatives are also classified as held for trading, unless they have been designated as hedge instruments. These assets are classified as current assets. Gains or losses arising from the changes in fair value of financial assets measured at fair value through income are recorded in the statements of income in "financial result" in the period they occur, unless the instrument has been contracted in connection with another instrument. In this case, the variations are recognized in the same item in the statements of income affected by this latter instrument.

Loans and receivables

These comprise loans granted and receivables which are non-derivative financial assets with fixed or determinable payments, not quoted in an active market. Loans and receivables are included in current assets, except for those with maturity of more than 12 months after the balance sheet date (which are classified as non-current assets). The loans and receivables of the Company and its subsidiaries comprise loans granted to related parties, trade accounts receivable, other accounts receivable and cash and cash equivalents, excluding short-term investments. Loans and receivables are recorded at amortized cost, based on the effective interest rate method.

Assets held to maturity

These are basically financial assets that cannot be classified as loans and receivables, because they are quoted in an active market. In this case, these financial assets are acquired with the purpose and financial ability of being held in the portfolio up to their maturity. They are recorded at the acquisition cost, plus earnings obtained and credited to income for the year, based on the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives classified in this category or those which are not classified in any other. They are included in non-current assets, unless management intends to sell the investment within 12 months after the balance sheet date. Available-for-sale financial assets are recorded at fair value. Interest on available-for-sale securities, calculated based on the effective interest rate method, is recognized in the statements of income as

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financial income. The amount relating to the changes in fair value is recorded in shareholders' equity, in "Carrying value adjustments", and is realized in net income when the asset is sold or becomes impaired.

Fair value

Fair values of investments with public quotations are based on current purchase prices. For financial assets without an active market or public quotation, the Company calculates fair value through valuation techniques, which consist of the use of recent transactions with third parties, the reference to other substantially similar instruments, the analysis of discounted cash flows and option pricing models which make the greatest use possible of information from the market and the least use possible of information from Company management.

The Company and its subsidiaries evaluate, at the balance sheet date, if there is objective evidence that a financial asset or a group of financial assets is overstated (impaired) in relation to its recoverable value. If there is such evidence for available-for-sale financial assets, the cumulative loss - calculated as the difference between the acquisition cost and current fair value, less any impairment of this financial asset previously recognized in results - is transferred from equity to the statement of income.

(b.2) Derivative instruments and hedge activities

Initially, derivatives are recognized at fair value at the date the derivative agreement is signed and, subsequently, remeasured at their fair value, with the changes in fair value recorded to result.

In the financial segment, the derivative financial instruments are classified as hedge or non-hedge. The transactions that use financial instruments, carried out at customers' request or for own account, or which do not comply with the hedging criteria defined in BACEN Circular 3082, are recorded at market value, with realized and unrealized gains and losses recorded directly in the statement of income.

As permitted by Technical Pronouncement CPC 14, starting in 2008, the parent company adopted the option of designating certain loans and financing in foreign currencies as hedges of part of its net investment in subsidiaries abroad, when the hedge is proved to be highly effective.

The objective of this hedge is to protect, over the period of the debt, the value of part of the Company's investments in subsidiaries against positive or negative exchange rate fluctuations.

The fair value of the derivative instruments is disclosed in Note 27.

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(c) Allowance for doubtful accounts

The allowance for doubtful accounts is recorded at an amount deemed sufficient by management to cover estimated losses on the collection of trade accounts receivable, as well as complying with the rules of the Brazilian Central Bank (BACEN) for the financial segment and the Official Accounting Manual for the energy segment.

(d) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the Weighted Moving Average method. The costs of finished products and work in process comprise raw materials, direct labor, other direct costs and related general production expenses determined up to the applicable stage of the production process. The net realizable value is the estimated sales price in the normal course of business, net of execution costs and selling expenses. Imports in transit are stated at the accumulated cost of each import.

(e) Judicial deposits

The judicial deposits are not monetarily restated and are presented as a deduction from the corresponding liability when they cannot be redeemed, unless there is a favorable outcome for the entity in the dispute (Note 21(a)).

(f) Investments

Investments in subsidiary and associated companies are recorded on the equity accounting method with equity in the results, recognized in income for the year as operating income (or expense). In the case of exchange variation on investments in associated and subsidiary companies abroad, changes in the value of an investment exclusively arising from the exchange variation are recorded in the account "Carrying value adjustments", in the Company's shareholders' equity, and will be transferred to income only when the investment is sold or written down as a loss. To calculate equity in the results, unrealized gains or transactions between the Company and its subsidiary, associated and similar companies are eliminated proportionately to the Company's interest; unrealized losses are also eliminated, unless the transaction provides evidence of permanent loss (impairment) of the asset transferred.

When necessary, the accounting practices of the subsidiary and associated companies are altered to be consistent with the practices adopted by the Company.

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(g) Property, plant and equipment

Property, plant and equipment is stated at cost of purchase or construction, plus price-level adjustments up to 1995. Depreciation is computed on the straight-line method. In 2008 the Company and its subsidiaries opted for early adoption of the procedure established in Law 11638 related to the review of the useful life of property, plant and equipment, changing on a prospective basis the depreciation rates used, which are listed in Note 13. Forestry development costs, mainly project implementation costs, are capitalized as incurred. The interest arising from financing directly linked to these assets while under construction is capitalized. The capitalized interest is included in the cost of the related assets and amortized over their useful lives.

The Votorantim Group is a member of consortia for operating hydroelectric power plants and has its own hydroelectric power plants which are recorded in its property, plant and equipment. The revenues generated by the consortia, arising from the sale of production surpluses, are traded on the Electric Power Trade Chamber ("CCEE") and presented in the statement of income net of expenses.

Expenses with mineral studies and research are treated as operating expenses until the economic feasibility of the commercial exploration of mineral reserves is proven. Once this feasibility has been proven, the expenses incurred start to be capitalized as costs with mine development. During the development stage of a mine, the expenses with removal of topsoil are capitalized as part of the development costs. After the mine becomes productive, these expenses are treated as production costs.

Repairs and maintenance costs are allocated to results during the period in which they are incurred. The cost of major renovations is included in the book value of the asset when it is probable that future economic benefits which exceed the performance standard initially evaluated for the existing asset will be obtained by the Company and/or its subsidiaries. Major renovations are depreciated over the remaining useful life of the related asset.

(h) Intangible assets

(h.1) Research and development

Research expenditures are recognized as expenses when incurred. Expenditures incurred in the development of projects (related to the project phase and tests of new or improved products) are recognized as intangible assets when it is probable that the projects will be successful, considering their commercial and technological feasibility, and only if the cost can

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be reliably measured. Other development expenditures are recognized as expenses when incurred. Capitalized development expenditures are amortized as from the beginning of the commercial production of the product, on the straight-line method and during the period of the expected benefit.

(h.2) Computer programs (software)

Software licenses acquired are capitalized and amortized, on the straight-line method, over their estimated useful lives, at the rate of 20% p.a.

Costs of software development or maintenance are expensed as incurred. Expenditures directly associated with identifiable and unique software, controlled by the Company and its subsidiaries and which will probably generate economic benefits greater than the costs for more than one year, are recognized as intangible assets. Direct expenditures include remuneration of the software development team and the appropriate portion of related general expenses.

(h.3) Goodwill

Goodwill or negative goodwill on the acquisition of an investment is calculated as the difference between the purchase amount and book value of the shareholders' equity of the company acquired. Goodwill is subdivided into two categories: (i) market value adjustment of assets, represented by the difference between the book value of the company acquired and the fair value of its assets and liabilities, and (ii) expected future profitability, represented by the difference between the fair value of assets and liabilities and the purchase amount. The amount based on the market value of assets and liabilities is amortized in proportion to the realization of the acquired company's assets and liabilities. The portion based on expected future income is amortized over the term, extension and proportion of the estimated results, not exceeding ten years. Negative goodwill is amortized only when the investment is sold.

In the consolidated financial statements, goodwill is first allocated to the assets and liabilities acquired, being the difference between the market value of assets and liabilities and their book values. The goodwill recorded in identifiable assets and liabilities is amortized as these are realized in the investee. The portion of the goodwill that cannot be recorded as identifiable assets and liabilities is classified as expected future profitability and amortized over the term, extension and proportion of estimated results, not exceeding ten years. Negative goodwill is transferred to non-current liabilities.

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(h.4) Other intangible assets

The acquisition costs of patents, trademarks, licenses and exploration rights are capitalized and amortized using the straight-line method over the useful lives, at the rates described in Note 14 or, when applicable, based on the depletion of mines and forests. Intangible assets are not revalued.

(i) Deferred charges

Deferred charges, which consist primarily of pre-operating expenses, are amortized in up to ten years.

(j) Impairment of assets

Property, plant and equipment and other non-current assets, including goodwill and intangible assets, are reviewed to identify evidence of impairment annually, and also whenever events or alterations in circumstances indicate that the book value may not be recoverable. In this case, the recoverable value is calculated to verify if there is any loss. In the event of loss, it is recognized at the amount by which the book value of the asset exceeds its recoverable value, which is the higher between the net sales price and the value in use of an asset. For evaluation purposes, assets are grouped at the lowest level for which there are separately identifiable cash flows.

(k) Borrowings

Borrowings are initially recognized at fair value, upon receipt of funds, net of transaction costs. Subsequently, the borrowings are presented at amortized cost, that is, plus charges and interest in proportion to the period elapsed (Note 17).

(l) Provisions

Provisions are recognized when the Company and its subsidiaries have a legal or informal present obligation as a result of past events, it is probable that a cash outflow is necessary to settle the obligation, and a reliable estimate of the amount can be made.

The Company and its subsidiaries recognize a provision for onerous contracts when the benefits expected to be obtained from a contract are lower than the unavoidable costs to satisfy the obligations assumed in the contract.

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(m) Income tax and social contribution

The provision for income tax and deferred income tax on tax losses and temporary differences is determined at the rate of 25%, and for social contribution and deferred social contribution on social contribution losses and temporary differences at the rate of 9%. (Note 20).

The deferred tax benefit on tax losses and credits available for offset is recognized to the extent that realization is considered probable. The realization of a deferred income tax asset is dependent on whether there will be sufficient taxable income in future years. Accordingly, the amount of the deferred income tax asset considered realizable may be reduced should there be a reduction in the estimates of future taxable income.

(n) Other current and non-current liabilities

These liabilities are stated at known or estimated amounts including, when applicable, the corresponding financial charges, exchange rate variations and monetary variations incurred. The provisions for profit sharing are recorded when the companies grant this right to employees, in accordance with performance-based plans. As occurs with assets, the liabilities maturing after the 12 months subsequent to the date of the financial statements are considered non-current liabilities.

(o) Environmental liabilities

Expenses related to environmental restoration are recorded in the statement of income when incurred. Other environmental costs are also recorded as expenses, unless they increase the value of the assets and/or provide future economic benefits, in which cases they are capitalized.

Liabilities are recorded when the expenditures are considered probable and can be reasonably estimated. The calculation of the liabilities is based on current laws and regulations, as well as on available technology. In general, this liability is only recognized when the companies are committed to a formal action plan.

(p) Pension plan and other post-retirement benefits

The contributions made by the Company and its subsidiaries to defined contribution pension plans and employee welfare plans (Note 25) were determined by independent actuaries and are recorded as operating expenses.

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(q) Employee benefits

The liability related to the defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the market value of the assets of the plan, adjusted for actuarial gains or losses and costs of past service. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by estimating the future cash outflow, using the interest rates of government bonds with maturities approximating those of the related liability.

