

**Rating Action: VCP - Votorantim Celulose e Papel S.A.**

**Moody's downgrades VCP to Ba1; outlook negative**

Sao Paulo, April 16, 2009 -- Moody's Investors Service has downgraded the ratings of Votorantim Celulose e Papel S.A. ("VCP") to Ba1 (corporate family rating) from Baa3 (issuer rating) on the global scale and to Aa2.br from Aa1.br on the Brazilian national scale. The ratings outlook is negative. This rating action concludes the review process initiated on October 15, 2008.

The downgrade follows the conclusion of the acquisition by VCP of the interests of Arapar S.A. and Arainvest S.A. in Aracruz Celulose S.A. ("Aracruz"; rated Ba1 / outlook negative) for a total cash consideration of BRL 5.42 billion, making VCP the controlling shareholder of Aracruz. The downgrade incorporates its higher leverage as measured by Consolidated Adjusted Debt (pro-forma for Aracruz, adjusted for operating leases and post-retirement benefits obligations) to EBITDA, which could peak at about 9.0x at 2009 fiscal-year end (7.7x on a Net Debt basis) if pulp prices remain at the current low level through the rest of the year. Although EBITDA is expected to grow in 2010 reflecting 12 months of operations of VCP's new 1.3 million tons mill that came on stream in late March 2009, we anticipate leverage will remain fairly high for a Ba1 rating, which however incorporates the benefit from the ownership by and expected support from Votorantim Participações S.A. (Baa3 / outlook stable). This is particularly relevant as we would expect increasing refinancing risk in 2010 in case the current unfavorable market conditions persist. VCP's rating considers that Aracruz's final debt restructuring agreement will be concluded as anticipated in its 2008 fiscal year financial statements. From an operational standpoint, Moody's regards the acquisition of Aracruz as a credit positive given the benefits of increased scale, operational and geographic diversification, and potential synergies.

VCP's Ba1 rating also reflects its leading position as the largest producer of market bleached eucalyptus kraft pulp in the world, its extremely competitive production costs which are among the lowest worldwide based on a long-term sustainable business model depicted by structural cost advantages when compared with most international peers, including self-sufficiency in wood fiber and electricity and efficient logistics. VCP's relative low product diversity and its relative small size when compared with global peers as measured by net revenues (pro-forma for Aracruz but considering current depressed pulp prices) are constraining factors for its rating. Operational diversity is good with production spread over five plants, although 83% of capacity is concentrated in three mills. Revenues are largely generated under long-term supply contracts that support stable sales volume with good geographic diversification. Additionally, VCP's above average disclosure is a positive credit aspect.

While the Ba1 global scale rating reflects the default and loss expectation of VCP on a global basis, the Aa2.br national scale rating reflects the standing of their credit quality relative to other domestic issuers. Issuers rated Aa2.br demonstrate very strong creditworthiness relative to other domestic issuers. National Scale Ratings (NSRs) are intended as relative measures of creditworthiness among debt issues and issuers within a country, enabling market participants to better differentiate relative risks. NSRs in Brazil are designated by the ".br" suffix. NSRs differ from global scale ratings in that they are not globally comparable to the full universe of Moody's rated entities, but only with other rated entities within the same country.

The negative outlook reflects Moody's view that pulp prices will likely remain depressed over the near term, constraining free cash flow available for debt reduction. The negative outlook also takes into consideration the significant debt maturities in the 2009 and 2010 that include payments related to the acquisition of Aracruz.

The ratings of VCP could be downgraded if market conditions do not improve over the coming quarters resulting in increased refinancing risk. Also, a deterioration of Votorantim's credit quality could negatively impact VCP's ratings.

Our last rating action on VCP was on October 15, 2008, when the direction of its rating review was changed to a possible downgrade from a possible upgrade in light of the potential acquisition of Aracruz.

The principal methodology used in rating VCP was Moody's Global Paper & Forest Products Industry rating methodology, which can be found at [www.moody's.com](http://www.moody's.com) in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory (June, 2006, document #95092). Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Credit Policy & Methodologies directory.

Votorantim Celulose e Papel S.A. is the largest producer of bleached eucalyptus kraft pulp in the world, and

also produces specialty paper, such as coated, thermal, and carbonless paper. In the fiscal year 2008 VCP reported consolidated net revenues of USD 1,366 million. Pro-forma for Aracruz Celulose S.A. net revenues would reach USD 3,278 million (including 50% of Veracel) in 2008.

Votorantim Participações S.A. is the holding company of one of Brazil's largest conglomerates with a diverse business portfolio that includes banking, metals and mining, pulp and paper, cement, agribusiness, and chemicals. VPAR reported consolidated net revenues of USD 19,762 million in the last twelve months ended on September 30, 2008, of which some 69% were generated by the group's industrial activities and 31% by its fast-growing financial arm represented by Banco Votorantim S.A. (rated Baa1, under review for upgrade).

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