The actuarial gains and losses arising from changes in actuarial assumptions and amendments to the pension plans are charged or credited to results according to the average remaining service period of the related employees.

For the defined contribution plans, the Company and its subsidiaries pay contributions to pension plans administered publicly or privately on compulsory, contractual or voluntary bases. When the contributions have been made, the Company and its subsidiaries have no further obligations for additional payments. The regular contributions comprise net periodic costs of the period in which they are due and, therefore, are included in the personnel costs.

(r) Employee profit sharing

Provisions are recorded to recognize the expense related to employee profit sharing. These provisions are calculated based on qualitative and quantitative goals defined by management and are recorded in salary expense accounts in net income of the Company and its subsidiaries.

(s) Determination of net income

Net income is determined on the accrual basis of accounting. Sales and service revenues and related costs are recognized upon product delivery or at the time the services are rendered.

Income from financial intermediation basically refers to the income from credit operations, foreign exchange transactions, securities and derivative financial instruments.

Revenues from electric energy distribution are recognized based on the tariffs regulated by the National Electric Energy Agency (ANEEL) when the energy is billed. Unbilled revenues, related to each monthly billing cycle, are accrued considering the actual energy load made available in the month and the annual loss rate. The difference between the estimated unbilled revenues and the actual unbilled revenues which, from a historical perspective, has not been significant,

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is recognized in the subsequent month. Revenues arising from the sale of the energy generated are accounted for based on the delivery and capacity generated at rates specified in contracts or at the current market price.

(t) Functional currency and financial statements presentation

The financial statements of each subsidiary included in the Company's consolidation are prepared using each entity's functional currency. The functional currency of an entity is the currency of the main economic environment in which it operates. For consolidation purposes, the financial statements of investees located abroad are translated into Reais, which is the Company's functional and presentation currency.

(u) Consolidation and translation of the financial statements

The consolidated financial statements include the balances of all direct and indirect subsidiaries. Pursuant to shareholders' agreements, in the case of jointly-controlled companies the consolidation includes the asset, liability, income and expense accounts, proportionally to the total ownership interest held in the respective jointly-controlled company.

The results of the subsidiaries and jointly-controlled companies acquired in the period were included in the consolidated financial statements as from the date of acquisition.

Intercompany investments, accounts receivable and payable, revenues and expenses and unrealized gains and losses among the companies were eliminated. Intercompany balances and transactions, as well as unrealized profits and losses were eliminated in the consolidation. Minority interest in shareholders' equity and in the results is stated separately.

The jointly-controlled companies VBC Energia S.A., Aracruz Celulose S.A., Usinas Siderúrgica de Minas Gerais S.A. - Usiminas, Suwannee American Cement LLC, Trinity Materials LLC, Sumter Cement Co. LLC and TIVIT Terceirização de Tecnologia e Serviços S.A. were consolidated proportionally to the ownership interest held in their capital. As described in Note 28(c), the 50% ownership interest held by the Votorantim Group in the total capital of VBC Energia was sold to third parties on January 30, 2009. Since at December 31, 2008 there was clear and effective evidence of the sale in the near future, supported by a formal purchase proposal dated December 30, 2008, the Company opted for excluding VBC Energia's proportional amounts from its consolidated balance sheet at December 31, 2008. The

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consolidated proportional result up to the purchase proposal date was maintained in the financial statements. The amount of the ownership interest held in VBC Energia, recorded on the equity accounting method at December 31, 2008, of R\$ 670,297 was reclassified, in the consolidated financial statements, to the "Other assets" caption in long-term receivables.

The consolidated financial statements include the balances of the following directly or indirectly-held subsidiaries:

	<u>Percentage of total capital</u>	
	<u>2008</u>	<u>2007</u>
Industrial segment		
Cement		
Acariúba Mineração e Participação Ltda.	100.00	100.00
CRB Operações Portuárias S.A.	100.00	100.00
Empresa de Transporte CPT Ltda.	100.00	100.00
Engemix S.A.		100.00
Fazenda São Miguel Ltda.	100.00	100.00
Interávia Transportes Ltda.	100.00	100.00
Prairie Material Sales Inc. (United States)	100.00	
Silcar Empreendimentos, Comércio e Participações S.A.	99.98	99.98
St. Barbara Cement Inc. (Canada)	100.00	100.00
St. Marys Cement Inc. (Canada and United States)	100.00	100.00
Suéter Cement Co. LLC (United States)	50.00	50.00
Suwannee American Cement, LLC (United States)	50.00	50.00
Trinity Materials LLC (United States)	50.00	50.00
Votorantim Cement North America Inc. (Canada)	100.00	100.00
Votorantim Cimentos Brasil S.A.	100.00	100.00
Votorantim Cimentos N/NE S.A.	98.80	98.80
Votorantim Cimentos Ltda.	98.47	98.47
Votorantim Investimentos Internacionais S.A.	100.00	100.00
Metals		
Acerbrag S.A. (Argentina)	62.32	
Acerías Paz del Río S.A. (Colombia)	72.57	52.00
Companhia Brasileira de Alumínio	99.77	99.77
Indústria e Comércio Metalúrgica Atlas S.A.	99.86	99.86
Siderúrgica Barra Mansa S.A.	100.00	100.00
Usinas Siderúrgicas de Minas Gerais S.A. - Usiminas	5.76	5.76
US Zinc Corporation (United States)	100.00	
Votorantim Metais - Cajamarquilla S.A. (Peru)	99.06	99.06
Votorantim Metais Ltda.	100.00	100.00
Votorantim Metais Níquel S.A.	100.00	100.00
Votorantim Metais Zinco S.A.	99.92	99.92
Votorantim Siderurgia S.A.	100.00	
Pulp and paper		
Aracruz Celulose S.A.	12.35	12.35
Ripasa S.A. Celulose e Papel		50.00
Votorantim Celulose e Papel S.A.	52.49	51.78
Agribusiness		
Citrovita Agro Industrial Ltda.	99.99	99.99

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	Percentage of total capital	
	2008	2007
Citrovita Agro Pecuária Ltda.	99.99	99.99
Chemical		
Companhia Nitro Química Brasileira	99.98	99.98
Trading		
The Bulk Service Corporation	75.00	75.00
Azben Holding GmbH	100.00	100.00
Holding companies and other segments		
Hailstone Limited	100.00	100.00
Santa Cruz Geração de Energia S.A.	100.00	100.00
TIVIT - Tecnologia da Informação S.A.	99.99	99.99
Votorantim Comercial Exportadora e Importadora Ltda.	99.98	99.98
Votorantim Comércio e Indústria Ltda.	100.00	100.00
Votorantim Investimentos Industriais S.A.	100.00	100.00
Votorantim Investimentos Latino-Americanos S.A. (*)	89.02	100.00
Votorantim Cimentos América S.A.	100.00	100.00
Votocel Investimentos Ltda.	100.00	100.00
Votorantim Energia Ltda.	100.00	100.00
Voto - Votorantim Overseas Trading Operations III Ltd.	100.00	100.00
Voto - Votorantim Overseas Trading Operations IV Ltd.	100.00	100.00
Votorantim Novos Negócios Ltda.	99.99	99.99
Financial segment		
Banco Votorantim S.A.	99.97	99.94
Banco Votorantim Securities, Inc.	100.00	100.00
BV Financeira S.A.	99.99	99.99
BV Leasing e Arrendamento Mercantil S.A.	99.99	99.99
BV Sistemas Ltda.	99.94	99.94
BV Trading S.A.	99.99	99.99
CP Promotora de Vendas Ltda.	99.99	99.40
Votorantim Asset Management D.T.V.M. Ltda.	99.99	99.99
Votorantim Bank Limited	95.84	95.84
Votorantim C.T.V.M. Ltda.	99.98	99.98
Votorantim Finanças S.A.	100.00	100.00
Votorantim International Business Limited	100.00	100.00
Votorantim Seguros e Previdência S.A.	99.99	99.99
Votorantim Corretora de Seguros Ltda.	99.99	99.99
Votorantim Investment Overseas Ltd.	100.00	100.00
Raltic S.A.	100.00	100.00
Energy segment		
VBC Energia S.A.		50.00

(*) In August 2008, 10.98% of the total ownership interest was sold. The profit generated by this operation, of R\$ 169,720 is recorded in "Other operating income (expenses), net" at December 31, 2008.

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The comparability of the balance sheets at December 31, 2008 and 2007 and of the statements of income for the years then ended should take into consideration the subsidiaries acquired and/or sold in 2008, as summarized in Note 1(d).

(v) **Reconciliation of shareholders' equity and net income for the year between the Parent Company and the Consolidated**

	<u>Shareholders' equity</u>		<u>Results for the year</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Parent company	24,438,705	24,250,373	527,611	4,784,193
Supplement to equity pick-up (*)	31,317	5,170	26,147	25,083
Adjustment of unrealized profits, net of tax effects	<u>(539,548)</u>		<u>(539,548)</u>	<u>(4,097)</u>
Consolidated	<u>23,930,475</u>	<u>24,255,543</u>	<u>14,210</u>	<u>4,805,179</u>

(*) Refers to a supplement of equity pick-up of companies included in the consolidated financial statements of Votorantim Participações S.A., with residual investments spread over the Group and stated at historical cost, whose balances were adjusted upon consolidation.

4 Cash and Cash Equivalents

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Cash and banks	425	300,949	576,896	878,735
Investments in foreign currency			388,246	
Bank Deposit Certificates (CDBs)			<u>945,096</u>	<u>1,055,734</u>
	<u>425</u>	<u>300,949</u>	<u>1,910,238</u>	<u>1,934,469</u>

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5 Financial Investments and Derivative Financial Instruments

	For trading		Available for sale	Held to maturity	Total	
	2008	2007	2008	2007	2008	2007
Parent company						
Investment fund quotas	1,240,664	968,031			1,240,664	968,031
Bank Deposit Receipts (RDBs)			1,315,988		1,315,988	
Purchase and sale commitments				136,750		136,750
Bank Deposit Certificates (CDBs)	389,100			1,637,913	389,100	1,637,913
Foreign currency denominated investments				609,035		609,035
	<u>1,629,764</u>	<u>968,031</u>	<u>1,315,988</u>	<u>2,383,698</u>	<u>2,945,752</u>	<u>3,351,729</u>
Short-term					<u>(2,945,752)</u>	<u>(3,208,065)</u>
Long-term						<u>143,664</u>

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	For trading		Available for sale	Held to maturity	Total	
	2008	2007	2008	2007	2008	2007
Consolidated						
Financial Treasury Bills (LFTs)	121,357	169,337			121,357	169,337
National Treasury Bills (LTNs)	372,738	218,668			372,738	218,668
National Treasury Notes (NTNs)	7,785,320	7,866,028			7,785,320	7,866,028
Eurobonds	868,214	1,505,742	1,248,078	202,370	2,116,292	1,708,112
Brazilian foreign debt securities	456,255	211,271			456,255	211,271
Foreign debt securities of other countries	3,037,226	2,098,682			3,037,226	2,098,682
Debentures		1,194,440		509,979		1,704,419
Investment fund quotas	5,037,883	5,264,698	1,750,084		6,787,967	5,264,698
Credit Rights Investment Fund (FIDC)	296,857	829,479	622,620		919,477	829,479
Floating rate securities	87,775	1,093,238			87,775	1,093,238
Shares of non-public corporations			608,832		608,832	
Foreign currency denominated investments				2,172,435		2,172,435
Interbank Deposit Certificates (CDIs)				286,757		286,757
Repurchase commitments				462,228		462,228
Agricultural debt securities	678,431				678,431	
Other	365,658	224,796	58,795	248,843	424,453	473,639
Bank Deposit Receipts (RDBs)			112,916		112,916	
Derivative financial instruments (Note 27)	3,366,221	3,131,625			3,366,221	3,131,625
	<u>22,473,935</u>	<u>23,808,004</u>	<u>4,401,325</u>	<u>3,882,612</u>	26,875,260	27,690,616
Short-term					(23,785,444)	(26,870,259)
Long-term					<u>3,089,816</u>	<u>820,357</u>

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Securities for trading - the criteria for pricing marketable securities are defined by the risk management area of Votorantim Participações S.A. and Votorantim Finanças S.A., considering prices and rates disclosed by entities such as the National Association of Open Market Institutions (ANDIMA) and the Futures and Commodities Exchange (BM&F), in addition to possible price adjustments for low liquidity securities, which consider offers, latest prices, possible dispersal and other factors to fairly determine the market value, both in the local and foreign markets.

For securities traded in the Brazilian market, the average rates of the instruments disclosed by ANDIMA are used for the closing date, as well as the closing price disclosed for positions in the BM&F, the prices of the last negotiations of debentures disclosed by ANDIMA, taking into account the adoption of criteria considered to be adequate to establish the price of low liquidity instruments. For the assets of foreign investees, the closing prices for the public debt securities in the international market disclosed by Bloomberg and other information services are used, as well as the adoption of criteria considered to be adequate for the correct pricing of low liquidity securities.

The Public Securities, Eurobonds and C-Bonds issued by the Brazilian government fall due up to 2018 and, for the most part, are recorded in current assets, irrespectively of their maturity terms, due to the highly liquid nature of these instruments and the intent to optimize market opportunities.

Votorantim Finanças S.A., through its subsidiary Votorantim Asset Management D.T.V.M. Ltda., manages various fixed and variable income funds with total net assets of R\$ 18,230,500 (December 31, 2007 - R\$ 28,256,828). Of the total financial investments in investment fund quotas held by the industrial segment, the amount of R\$ 2,639,048 (December 31, 2007 - R\$ 3,800,654) was invested in funds managed by Votorantim Asset Management D.T.V.M. Ltda.

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6 Interbank Investments

The breakdown of the interbank investment portfolio, by type, is as follows:

	Consolidated	
	2008	2007
Open market investments		
Funded position	877,815	4,600,203
Financed position	1,855,503	5,835,783
Short position	1,279,217	2,473,654
Investments in interbank deposits	3,290,016	2,436,187
Investments in foreign currency	37,429	1,338,823
Other		277,152
	<u>7,339,980</u>	<u>16,961,802</u>
Short-term	<u>(6,148,389)</u>	<u>(15,977,491)</u>
Long-term	<u>1,191,591</u>	<u>984,311</u>

7 Trade Accounts Receivable - Consolidated

Credit risk is minimized by the broad customer base and control procedures, as well as the monitoring of customers' credit limits. The Company and its subsidiaries also contract a credit insurance policy for most of their export receivables.

At December 31, 2008, the subsidiary VCP had outstanding vendor transactions amounting to R\$ 261,107 (R\$ 224,207 in 2007), classified as a deduction from the balances of local trade accounts receivable. VCP guarantees these transactions and potential losses are taken into consideration in the establishment of the allowance for doubtful accounts.

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8 Credit Operations

(a) Breakdown of credit operations

	Consolidated	
	2008	2007
Loans - public sector	179,602	182,856
Loans - private sector	12,014,870	8,977,910
Financing - private sector	24,428,153	16,860,252
Financing - rural, marketable securities and others	181,905	159,561
Leasing and foreign exchange portfolio	<u>1,379,402</u>	<u>600,551</u>
	38,183,932	26,781,130
Short-term	<u>(18,046,638)</u>	<u>(12,976,669)</u>
Long-term	<u><u>20,137,294</u></u>	<u><u>13,804,461</u></u>

(b) Analysis of the portfolio by type of customer

	Consolidated	
	2008	2007
Industry	10,600,355	5,938,605
Commerce	2,185,380	1,769,176
Rural	312,307	256,346
Other services	4,188,371	2,375,674
State	181,378	
Financial institutions	6,070	25,560
Individuals	<u>20,710,071</u>	<u>16,415,769</u>
	<u><u>38,183,932</u></u>	<u><u>26,781,130</u></u>

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(c) Analysis of the portfolio of credit operations by corresponding risk levels

The breakdown of the portfolio by risk level in the financial segment is as follows:

	Consolidated		
	2008		
<u>Risk level</u>	<u>Credits falling due</u>	<u>Credits overdue</u>	<u>Total</u>
AA	11,655,473		11,655,473
A	20,053,763		20,053,763
B - overdue from 15 to 30 days	3,302,423	891,354	4,193,777
C - overdue from 31 to 60 days	635,535	546,691	1,182,226
D - overdue from 61 to 90 days	132,866	229,466	362,332
E - overdue from 91 to 120 days	8,921	132,738	141,659
F - overdue from 121 to 150 days	4,244	117,468	121,712
G - overdue from 151 to 180 days	3,676	79,272	82,948
H - overdue for more than 180 days	35,116	354,926	390,042
	<u>35,832,017</u>	<u>2,351,915</u>	<u>38,183,932</u>
			2007
<u>Risk level</u>	<u>Credits falling due</u>	<u>Credits overdue</u>	<u>Total</u>
AA	6,431,916		6,431,916
A	15,375,964		15,375,964
B - overdue from 15 to 30 days	2,820,479	669,475	3,489,954
C - overdue from 31 to 60 days	275,077	410,059	685,136
D - overdue from 61 to 90 days	94,290	152,636	246,926
E - overdue from 91 to 120 days	8,451	99,339	107,790
F - overdue from 121 to 150 days	1,358	79,486	80,844
G - overdue from 151 to 180 days	4,401	59,727	64,128
H - overdue for more than 180 days	10,543	287,929	298,472
	<u>25,022,479</u>	<u>1,758,651</u>	<u>26,781,130</u>

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9 Inventories

	<u>Consolidated</u>	
	<u>2008</u>	<u>2007</u>
Finished products	1,119,252	932,005
Work in progress	1,513,865	1,091,118
Raw materials	806,264	513,116
Consumable materials warehouse	636,534	454,448
Imports in transit	275,361	150,280
Other	494,067	236,397
	<u>4,845,343</u>	<u>3,377,364</u>

10 Taxes Recoverable

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Value-added Tax on Sales and Services (ICMS)	3,093	3,093	970,671	622,352
Social Integration Program (PIS)	759	773	66,437	47,517
Social Contribution on Revenues (COFINS)	9,759	9,826	254,838	157,705
Income Tax and Social Contribution on Net Income (IR and CSLL)	324,952	295,244	1,454,622	1,035,543
Excise Tax (IPI)	3,577	3,577	69,470	107,544
Withholding Income Tax (IRRF)	32,655	22,911	231,268	880,971
Other			149,148	76,917
	374,795	335,424	3,196,454	2,928,549
Short-term	<u>(369,981)</u>	<u>(330,094)</u>	<u>(1,977,978)</u>	<u>(2,034,135)</u>
Long-term	<u>4,814</u>	<u>5,330</u>	<u>1,218,476</u>	<u>894,414</u>

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11 Balances and Transactions with Related Parties

(a) Assets

	Parent company		Consolidated	
	2008	2007	2008	2007
Dividends receivable				
Companhia Nitro Química Brasileira		28,740		
Empresa de Transportes CPT Ltda.	20,747	18,823		
Inecap Investimentos S.A.	29,402			
Usinas Siderúrgicas de Minas Gerais S.A. - Usiminas		13,168		
Votorantim Cimentos Brasil S.A.	70,224			
Votorantim Cimentos N/NE S.A.	366	1,038		
Votorantim Energia Ltda.		147,203		
Votorantim Industrial S.A.	37,550	37,550		
Other		6,129	30,144	78,158
	<u>158,289</u>	<u>252,651</u>	<u>30,144</u>	<u>78,158</u>
Related parties				
Citrovita Agro Industrial Ltda.		128,819		
Citrovita Agro Pecuária Ltda.	180	8,180		
Empresa de Transportes CPT Ltda.	33,058	31,245		
Fazenda Bodoquena Ltda.	2,170	2,170		
Hailstone Limited	16,011	7,635		
Hejoassu Administração S.A. (*)	20,390		725,774	513,744
LIT Telefonía Ltda.	50,673			
Silcar Empreendimentos, Comércio e Participações Ltda.	10,045	49,628		
TIVIT Tecnologia da Informática S.A.	3,500			
Votocel Investimentos Ltda.	7,806			
Votorantim Cimentos Ltda.	241,126	10,203		
Votorantim Cimentos Brasil S.A.	1,792,942			
Votorantim GmbH	484,831			
Votorantim Industrial S.A.	452,965	82,669		
Votorantim Investimentos Internacionais S.A.	306,608	288,907		
Votorantim Investimentos Latino-Americanos S.A.	16,225			
Votorantim Metais Ltda.	9,567			
Votorantim Metais Zinco S.A.	59,999	7		
Votorantim Novos Negócios Ltda.	28,000	12,400		
Votorantrade N.V.		352,835		
Other	2,305	178,418		
	<u>3,538,401</u>	<u>1,153,116</u>	<u>725,774</u>	<u>513,744</u>

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(b) Liabilities

	Parent company		Consolidated	
	2008	2007	2008	2007
Suppliers				
Machadinho Energética S.A.				28,421
Mineração Rio do Norte S.A.				5,677
Petrocoque S.A. Indústria e Comércio			5,786	
Other	51			99
	<u>51</u>		<u>5,786</u>	<u>34,197</u>
Dividends payable				
Hejoassu Administração S.A.	50,123	743,540	50,123	743,540
Other			43,945	248,071
	<u>50,123</u>	<u>743,540</u>	<u>94,068</u>	<u>991,611</u>
Related parties				
Citrovita Agro Industrial Ltda.	54,121	92,489		
Fazenda São Miguel Ltda.	4,323	4,323		
Indústria de Papel Pedras Brancas Ltda.	11,010	11,536		
Votorantim Cimentos Ltda.	2,224,569	2,415,028		
Votorantim Cimentos Brasil S.A.	100,353	12,904		
Votorantim Cimentos N/NE S.A.	15,143	10,783		
Votorantim Energia Ltda.	67,422	61,302		
Votorantim Industrial S.A.	1,350,479	1,100,338		
Votorantim Metais Ltda.	15,041	152,575		
Votorantim Metais Zinco S.A.	1,845	1,845		
Votorantrade N.V.		143,335		
Votorantim GmbH	48,393			
Votorantim Investimentos Latino-Americanos S.A.		14,540		
Silcar Empreendimentos, Comércio e Participações Ltda.	21,467			
St. Helen Holding II B.V.	334,900	253,833		
TIVIT Tecnologia da Informática S.A.	539,092			
Votorantim Comercial Exportadora e Importadora Ltda.	209,655	367,417		
Voto-Votorantim Overseas Trading Operations N.V. III	119,634	73,716		
Other	5,287	289		
	<u>5,122,734</u>	<u>4,716,253</u>		

Votorantim Participações S.A. and Subsidiaries

Notes to the Financial Statements at December 31, 2008 and 2007

All amounts in thousands of reais unless otherwise indicated

(c) Results and operations

	Parent company		Consolidated	
	2008	2007	2008	2007
Purchases				
BAESA - Energética Barra Grande S.A.			(51,335)	(34,354)
Machadinho Energética S.A.			(56,817)	(52,188)
Mineração Rio do Norte S.A.				(121,492)
Petrocoque S.A. Indústria e Comércio			7	
			<u>(108,145)</u>	<u>(208,034)</u>
Financial income (expenses), net				
Banco Votorantim S.A.	(100,673)			
Hailstone Limited	(3,663)	(7,491)		
Interávia Táxi Aéreo Ltda.		(12,061)		
Santa Maria Comércio e Serviços Ltda.	946	(2,288)		
St. Helen Holding II B.V.	81,067	52,267		
St. Helen Holding III B.V.		(5,940)		
TIVIT Tecnologia da informática S.A.	27,235			
Usinas Siderúrgicas de Minas Gerais S.A. - Usiminas	(47,816)	31,819		
Votorantim Energia Ltda.	6,120	(6,120)		
Votorantim GmbH	(189,236)			
Votorantim Industrial S.A.	101,913	(123,673)		
Votorantim Investimentos Internacionais S.A.		11,902		
Votorantim Metais Ltda.		309,288		
Votorantrade N.V.	15,361	(47,799)		
Voto-Votorantim Overseas Trading Operations N.V. III	48,981			
Other	(10,611)	(102,400)		
	<u>(70,376)</u>	<u>97,504</u>		

(*) Parent company of Votorantim Participações S.A.

The transactions are carried out under conditions agreed upon between the parties and may or may not bear financial charges, with no defined settlement term.

Votorantim Participações S.A. and Subsidiaries

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All amounts in thousands of reais unless otherwise indicated

12 Investments

(a) Parent company

	Information at December 31, 2008						
	Adjusted net equity (net capital deficiency)	Results for the year	Ownership - %	Equity in results		Investment balance	
				2008	2007	2008	2007
Calsete Industrial S.A.	11,635	938	100.00	914	2,215	11,635	10,722
Cazben do Brasil Ltda.				192,395			
Citrovita Comercial Exportadora S.A.					59,822		
Citrovita Industrial Comercial Ltda.					70,529		
Empresa de Transportes CPT Ltda.	924,911	(133,708)	100.00	(133,708)	(98)	924,911	1,293,620
Hailstone Limited.	309,700	(46,861)	100.00	(10,216)	20,182	309,700	279,839
Inecap Investimentos S.A.	513,196	49,703	37.80	39,941	45,124	193,997	31,014
Interávia Táxi Aéreo Ltda.	1,438	(1,038)	94.76	(984)	489	1,362	2,346
Planihold S.A.	19,938	829	20.76	(17)		4,127	
Santa Maria Comércio e Serviços Ltda.	74,434	474	100.00	405	(2,113)	74,434	23,499
St. Helen Holding II B.V.	(114,491)	(17,432)	100.00	(16,030)	(11,348)	(114,491)	(70,385)
Sucorrico S.A.					8,081		
TIVIT Tecnologia da Informação S.A.	701,804	39,676	95.48	39,192	22,794	670,100	651,662
VBC Energia S.A.				4,733			
Voto - Votorantim Overseas Trade Operations IV Ltda.	47,946	1,740	50.00	1,839	2,114	23,973	16,490
Votocel Investimentos Ltda.	6,947	(5,225)	29.99	379	(1,158)	2,083	1,705
Votorantim Cimentos America S.A.	599,662		5.45	(24)		32,681	272,573
Votorantim Cimentos Ltda.	4,333,259	1,285,887	29.61	379,886	190,575	1,282,900	1,055,459
Votorantim Cimentos N/NE S.A.	2,711,888	216,196	1.64	1,764	2,510	44,524	42,087
Votorantim Empreendimentos Ltda.	10,287	1,447	89.30	1,075	(928)	9,185	(13,714)
Votorantim Finanças S.A.	6,999,079	796,894	100.00	717,094	1,230,592	6,999,057	6,432,731
Votorantim GmbH	450,654	(445,460)	100.00	(674,120)	541,172	430,698	776,490
Votorantim Industriais S.A.	12,408,078	(1,190,355)	99.99	(1,191,546)	2,436,092	12,223,032	11,938,521
Votorantim Investimentos Latino-Americanos S.A.	1,932,821	507,918	20.33	100,867	(7,197)	392,850	253,234
Votorantim Novos Negócios Ltda.	12,425	(103,758)	100.00	(100,986)	(24,877)	12,425	51,810
Voto-Votorantim Over. Trad. Oper. III Limited	116,876	119,760	100.00	91,743		116,876	

Votorantim Participações S.A. and Subsidiaries

Notes to the Financial Statements at December 31, 2008 and 2007

All amounts in thousands of reais unless otherwise indicated

	Information at December 31, 2008						
	Adjusted net equity (net capital deficiency)	Results for the year	Ownership - %	Equity in results		Investment balance	
				2008	2007	2008	2007
Investees transferred to subsidiaries							
Votorantim Industrial S.A.							
Citrovita Agro Industrial Ltda.				33,642	65,967		469,991
Companhia Nitro Química Brasileira.				25,468	86,977		279,518
Fazenda Bodoquena Ltda.				(49)	(555)		12,497
Ibar - Administração e Participação Ltda.				1,981	(1,035)		49,231
Máquinas Piratininga S.A.				(428)	(1,088)		3,649
Votorantim Cimentos Ltda. and subsidiaries							
Engemix - S.A.				176,050			
Silcar Empreendimentos, Comércio e Participações Ltda.				42,158	45,393		82,497
Votorantim Cimentos Brasil S.A.				15,085	40,157		153,926
Votorantim Investimentos Internacionais S.A.				(299,290)	(6,504)		713,192
Votorantim Siderurgia Participações S.A.							
Usinas Siderúrgicas de Minas Gerais S.A. - Usiminas				80,765			
Other investments					140,943		713,144
Total investments in subsidiaries and associated companies				(480,022)	4,954,827	23,646,059	25,527,348
Other investments stated at cost						18,339	22,508
Negative goodwill on the acquisition of investments (Note 22)						(200,422)	(200,422)
				<u>(480,022)</u>	<u>4,954,827</u>	<u>23,463,976</u>	<u>25,349,434</u>

Votorantim Participações S.A. and Subsidiaries

Notes to the Financial Statements at December 31, 2008 and 2007

All amounts in thousands of reais unless otherwise indicated

(b) Consolidated

	Information at December 31, 2008						
	Adjusted net equity	Results for the year	Ownership - %	Equity in results		Investment balance	
				2008	2007	2008	2007
Ahlstrom VCP Indústria de Papéis Especiais S.A.							66,551
BAESA - Energética Barra Grande S.A.	553,987	29,065	15.00	4,360	2,730	83,098	78,780
Campos Novos Energia S.A.	569,301	66,633	44.77	29,832	7,340	254,850	218,338
Cementos Bio Bio S.A.	1,145,616		15.15			173,535	
Compañia Minera Milpo S.A.A.	762,117	72,632	34.75	25,240	9,806	264,836	134,263
Machadinho Energética S.A.	352,331	(6,713)	33.14	(2,225)	173	116,762	117,828
Mineração Rio do Norte S.A.	591,487	220,381	10.00	22,038	12,939	59,149	59,101
MRS Logística S.A.	1,865,464	664,352	0.64	4,252		11,939	7,707
Petrocoque S.A. Indústria e Comércio	41,914	27,628	22.50	6,216	1,549	9,431	13,298
Sirama Participações Administração e Transportes Ltda.	296,884	116,317	38.25	44,491	7,781	113,558	124,194
Usiminas Europa S.A.	2,178,986	252,826	5.76	14,563		125,510	82,281
Other investments				114,317	(2,138)	282,605	146,068
Advances for purchase of subsidiaries							140,400
Total investments stated on the equity method of accounting				<u>263,085</u>	<u>40,180</u>	<u>1,495,273</u>	<u>1,188,809</u>
Investments carried at cost							
Alunorte - Alumina do Norte S.A.						95,858	95,858
Tijuca Sociedadand Mineração						3,256	29,910
Other investments						<u>238,774</u>	<u>114,187</u>
						<u>337,888</u>	<u>239,955</u>
Total investments						<u>1,833,161</u>	<u>1,428,764</u>

Votorantim Participações S.A. and Subsidiaries

Notes to the Financial Statements at December 31, 2008 and 2007

All amounts in thousands of reais unless otherwise indicated

The financial statements of significant investees at December 31, 2008 and 2007 were audited by independent auditors.

(c) Changes in investments

	Parent company		Consolidated	
	2008	2007	2008	2007
Balance at the beginning of the year	25,349,434	23,921,416	1,428,764	1,014,002
Equity in results	(480,022)	4,954,827	263,085	195,668
Purchases of investments and capital increase in investees	4,541,980	171,393	413,218	337,858
Sales of investments and capital reduction in investees	(4,963,031)	(159,204)	(32,704)	
Gains (losses) and exchange variation on investments	109,907	(139,451)	30,654	(20,747)
Advance for the acquisition of Acerbrag transferred to goodwill			(140,400)	
Adjustments for First-time adoption of Law 11638	(323,874)			
Transfers	(291,826)		(16,416)	
Merger of subsidiaries		(1,668,689)		
Dividends received and receivable	(478,591)	(1,730,858)	(113,038)	(98,017)
Balance at the end of the year	<u>23,463,976</u>	<u>25,349,434</u>	<u>1,833,161</u>	<u>1,428,764</u>

On January 28, 2008 a capital increase in cash was made at Engemix S.A. in the amount of R\$ 1,100,000. On December 30, 2008 capital of this investee was reduced by R\$ 1,295,208.

On August 28, 2008 a capital increase was made at Votorantim Siderurgia Participações S.A. through the contribution, for its book value, of the investment held in Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS in the amount of R\$ 793,452.

On August 29, 2008 a capital increase was made at VID through the contribution, for their book value, of the investments held in Companhia Nitro Química Brasileira for R\$ 117,630 and in Votorantim Siderurgia Participações S.A. for R\$ 837,950.

On August 29, 2008 the Votorantim Investimentos Internacionais S.A. shares held by the Company were sold to Votorantim Cimentos Brasil Ltda., at the market value, in the amount of R\$ 1,395,737. The gain of R\$ 793,703 obtained in the transaction was recorded under "Other operating income (expenses), net".

Votorantim Participações S.A. and Subsidiaries

Notes to the Financial Statements at December 31, 2008 and 2007

All amounts in thousands of reais unless otherwise indicated

On August 29, 2008 the capital quotas of Citrovita Agro Industrial Ltda., held by the Company, were sold to Votorantim Industrial S.A. for their book value of R\$ 503,637.

13 Property, Plant and Equipment

	2008			2007	
	Cost	Accumulated depreciation/depletion	Net	Net	Annual depreciation and depletion rates - %
Parent company					
Land and buildings	15,209	(5,661)	9,548	9,767	0 to 2.7
Equipment and facilities	248	(238)	10	27	3.2 to 6.7
Vehicles	2,801	(2,042)	759	1,038	20
Furniture and fixtures	2,315	(2,116)	199	259	3.2 to 6.7
	<u>20,573</u>	<u>(10,057)</u>	<u>10,516</u>	<u>11,091</u>	
Consolidated					
Land and buildings	7,162,332	(2,102,636)	5,059,696	4,082,142	0 to 2.7
Equipment and facilities	18,630,683	(9,754,248)	8,876,435	8,608,906	3.2 to 16.7
Leasehold improvements	329,463	(60,539)	268,924	217,912	20
Vehicles	775,329	(408,084)	367,245	181,963	20
Furniture and fixtures	196,200	(122,619)	73,582	84,155	3.2 to 16.7
Plantations and forests (i)	2,582,719	(398,163)	2,184,556	1,467,642	1.7 to 2.7
Construction in progress (ii)	9,829,267		9,829,267	5,826,319	
Other	240,308	(12,346)	227,962	353,114	1.7 to 16.7
	<u>39,746,301</u>	<u>(12,858,635)</u>	<u>26,887,666</u>	<u>20,822,152</u>	

- (i) Depletion is calculated on the extraction of mineral resources and forests, taking into consideration the estimated useful lives of the reserves or the total volume of timber to be harvested from the forests.
- (ii) Refers mainly to the projects for the expansion, modernization and operational improvements at the plants of the Metal, Cement and CBA divisions, as well as the assets of VCP's pulp plant under construction, arising from the exchange described in Note 1. In addition, it includes CBA's investments for the construction of hydroelectric power plants of R\$ 63,922. Management expects to obtain environmental licenses so that these power plants can start to generate energy in the medium term. Based on the opinion of its legal advisors, management expects favorable outcomes to the environmental lawsuits and approval of the pending licenses.

Votorantim Participações S.A. and Subsidiaries

Notes to the Financial Statements at December 31, 2008 and 2007

All amounts in thousands of reais unless otherwise indicated

14 Intangible Assets

	Parent company		Consolidated		Annual amortization/ depletion/ rates - %
	2008	2007	2008	2007	
Goodwill (a)			4,660,990	3,192,270	
Trademarks and patents	3,171	3,171	20,020	65,656	
Energy generation concessions			178,211		
Natural resources exploration rights			954,024	852,022	2.5
Software			253,083	134,666	20
	<u>3,171</u>	<u>3,171</u>	<u>6,066,328</u>	<u>4,244,614</u>	

(a) Goodwill on acquisitions

Description	Consolidated	
	2008	2007
Acerbrag S.A. (i)	167,638	
Acerías Paz Del Rio S.A. (ii)	576,546	584,577
Angra do Reis Ltda. (v)	49,007	50,655
Aracruz Celulose S.A. (v)	115,164	164,644
BAESA - Energética Barra Grande S.A. (vii)	6,612	7,545
Campos Novos Energia S.A. (vii)	57,408	64,297
Cementos Bio Bio S.A.	66,374	
Companhia de Cimento Ribeirão Grande (iv)	205,339	231,607
Companhia Paulista de Força e Luz (vii)		136,356
Companhia Siderúrgica Paulista - Cosipa (v)	5,450	
Compañía Minera Milpo S.A.A. (v)	549,134	103,922
Machadinho Energética S.A. (v)	15,145	16,652
Mineração Zona da Mata Ltda. (v)	26,986	25,993
Prairie Material Sales Inc (v)	607,445	
Prestige Gunite Inc. (v)	295,169	220,006
Rio Grande Energia S.A. (vii)		42,527
Rio Verdinho Energia S.A. (v)	28,990	28,990
RioCell S.A. (vi)	6,952	23,120
Ripasa S.A. Celulose e Papel (v)	475,413	545,344
Mizu S.A. (v)	91,059	
S&W Materials Inc. (iii)	11,744	11,872
Softway Center Serviços de Teleatendimentos a Clientes S.A. (v)	41,637	43,038
St. Marys Cement Inc. (v)	259,669	336,303
Suwannee American Cement, LLC (iii)	24,909	23,735
The Bulk Service (v)	58,242	50,935
Tivit Terceirização de Tecnologia e Serviço S.A. (v)	23,375	36,766
US Zinc Corp. (i)	440,429	
VBC Energia S.A.	127,630	126,945
Votorantim Metais - Cajamarquilla S.A. (v)	138,579	138,640
Other (v)	188,945	177,801
	<u>4,660,990</u>	<u>3,192,270</u>

Votorantim Participações S.A. and Subsidiaries

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- (i) In January 2008 the Company acquired a 27% ownership interest in Acerbrag S.A., generating goodwill of R\$ 102,959, and the full control of US Zinc Corporation, with goodwill of R\$ 316,609. In February 2008 the full control of Prairie Material Sales Inc. was acquired, with goodwill of R\$ 497,437. In June 2008 an additional interest of 25.9% in Acerbrag S.A. was acquired, including goodwill of R\$ 86,171. The goodwill amounts were supported by the expectation of future profitability and are being amortized in up to ten years.
- (ii) As mentioned in Note 1, on March 16, 2007 the Votorantim Group purchased, at an auction held of the Stock Exchange of Colombia, 8,206,215,228 common shares of the Colombian steel company Acerías Paz del Río S.A., which account for 52% of this company's capital, for US\$ 502,100 thousand, equivalent to R\$ 1,034,268 on that date, including goodwill of R\$ 925,094, of which R\$ 634,823 is supported by the expectation of future profitability and is being amortized in up to ten years, and R\$ 290,271 is related to the appreciation of assets and is being amortized over the useful lives of the assets. In April 2008, an additional ownership interest (20.57%) was acquired including goodwill of R\$ 201,763, R\$ 94,508 of which is supported by the expectation of future profitability, amortized in up to ten years, and R\$ 107,255 is related to the appreciation of assets, amortized over the useful lives of the assets.
- (iii) Goodwill supported by the expectation of future profitability, amortized over an eight-year period.
- (iv) In November 2006 the Votorantim Group purchased the control of Companhia de Cimento Ribeirão Grande for R\$ 425,376, including goodwill of R\$ 319,963, of which R\$ 224,912 is supported by the expectation of future profitability and will be amortized in up to ten years, and R\$ 94,781, net of tax effects, relates to the appreciation of assets and will be amortized over the useful lives of the assets.
- (v) Goodwill supported by the expectation of future profitability, amortized in up to ten years.
- (vi) Goodwill on the acquisition of the control of Riocell S.A., supported by: (a) the market value of the assets, which will be amortized in accordance with their realization, and (b) the expectation of future profitability, which is being amortized over ten years as from January 2004.
- (vii) Goodwill supported by the expectation of future profitability, amortized over the remaining concession period.

15 Funding - Deposits

(a) Portfolio breakdown by type

	<u>2008</u>
Demand deposits	105,531
Time deposits	12,431,810
Interbank deposits	4,182,084
Deposits for investments	<u>5,365</u>
	<u>16,724,790</u>
Short-term	<u>(11,951,560)</u>
Long-term	<u><u>4,773,230</u></u>

Votorantim Participações S.A. and Subsidiaries

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(b) Portfolio breakdown by maturity

	<u>2008</u>
With no maturity	105,531
In up to 90 days	6,468,354
From 91 to 360 days	5,320,632
From 1 to 3 years	4,549,231
From 3 to 5 years	271,498
Over 15 years	9,544
	<u>16,724,790</u>

16 Funding - Money Market Funding (Portfolio Breakdown by Maturity)

	<u>2008</u>
In up to 90 days	5,489,497
From 91 to 360 days	6,018,652
From 1 to 3 years	3,712,441
From 3 to 5 years	134,956
Over 5 years	1,002,909
	<u>16,358,455</u>
Short-term	<u>(11,774,243)</u>
Long-term	<u>4,584,212</u>

17 Loans and Financing

Type/purpose	Annual financial charges - %	Parent company		Consolidated	
		2008	2007	2008	2007
In foreign currency					
Export prepayment	EV + LIBOR + 0.75 to 5.46	140,497		9,071,390	4,813,028
Advances on exchange contracts	EV + LIBOR + 1.12 to 5.55			1,408,129	683,835
Purchase of assets	EV + 1.00 to 11.45		857,046	290,749	1,472,351
Eurobonds	EV + 5.25 and 8.50			1,670,154	1,092,243
Import financing	EV + 0.30 to 4.27			1,105,660	989,223

Votorantim Participações S.A. and Subsidiaries

Notes to the Financial Statements at December 31, 2008 and 2007

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Type/purpose	Annual financial charges - %	Parent company		Consolidated	
		2008	2007	2008	2007
"Compror"	EV + 1.00 to 11.45			1,119,108	289,506
Working capital (includes Resolutions 63 and 2770)	EV + 1.00 to 11.20	1,100,866		4,191,982	2,768,654
Loans for onlending	EV + to 5.59 to 6.79			6,423,933	2,610,463
Other	EV + 5.73			2,132,471	1,293,876
		<u>1,241,363</u>	<u>857,046</u>	<u>27,413,576</u>	<u>16,013,179</u>
In local currency					
BNDES	TJLP + 6.25 to 10.75			2,659,990	3,006,808
Loans for onlending	1.30 to 11.00			4,510,930	3,125,197
Working capital	102.30 to 102.59 of the CDI			4,186,528	1,468,597
Other	TJLP + 2.75 to 3.30			1,763,956	1,008,061
				<u>13,121,404</u>	<u>8,608,663</u>
		<u>1,241,363</u>	<u>857,046</u>	<u>40,534,980</u>	<u>24,621,842</u>
Short-term		<u>(70,339)</u>	<u>(24,535)</u>	<u>(16,993,618)</u>	<u>(7,878,788)</u>
Long-term		<u>1,171,024</u>	<u>832,511</u>	<u>23,541,362</u>	<u>16,743,054</u>
EV = Exchange rate variation					
TJLP = Long-term interest rate					

	Parent company		Consolidated	
	2008	2007	2008	2007
Long-term amounts fall due as follows:				
2009		51,226		3,422,374
2010	339,286	65,396	6,027,444	2,750,767
2011	518,113	191,761	6,022,812	2,585,387
2012	81,795	392,697	4,579,977	4,390,796
2013 onwards	231,830	131,431	6,911,129	3,593,730
	<u>1,171,024</u>	<u>832,511</u>	<u>23,541,362</u>	<u>16,743,054</u>

(a) Agreements

Votorantim Participações S.A., the subsidiaries Votorantim Celulose e Papel S.A. and Votorantim International Holding N.V. and the jointly-controlled subsidiary VBC Energia S.A. entered into loan and financing agreements subject to the following main covenants: (i) certain restrictions upon issuing new financings, (ii) restrictions on certain transactions with related parties and participation in mergers with other companies, (iii) commitment to meet the volume of contracts to be in conformity with a coverage rate, (iv) conformity with financial indices, such as capitalization, interest coverage, minimum retained earnings and financial borrowing rates.

Votorantim Participações S.A. and Subsidiaries

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In the event of non-compliance with the conditions of these covenants, through a notification from the financial institutions, the outstanding balance becomes immediately due. The subsidiary Votorantim Cement North America, Inc. has loans with covenants that restrict the payment of dividends and new financing. Additionally, the covenants have been calculated considering only the consolidated financial statements of the industrial segment to ensure their consistency with the financial statements of previous periods. The Companies are in compliance with all the terms set forth in the covenants.

(b) Collateral

Loans and financing are collateralized by liens on the financed equipment, promissory notes and sureties from the shareholders.

18 Funds from Acceptance and Issuance of Securities

Liabilities related to funds from acceptance and issuance of securities relate to funds in foreign and local currency raised through the issuance of securities in the international market and with foreign banks for onlending to local customers, bearing financial charges of up to 14.5% p.a., plus exchange variation.

19 Issuance of Debentures and Subordinated Debt

(a) Debentures

	Annual financial charges - %	Consolidated			
		2008		2007	
		Current	Long-term	Current	Long-term
Foreign currency	12.04 + exchange variation		2,198,041	82,635	1,583,343
Floating rate	CDI + 0.35		1,628,287	119,795	2,295,344
Floating rate	TJLP + 2.50 to 6.00			56,211	77,671
Floating rate	CDI + up to 5.00			8,764	21,417
Floating rate	IGP-M + 9.50			1,748	27,619
			<u>3,826,328</u>	<u>269,153</u>	<u>4,005,394</u>

The debentures are subject to certain restrictions set forth in covenants that require compliance with defined financial indices set at pre-established parameters. Management understands that such restrictions and covenants are being duly complied with.

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(b) Subordinated debt

		<u>Consolidated</u>	
	<u>Annual financial charges - %</u>	<u>2008</u>	<u>2007</u>
Votorantim Finanças S.A.			
Bank deposit certificate			
Floating rate	CDI	1,394,933	1,118,215
Debentures			
Floating rate	CDI + 0.50	<u>1,474,759</u>	<u>1,460,627</u>
		<u>2,869,692</u>	<u>2,578,842</u>

20 Income Tax and Social Contribution

(a) Deferred taxes

Deferred tax assets and liabilities refer to income tax and social contribution losses and temporary differences of income tax and social contribution, and are classified as long-term receivables and liabilities reflecting the estimate of realization in the maximum period of ten years, based on projections of future realization and profitability of the Company and its subsidiaries, in addition to the prescriptive periods and, in the case of Brazilian tax losses, the limit of 30% for annual taxable income offset, as established by current legislation.

The subsidiary Votorantim Metais - Cajamarquilla S.A. has a tax benefit relating to the deduction of up to 80% of its net income from the income tax calculation basis. This benefit is subject to the reinvestment of the net income generated in the company's activities. At December 31, 2008 the Ministry of Mines and Energy of Peru has approved the reinvestment of R\$ 715,470 (corresponding to US\$ 449,444) in the company's activities. This Ministry also approved the reinvestment plant, already in course, in the budgeted amount of R\$ 795,950 (equivalent to US\$ 500,000).

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Deferred tax balances, at December 31, 2008 and 2007 are as follows:

	Parent company		Consolidated	
	2008	2007	2008	2007
Assets				
Income tax and social contribution losses	126,067		2,335,639	281,705
Temporary differences				
Provision for contingencies	40,813	32,089	363,692	439,161
Provision for doubtful accounts			429,262	277,744
Provision for losses on investments	273	1,138	64,253	117,564
Adjustments to market value			34,895	
Exchange variation (MP 1858-10/1999 art. 30)			285,809	
Derivatives - Law 11051/04			570,859	
Deferral of loss on swap agreements	6,182	535	823,226	235,654
Tax benefit on goodwill			66,231	187,814
Other provisions	701		404,458	149,703
	<u>174,036</u>	<u>33,762</u>	<u>5,378,324</u>	<u>1,689,345</u>
Current assets (other receivables)			(566,484)	(191,668)
Long-term	<u>174,036</u>	<u>33,762</u>	<u>4,811,840</u>	<u>1,497,677</u>
Liabilities				
Deferral of gain on swap agreements			471,561	192,986
Adjustments to market value of property, plant and equipment			237,945	160,827
Adjustments to market value			271,715	128,362
Accelerated depreciation			122,890	78,307
Cost of reforestation			157,237	114,086
Adjustments Law 11638 - RTT system			176,291	
Deferral of foreign exchange variations			31,946	473,771
Other		10,512	52,484	19,362
		<u>10,512</u>	<u>1,522,069</u>	<u>1,167,701</u>
Short-term liabilities (other liabilities)			(5,304)	(227,692)
Long-term liabilities		<u>10,512</u>	<u>1,516,765</u>	<u>940,009</u>

(b) Current

The reconciliation of the amounts of income tax and social contribution in the results with the amounts at statutory tax rates is as follows:

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	Parent company		Consolidated	
	2008		2008	
	IRPJ	CSLL	IRPJ	CSLL
Profit (loss) before taxation and minority interest	376,825	376,825	(2,518,320)	(2,518,320)
Statutory rates - %	25	9	25	9
IRPJ and CSLL calculated at the statutory rates	<u>(94,206)</u>	<u>(33,914)</u>	<u>629,580</u>	<u>226,649</u>
Adjustments for the calculation of the effective IRPJ and CSLL				
Equity in the results of investees	120,005	43,202	73,407	26,427
Non-taxable gains	90,654	32,636		
Earnings on incentivated financial investments	(5,796)	(2,087)		
Provision for contingencies	(1,672)	(602)	(5,444)	(1,960)
Non-taxable revenues (expenses)	(1,868)	(673)	(2,489)	(896)
Amortization of goodwill			19,582	10,167
Interest on own capital			(28,045)	(10,096)
Results of derivatives	(4,546)	(1,636)	196,424	70,713
Exchange variations			81,394	15,027
Permanent exclusions (additions)			196,402	71,903
Tax effects on unrealized income			571,347	205,685
Offset of tax losses			(258,866)	(93,191)
Non-taxable income of foreign subsidiary			(116,758)	(42,206)
Other	8,301	2,988	286,063	113,114
IRPJ and CSLL	<u>110,872</u>	<u>39,914</u>	<u>1,642,597</u>	<u>591,335</u>
Current			(1,766,521)	(635,948)
Deferred	<u>110,872</u>	<u>39,914</u>	<u>3,409,118</u>	<u>1,227,283</u>
IRPJ and CSLL in the results	<u>110,872</u>	<u>39,914</u>	<u>1,642,597</u>	<u>591,335</u>

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21 Contingencies, Tax Liabilities under Discussion in Court and Commitments

(a) Contingencies and tax liabilities under discussion in court

Votorantim Participações S.A. and its subsidiaries are parties to labor, civil, tax and other ongoing lawsuits and are discussing these matters both at the administrative and judicial levels, backed by judicial deposits when applicable. The provisions for losses arising from these lawsuits are estimated and updated by management, supported by the opinion of its legal advisors. The balances of obligations and provisions are as follows:

	<u>Judicial deposits</u>		<u>Provision for contingencies</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Parent company				
Tax	17,080	18,623	117,042	95,411
Labor and social security	520	520	2,996	776
Civil	236	236		
Other	2,179	2,126		
	<u>20,015</u>	<u>21,505</u>	<u>120,038</u>	<u>96,187</u>
Long-term				
Consolidated				
Tax	712,717	624,041	2,217,431	2,085,616
Labor and social security	60,541	59,189	289,709	299,987
Civil	35,127	31,986	211,777	242,652
Other	5,174	5,893	236,797	21,804
	<u>813,559</u>	<u>721,109</u>	<u>2,955,714</u>	<u>2,650,059</u>
Short-term			<u>(951,375)</u>	<u>(660,149)</u>
Long-term	<u>813,559</u>	<u>721,109</u>	<u>2,004,339</u>	<u>1,989,910</u>

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The changes in the provision for contingencies during the year are as follows:

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Balance and the beginning of the year	<u>96,187</u>	<u>94,753</u>	<u>2,650,059</u>	<u>2,286,507</u>
Additions	15,269	1,434	535,460	295,312
Balances of investees acquired			125,608	
Reductions			(532,288)	(121,843)
Monetary adjustment	<u>8,582</u>		<u>176,875</u>	<u>190,083</u>
Balance at the end of the year	<u>120,038</u>	<u>96,187</u>	<u>2,955,714</u>	<u>2,650,059</u>

At December 31, 2008 the main lawsuits are as follows:

(i) Tax lawsuits

- Social Integration Program (PIS)/Social Contribution on Revenues (COFINS) - the Votorantim Group has been challenging the increase in the COFINS tax rate from 2% to 3%, as well as the increase in the PIS and COFINS calculation bases to include financial income and other non-operating income.
- PIS/COFINS on Interest on Own Capital - the Company has been challenging the payment of PIS/COFINS on interest on own capital, claiming that interest on own capital has the nature of dividends, not of revenues.
- Summer Plan ("Plano Verão") - challenge aimed at the deductibility of the monetary adjustment corresponding to the variation of the Consumer Price Index (IPC) in January 1989, of 70.28%.
- Tax on Bank Account Outflows (CPMF) - the indirectly-held subsidiary BV Leasing - Arrendamento Mercantil S.A. is claiming the right to receive the same tax treatment given to other financial institutions.
- Value-added Tax on Sales and Services (ICMS) - the Company has been challenging the constitutionality of the inclusion of ICMS in the COFINS calculation basis, as well as defending the maintenance of the ICMS credit on purchases of raw materials for the manufacturing of tax-free paper and goods for use and consumption.

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- . Excise Tax (IPI) - the Company is defending its entitlement to recover IPI credits arising from the acquisition of inputs, raw materials, intermediary products and packaging materials used in the manufacturing of products which are tax-free, non-taxed and/or subject to a zero rate.
- . Income tax and social contribution - the financial segment is claiming its entitlement to the difference in income tax rate used for tax incentive investments, as well as the deduction of the accounting result of the difference between the Consumer Price Index (IPC) and Daily Federal Treasury Bonds (BTNF) price-level restatement of January 1989, in income tax and social contribution calculations.

(ii) Labor and civil lawsuits

These refer mainly to lawsuits filed by former employees and outsourced employees claiming the payment of indemnity on dismissals, health hazard bonus, risk premium, overtime, "in itinere" hours (overtime while in commuter transportation), as well as civil lawsuits referring to indemnity claims by former employees or employees from outsourced companies based on alleged occupational diseases, work accidents, material and moral damages.

(iii) Possible losses

The Votorantim Group is a party to other tax, civil and labor lawsuits arising in the normal course of its businesses involving possible loss risks of R\$ 2,208,639 (2007 - R\$ 2,153,299).

(b) Commitments

- (i) The subsidiaries Votorantim Cimentos Brasil Ltda. and St. Marys Cement Inc. have supply agreements with steel mills for the purchase of slag, effective up to 2011 and 2023, respectively.
- (ii) The subsidiary VCP has entered into long-term take-or-pay agreements with suppliers of electric energy, transportation, diesel oil and chemical products for a one to ten-year period. These agreements contain termination clauses for noncompliance with basic terms and conditions. The contractual obligations assumed at December 31, 2008 represent R\$ 148,972 (2007 - R\$ 102,037). In addition, a long-term take-or-pay agreement was signed in 2007 with International Paper for the supply of pulp for a 30-year period. The commitment established by this agreement represents R\$ 152,693 at December 31, 2008 (2007 - R\$ 75,785).
- (iii) The Votorantim Group has contracts for the purchase of electric energy of about 1000 MW/year up to 2020.
- (iv) The Votorantim Group has commitments for the construction and purchase of equipment for

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plants that generate electric energy, either independently or through consortia, where the future disbursement estimated by Management is approximately R\$ 1,800,000.

- (v) On July 10, 2008 Votorantim Metais entered into an agreement for the purchase of concentrated ore with Mirabela Mineração, a company of the Australian group Mirabela Nickel, which will start operating its mine in the State of Bahia by mid-2009. The five-year agreement amounts to US\$ 1 billion.
- (vi) The subsidiary Acerías Paz Del Río S.A., as a result of the agreements entered into during 2003 and 2006 with creditors for the restructuring of debts, cannot pay dividends up to 2010.

22 Negative Goodwill

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Empresa de Transporte CPT Ltda.	(1,409)	(1,409)	(1,409)	(1,409)
Hailstone Limited	(199,013)	(199,013)	(199,013)	(199,013)
VCP-MS Celulose Sul Mato-Grossense Ltda. (Note 1)			(1,781,000)	(1,781,000)
Votorantim Celulose e Papel			(404,654)	(404,654)
Votorantim Cimentos Ltda.			(41,713)	(55,618)
Other			(119,349)	(58,938)
	<u>(200,422)</u>	<u>(200,422)</u>	<u>(2,547,138)</u>	<u>(2,500,632)</u>

23 Shareholders' Equity

(a) Capital

At December 31, 2008 and 2007, the Company's fully subscribed and paid-up capital comprises 5,380,878,973 nominative common shares, in the amount of R\$ 12,380,538.

(b) Dividends

Shareholders are assured of the right to receive mandatory dividends of 10% of adjusted net income, as set forth in Article 202 of Brazilian Corporate Law.

(c) Profit retention

The profit retention reserve is formed by transfer from the unappropriated balance of retained earnings and is to be used in the growth project established in the Company's investment plan,

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which will be discussed at the Ordinary General Meeting.

(d) Carrying value adjustments

The Company recognizes under this caption the effect of exchange variation on investments in subsidiaries abroad directly or indirectly held by the Company. This accumulated effect will be reversed to income for the year as gain or loss only in case of disposal or write-off of the investment.

Also considered under this caption are the foreign exchange variations of debts designated as hedges of net foreign investments and the amount relating to the fair value of financial assets available-for-sale.

24 Other Operating Income (Expenses), Net

	Parent company	Consolidated
	2008	2008
Income from the sale of investments	838,200	511,781
Net income from the sale of property, plant and equipment		45,149
Nonrecurring revenues		509,431
Exchange variation on foreign investments		301,377
Other income (expenses), net	<u>46,434</u>	<u>1,033,891</u>
	<u>884,634</u>	<u>2,401,629</u>

25 Private Pension Plan

(a) Defined contribution

In Brazil, the Company and its subsidiaries are sponsors of private pension plans managed by Fundação Senador José Ermíro de Moares (FUNSEJEM), a private non-profit closed pension fund which is available to all employees of the Votorantim Group. Under the regulations of the fund, the employee contributions to FUNSEJEM are matched by the sponsors based on their remuneration. For employees whose remuneration is lower than the limits established by the regulations, the Company matches the contributions that represent up to 1.5% of their monthly remuneration. For employees whose remuneration exceeds the limits, the Company matches the contributions of employees that represent up to 6% of their monthly remuneration.

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Voluntary contributions may also be made to FUNSEJEM. The contributions made by Votorantim Participações S.A. and its subsidiaries to FUNSEJEM in 2008 totaled R\$ 19,376 (2007 - R\$ 20,537).

(b) Defined benefit

Votorantim Participações S.A.'s indirect subsidiary abroad, Votorantim Cement North America Inc., subsidiary Votorantim Cimentos N/NE and jointly-controlled companies Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS and Aracruz Celulose S.A. have defined benefit pension plans which also offer health care and life insurance, among other benefits. The cost of the retirement benefits and other benefits of these plans granted to qualified employees is determined by the projected benefit method on a pro rata basis on the service and the best management expectations concerning investment margins, salary adjustments, cost trends and the mortality rate and retirement age of the employees.

The status of the defined benefit plans and other medical post-retirement plans is as follows:

(i) Actuarial liability

The reconciliation of the assets and liabilities recognized in the balance sheet is as follows:

	<u>2008</u>			<u>2007</u>	
	<u>Pension plans</u>	<u>Supplementary retirement plans</u>	<u>Other post-retirement benefits</u>	<u>Total</u>	<u>Total</u>
Projected benefit liabilities	653,125	19,748	77,336	750,209	965,700
Plan assets	510,017			510,017	749,802
Plan deficit	143,108	19,748	77,336	240,192	215,898
Actuarial adjustments not amortized	(60,050)	961	(20,248)	(79,339)	16,773
Net liability	<u>83,058</u>	<u>20,709</u>	<u>57,088</u>	<u>160,855</u>	<u>232,671</u>
Long-term				<u>160,855</u>	<u>232,671</u>

The net liability is recorded under long-term "Other liabilities".

(ii) Actuarial assumptions

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The main actuarial assumptions, at December 31, are as follows:

	2008		Percentages	
			2007	
	Pension plans	Other post-retirement plans	Pension plans	Other post-retirement plans
Discount rate	5.0 to 11.3	6.5	5.0 and 11.3	6.25 and 11.3
Expected rate of return on assets	3.0 to 12.6		7.0 and 17.1	Up to 11.3
Future salary increases	3.0 to 7.6	7.0	3.0 and 7.1	Up to 7.1
Capacity factor - health care	3.0			Up to 7.5
Long-term inflation	4.5		4.5	
Biometric mortality table	AT 1993 and UP-94		AT 1993 and UP-94	

In May 2008 the subsidiary Votorantim Cement North America and its subsidiaries approved the partial conversion of its two largest pension plans in Canada from defined benefit to defined contribution. The conversion will be effective only for future obligations and was implemented as from July 2008 for non-unionized employees and executives.

26 Insurance

Considering that their assets are widely dispersed physically and based on the results of work performed by experts who regard the possibility of significant losses as low, Votorantim Participações S.A. and its subsidiaries adopt, for most of their assets, a policy of monitoring, controlling and periodically assessing the risks inherent to each business.

27 Risk Management and Financial Instruments

(a) Risk management policy

(i) Industrial segment

The Finance Committee of the Votorantim Group's industrial segment, formed by finance directors of Votorantim Industrial and of the Business Units, decide on strategies of risk management, procedures and practices.

In accordance with the financial risk management policy, the financial protection strategy must

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prioritize the following issues:

- . Contracting of cash flow protection - financial protection instruments focused on neutralizing the exposure of the industrial segment's long and short-term cash flows to the risks of price, currency, and interest and commodity rate fluctuations.
- . Economic protection - financial protection instruments focused on the preservation of the balance sheets of the companies that form the segment against exposure to foreign currency movements.

Credit risk

The industrial segment's sales policy considers the credit risk level it is willing to accept in the course of its business. The diversification of its receivables portfolio, the selectivity of its customers, as well as the follow-up of its sales terms per business segment and individual limits of position are the procedures adopted to minimize possible default problems in its accounts receivable.

Liquidity risk

This is managed by means of cash management policies, aimed at ensuring sufficient liquid funds to meet the Company's financial commitments at any time.

Market risk

Market risk is the risk arising from price and rate fluctuations of assets traded in the market that affect the commercial and financial operations of the Group.

Considering the nature of its operations, the industrial segment is exposed to three major market risk factors:

- . Interest rate risk - this risk is managed through an integrated matrix between the businesses, in accordance with guidelines established by the risk management policy.
- . Exchange rate risk - in conformity with the financial risk management policy, the Company's exchange rate exposure is assessed considering the flow of foreign currencies in relation to

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its net indebtedness and investments denominated in those currencies.

- Price and products or commodities risk - this risk is mainly managed with derivative financial instruments, most of which are directly linked to the prices of the commodities traded in exchanges, such as aluminum, nickel, steel, zinc and orange juice, in accordance with the limits approved by the Board of Directors, based on the annual production of the companies.

(ii) Financial segment

The risk and financial instrument management policies of the financial segment are disclosed in the financial statements of Votorantim Finanças S.A., available in the websites of the bank and the Brazilian Securities Commission (CVM).

(b) Financial instruments

At December 31, 2008 the Company and its subsidiaries have the following financial instruments:

- Cash and cash equivalents, financial investments, accounts receivable and other current assets - considering the nature and the terms, the amounts recorded approximate their realizable values.
- Financial liabilities - these are subject to interest at usual market rates, as described in Note 14. The market value was calculated based on the present value of future cash disbursements, using the interest rates currently available for the issuance of debts with similar terms and maturities, representing a gain, as compared to the book values, of approximately R\$ 790,910 for loans and financing, R\$ 313,043 for debentures, and a loss of R\$ 43,870 for subordinated debt.

(b.1) Derivative financial instruments

The fair values of the derivative financial instruments were determined based on market information and the use of adequate valuation methodologies.

In line with the financial instrument mark-to-market methodology, the calculations of the derivatives were made in accordance with the following principal methods:

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- . Futures contracts - these are evaluated at the present value of the difference between the estimated asset value at the maturity date, obtained from the interpolation of the market data informed by that market on the base date, and the notional value of the contract at the maturity date (strike price).
- . Swap contracts - these are evaluated at present value, at the market rate on the base date, of future flows calculated by the contractual rates up to the maturity date. For those contracts with limits or dual indices, the option included in the swap contract was also considered.
- . Options - these are determined by the Black & Scholes model.
- . Options with knock out clause - these are valued through the Monte-Carlo simulation model, linked to the operating flow protection operation.

The parameters used in the Black& Scholes model were calculated based on the volatility curves disclosed by Bloomberg. For the Monte-Carlo simulations, the projected ten thousand inferences model was used.

(b.2) Breakdown of balance sheet balances

	Parent company		Consolidated	
	2008	2007	2008	2007
Assets (Note 5)				
Difference receivable on swap contracts			2,105,927	1,882,635
Forward operations				970,370
Options			527,658	278,620
NDF			603,524	
Other			129,112	
			<u>3,366,221</u>	<u>3,131,625</u>
Liabilities				
Difference payable on swap contracts	18,182	1,574	1,063,226	1,316,396
Forward operations				973,799
Options			2,702,281	257,247
Box of options			1,650,336	
Futures			1,175,387	
NDF			403,359	

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Other			83,685	1,216,472
	18,182	1,574	7,078,274	3,763,914

(b.3) Breakdown of contracts

(i) Industrial segment

At December 31, 2008 the industrial segment's portfolio of derivatives is as follows:

Type	Industrial segment	
	(Notional)	Fair value gain (loss)
Futures contracts		
Purchase commitments	1,767,093	6,810
Foreign currency	1,666,281	32,811
Nickel and zinc	100,812	(26,001)
Sales commitments	(5,477,411)	(1,182,195)
Foreign currency	(5,354,265)	(1,193,543)
Nickel and zinc	(123,146)	11,348
Option contracts		
Foreign currency	(5,491,154)	(1,969,836)
Call sale	(14,331,313)	(2,688,787)
Call purchase	8,840,157	718,951
Nickel and zinc	(339,819)	(3,289)
Call sale	(339,819)	(3,289)
Forward contracts		
Option sold	74,000	(94,081)
Foreign currency	74,000	(94,081)
Swap contracts		
Receiving position	11,359,714	247,919
Foreign currency	10,445,076	156,129
Interest rate	914,638	91,791

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Type	Industrial segment	
	(Notional)	Fair value gain (loss)
Paying position	2,356,917	(74,064)
Interest rate	2,356,917	(74,064)
Total derivative financial instruments	4,249,338	(3,068,736)
Foreign currency	1,339,936	(3,068,520)
Interest rate	3,271,555	17,727
Nickel and zinc	(362,153)	(17,943)

The fair value of derivative financial instruments outstanding at December 31, 2008, of R\$ 3,068,736, was recorded in current liabilities (R\$ 2,620,471) and in non-current liabilities (R\$ 448,265), against financial expenses for the year ended December 31, 2008.

The fair value of derivative financial instruments outstanding at March 31, 2009 of the industrial segment totaled R\$ 1,965,000. The calculations were made in accordance with the methodologies described above and reflect the management of the position of derivative instruments, as well as the market conditions on that date.

(ii) Financial segment - breakdown of swap contracts by index

	2008		
	Contract original value	Curve value	Market value
DI	14,323,283	16,278,932	16,304,345
Dollar	5,816,457	7,299,874	7,331,196
Euro	117,483	123,209	122,006
IGP-M	1,591,189	1,958,096	1,937,327
IPCA	1,515,037	1,703,543	1,727,610
Fixed	7,424,869	7,740,822	7,350,713
TRM	30,000	36,940	36,907
Libor	932,112	936,711	934,043
Yen	912,969	1,470,706	1,471,507
Commodities	141,661	153,784	117,151
Other	16,512	16,512	9,299

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Receiving position	<u>32,821,572</u>	<u>37,719,129</u>	<u>37,342,104</u>
DI	7,781,143	9,018,940	9,025,442
Dollar	9,877,469	10,453,300	10,533,350
Euro			
IGP-M	1,487,749	1,927,004	1,889,864
IPCA	2,484,391	3,334,835	3,343,623
Fixed	6,367,380	6,534,468	6,125,297
TRM	130,903	167,339	168,888
Libor	2,045,693	2,057,750	2,047,908
Yen	647,512	1,029,492	1,030,935
Lira	1,798,140	2,182,646	2,147,113
Commodities	182,859	149,224	147,898
TJLP	11,169	12,942	12,942
Other	<u>7,164</u>	<u>7,164</u>	
Paying position	<u>32,821,572</u>	<u>36,875,104</u>	<u>36,473,260</u>
		<u>844,025</u>	<u>868,844</u>

(iii) Breakdown of fixed income strategy contracts (CETIP)

	2008	
	Contract value	Market value/risk exposure
Fixed risk/paying position		
Call sale with ceiling	711,804	800,232
Put sale with floor	<u>808,383</u>	<u>850,104</u>
	<u>1,520,187</u>	<u>1,650,336</u>
Dollar risk (*)/receiving position		
Put sale with floor		1,443,044
Paying position		
Call sale with ceiling		1,443,044

(*) The risk exposure amounts are weighted by the delta of options.

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The fixed income strategy contracts - CETIP (box) presented in the financial statements at December 31, 2007 were accounted for at the curve value of R\$ 1,421,904, the market value on that date being R\$ 1,445,045, and were recorded at market value only as from 2008. The curve value at December 31, 2008 is R\$ 750,016.

(iv) Breakdown of NDF contracts by index

	<u>2008</u>	
	<u>Contracted value</u>	<u>Market value</u>
Assets		
Dollar	2,169,629	2,632,241
Euro	12,684	13,774
Fixed	<u>4,205,101</u>	<u>4,024,732</u>
	<u>6,387,414</u>	<u>6,670,747</u>
Liabilities		
Dollar	3,540,702	3,593,822
Euro	84,400	105,140
Fixed	2,182,313	2,194,282
Lira	<u>579,999</u>	<u>577,338</u>
	<u>6,387,414</u>	<u>6,470,582</u>

(v) Breakdown of futures contracts by index

	<u>2008</u>
Purchase commitments	<u>16,689,461</u>
DDI	7,539,487
Euro	83,674
Dollar	519,486
DI	6,577,129
Reais	583,082
T-Note	258,436

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Index	1,100,949
Commodities	27,218
Sales commitments	<u>41,343,515</u>
DDI	8,892,467
Dollar	4,097,286
Euro	77,160
Reais	1,966,586
DI	25,510,249
T-Note	168,011
Index	
Yen	631,756

(vi) **Breakdown of options contracts
by index**

	<u>2008</u>	
	<u>Premium value cost</u>	<u>Premium value market</u>
Shares	22,895	531
Dollar	(2,677,669)	(138,293)
DI	(36,790)	(14,906)
IND		46
Commodities	166,722	(30,193)
Securities	670,203	46,525
Flexible	<u>39,459</u>	<u>28,873</u>
	<u>(1,815,180)</u>	<u>(107,417)</u>

28 Subsequent Events

(a) Acquisition of Aracruz shares

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by subsidiary VCP

On January 21, 2008 the Lorentzen, Moreira Salles and Almeida Braga families ("Families"), shareholders of Arapar S.A. ("Arapar") and São Teófilo Representação e Participações S.A. ("São Teófilo"), that hold 6.03% and 6.32%, respectively, in the total capital of Aracruz (28% of voting capital or 127,506,457 common shares of Aracruz Celulose S.A. ("Aracruz")), sold to VCP, for R\$ 2,710,000, their ownership interests in these companies. Following this acquisition, on February 6, 2009 an Extraordinary General Meeting was held, to increase capital by up to R\$ 4,254,000, with the issuance of up to 223,947,368 new shares, 62,105,263 of which are common shares and up to 161,789,474 of preferred shares, at the price of R\$ 19.00 each, for private subscription. The issuance price corresponds to the average quotation price in the market of VCP shares in the trading sessions from December 2, 2008 (including) to January 16, 2009 (including), plus a premium of 11.78%. VCP management's proposal was approved at said Extraordinary General Meeting, as presented, and the above-mentioned capital increase will be subscribed and paid up as follows:

- (i) VID (Votorantim Industrial) will subscribe, by exercising its preferential right, 62,105,263 common shares for the total amount of R\$ 1,180,000, of which R\$ 1,000,000 will be paid up by using the advances for future capital increase (AFACs) and the remaining R\$ 180,000 in cash.
- (ii) BNDES Participações S.A. - BNDESPAR, as holder of 56,880,857 common shares of Aracruz, will subscribe the equivalent to R\$ 828,185 with 43,588,698 preferred shares issued by VCP, using its Aracruz common shares, which will be received and subscribed for the price of R\$ 14.56 each. The VCP shares will be subscribed for R\$ 19.00 each.
- (iii) BNDESPAR will guarantee the subscription and payment of up to 95,789,474 preferred shares and/or the remaining preferred shares of VCP for a total amount of up to R\$ 1,820, and VID undertakes to assign to BNDESPAR its preferential right to subscribe the preferred shares remaining after the subscription.
- (iv) The other Aracruz shareholders, holders of common shares outstanding in the market, will be entitled to use their common shares issued by Aracruz, which will be received for the amount of R\$ 14.56 each. In this share exchange, the VCP shares will be subscribed for R\$ 19.00 and the difference will be payable in cash.
- (v) The Families and the Safra Family will guarantee the subscription and payment of the remaining preferred shares of VCP for up to R\$ 100,000 each.

On March 5, 2009 VCP signed a contract to purchase one hundred and twenty-seven million,

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five hundred and six thousand, four hundred and fifty-seven (127,506,457) common shares issued by Aracruz, representing approximately twenty-eight percent (28%) of the voting capital, held by the Safra Family, by exercising the right of joint sale in view of the transaction carried out with the Lorentzen, Moreira Salles and Almeida Braga families. The settlement of this transaction will occur up to the end of April 2009 and, once it has been settled, VCP will hold, directly and indirectly, approximately 84% of the voting capital of Aracruz.

VCP will submit to the Brazilian Securities Commission (CVM) the request for registration of the Acquisition Public Offering (OPA) of the common shares issued by Aracruz outstanding in the market, for the amount corresponding to eighty percent (80%) of the price negotiated with the Families and with the Safra Family, payable under the same conditions agreed with the Families.

When the above capital increase is concluded, VID and BNDESPAR will sign a shareholders' agreement including the following provisions, among others:

- (i) shares representing 21.04% of the common shares that will be held by BNDESPAR after the migration of VCP to the New Market will be linked to the agreement for a period of up to three years after its signature, so that BNDESPAR and VID will jointly hold at least fifty point one percent (50.1%) of VCP's voting capital;
- (ii) the approval of certain matters will depend on the affirmative vote of BNDESPAR;
- (iii) between the third (3rd) and fifth (5th) year after the date of its signature, the agreement will restrict only 10.94% of the common shares held by BNDESPAR after the migration of VCP to the New Market, and the shares held by BNDESPAR will be unrestricted as from June 2014.

In up to 15 days after the approval of VCP's capital increase and the closing of the initial Public Offering (OPA), Extraordinary General Meetings will be called at VCP and Aracruz to decide on the merger of all of Aracruz shares into VCP, in accordance with the terms and conditions to be approved by the respective Boards of Directors. In the opinion of VCP's Board of Directors, it is fair to fix the exchange ratio of one share of Aracruz for each 0.1347 share of VCP, in accordance with the market value of the shares, calculated based on the average quotation price in the market of VCP and Aracruz shares in the trading sessions from December 2, 2008 (including) to January 16, 2009 (including). At VCP's Extraordinary General Meeting herein mentioned, the acquisition of the control of Aracruz, provided in article 256 of the Corporation Law ("LSA"), will be ratified.

The approval of the merger of the Aracruz shares by VCP does not guarantee the preferred shareholders of these companies the right of withdrawal, since the shares of that type, of both

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companies, meet the criteria of liquidity and dispersion in the market, as established in article 137, item II, of the Brazilian Corporation Law.

In up to 270 days after the conclusion of the merger of the Aracruz shares by VCP, VID will have VCP adhere to the New Market, adjusting its bylaws to the Listing Regulations of the New Market of BM&F Bovespa Bolsa de Valores, Mercadorias e Futuros ("Bovespa"), including the conversion of its preferred shares to common shares, except if such adhesion should burden VCP with the payment of the right to withdrawal, in which case such adhesion will be postponed.

To permit the adhesion of VCP to the New Market, its preferred shares will be converted into common shares at the ratio of one preferred share to 0.91 common share, and BNDESPAR is committed to voting in favor of such conversion.

(b) Strategic partnership between subsidiary VF and Banco do Brasil

On January 9, 2009 Banco do Brasil S.A. and the subsidiary Votorantim Finanças S.A. signed a private purchase and sale and share subscription agreement, by means of which Banco do Brasil S.A. will acquire an ownership interest of 49.99% in the voting capital and 50.00% in the total capital of Banco Votorantim S.A. This operation will be carried out through: (i) the acquisition, by Banco do Brasil S.A., of 33,356,791,198 common shares issued by Banco Votorantim, held by VF, for R\$ 3,000 million; (ii) subscription by Banco do Brasil S.A. of 7,412,620,277 new preferred shares issued by Banco Votorantim S.A. for R\$ 1,200 million. The conclusion of the operation is subject to the approval of the Central Bank of Brazil and other authorities.

(c) Sale of the ownership interest held in VBC Energia S.A.

On January 30, 2009 the Company signed a private instrument of purchase and sale of shares with Camargo Correa S.A. relating to Átila Holding S.A., holder of a 50% ownership interest in the total capital of VBC Energia, for the total price of R\$ 2,665,952.

(d) Renegotiation of the debt of investee Aracruz Celulose S.A.

On April 22, 2009 the investee Aracruz Celulose S.A. informed, in a Communication to the

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Market, that the negotiation process with the banks that are counterparties to the referred operations has been concluded and the respective contract is in its final preparation stage to be signed by the parties. In this context, on January 31, 2009, Aracruz started paying the installments of the interest incurred, whether arrears interest or interest on debt service, and also concluded the establishment of collateral (mortgage of the Company's real estate and attachment of Aracruz shares held by its majority shareholder) negotiated with the banks.

Additionally, as a result of this agreement, it should be noted that (i) there are no changes with respect to the information provided by the Significant Event announcement published on January 19, 2009, (ii) there have been no changes in the agreement that need to be reflected in the financial statements of Aracruz at December 31, 2008, relating to the accounting classification of the restructured debt (part of which is classified in current liabilities and part in non-current liabilities), and (iii) there have been no changes related to restrictive contractual clauses, financial charges and guarantees provided.

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