Rating Action: **Moody's assigns Baa3 rating to Votorantim's proposed notes**

Global Credit Research - 15 Apr 2010

Approximately EUR 500 million in rated debt securities affected

Sao Paulo, April 15, 2010 -- Moody's Investors Service has assigned a Baa3 foreign currency rating to the proposed senior unsecured notes due 2017 in the amount of approximately EUR 500 million to be issued by Voto -- Votorantim Limited (Cayman Islands) and jointly and severally guaranteed by Votorantim and its subsidiaries Votorantim Cimentos Brasil S.A. ("VCB") and Companhia Brasileira de Aluminio ("CBA"), whereas the liability of each of VCB and CBA under their respective guarantees will be limited to 50% of the outstanding amount of the notes. The proposed notes issuance is part of Votorantim's liability management strategy and will not increase the group's leverage as the net proceeds will be used to refinance debt maturing in 2011 and 2012, consequently improving its debt maturity profile. The rating of the proposed notes considers Votorantim's low level of secured debt on a consolidated basis, and is not constrained by Brazil's Baa2 (outlook positive) foreign currency country ceiling.

Rating assigned is as follows:

Issuer: Voto - Votorantim Limited (Cayman Islands)

- Approximately EUR 500 million senior unsecured guaranteed notes due 2017: Baa3 (foreign currency)

Existing ratings:

Issuer: Votorantim Participações S.A.

- Senior Unsecured Issuer rating: Baa3 (global scale); Aa1.br (Brazilian national scale)

Issuer: Voto - Votorantim Overseas Trading Operations III Ltd (Cayman Islands)

- USD 300 million senior unsecured guaranteed notes due 2014: Baa3 (foreign currency)

Issuer: Voto - Votorantim Limited (Cayman Islands)

- USD 750 million senior unsecured guaranteed notes due 2021: Baa3 (foreign currency)

The outlook for all ratings is stable.

The Baa3 rating of the proposed notes and the stable outlook assume that the final transaction documents will not be materially different from draft legal documentation reviewed by Moody's to date and assume that these agreements are legally valid, binding and enforceable.

The Baa3 issuer rating of Votorantim reflects the combination of the group's size as one of the largest Brazilian conglomerates with good business diversification, its cost-competitive operations based on high vertical integration of its operations that have supported above industry average operating margins on a consolidated basis, in spite of the heavy concentration of its industrial activities in commodity products. While depending on the Brazilian economy to generate a substantial portion of its consolidated revenues, Votorantim benefits from leading market positions in virtually all operating segments. Although leverage is high for Votorantim's rating category, its liquidity position remains strong. Votorantim has made considerable improvement in terms of the timeliness and content of financial disclosure, including the regular publication of cash flow statements, comprehensive footnotes and summarized consolidating financial statements for individual businesses.

Votorantim's Baa3 rating reflects both, its industrial activities that include mainly cement, metals (zinc, nickel and aluminum), steel, bleached eucalyptus kraft pulp, chemicals and frozen concentrated orange juice, and its financial operations represented by Banco Votorantim S.A. (A3, outlook stable). The comments below reflect only the performance of Votorantim's industrial activities. Our opinion on Banco Votorantim's creditworthiness is available at moodys.com.

We note that Votorantim's consolidated financials for 2009 and 2008 fiscal years are not entirely comparable due to changes in the consolidation basis from substantive M&A activity, mainly represented by the acquisition of Aracruz

Celulose and interest reduction in Votorantim Celulose e Papel S.A. - VCP (renamed Fibria Celulose S.A. upon the merger of Aracruz Celulose in late 2009), and the disposal of its 50% interest in VBC Energia.

The sharply deteriorated market conditions for commodities particularly during the first half of 2009, though partially offset by the strong performance of Votorantim's cement operations in Brazil, resulted in a significant drop in operating margins in 2009, with EBITDA (as defined by Moody's) falling 33% to BRL 4.7 billion or 23% EBITDA margin (30% in 2008). As a result, although the group reported record net earnings of BRL 3.9 billion thanks to significant, partially non-cash, gains from monetary variation on unhedged debt and gains on disposal of non-core assets, cash from operations before working capital was negative BRL 769 million also reflecting high interest expenses. Despite substantial working capital release, free cash flow available for debt reduction remained negative by virtue of still high -- though decreased - capital spending to conclude ongoing expansion projects that will positively affect the group's performance going forward. The gap was covered primarily with BRL 3.2 billion proceeds from the disposal of non-core assets.

Votorantim ended 2009 with some BRL 22.8 billion in total adjusted debt (including derivatives obligations and payments due from the acquisition of Aracruz), down from BRL 32.8 billion at 2008 year-end reflecting mostly the strengthened Real and change in consolidation basis. Leverage as measured by Debt to EBITDA increased slightly to 4.9x from 4.7x the year before, a level that is regarded as high for the Baa3 rating category but which does not reflect Moody's expectation of improved performance in 2010 once benefiting from the expanded capacity in pulp (1.3 million tons Tres Lagoas plant), cement (1.45 million tons), zinc (120,000 tons) and steel (500,000 tons) and overall improved market conditions for commodities. As a result, and based on management's continuous focus on free cash flow generation for debt reduction favored by lower capex, we expect Votorantim to reduce leverage towards 2.5x over the near term.

Votorantim's liquidity position remains strong based on its cash balance of BRL 8.3 billion as of December 31, 2009, comfortably covering short term debt 2.1x. Votorantim has managed to improve its debt maturity profile by replacing short term debt with long term loans, although we note that still some 56% of adjusted debt as of December 31, 2009 was due in the 2010-2012 period. Votorantim has demonstrated consistent access to the local and international bank and capital markets to refinance maturing loans, including export pre-payments backed by unencumbered exports. Additionally, the group has consistently funded a significant portion of capex with long-term loans from BNDES and export credit agencies. Liquidity is further supported by Votorantim's USD 550 million committed credit facility. As weaker quarters rolled off, headroom under financial covenants of Votorantim's debt has improved and is currently at fairly comfortable level.

The stable outlook incorporates Moody's belief that Votorantim will continue to focus on free cash flow generation and debt reduction over the near term while maintaining strong liquidity, benefiting from lower capital spending, increased capacity from matured investments and improved market conditions for commodities.

A positive pressure on Votorantim's ratings or outlook could occur if Total Adjusted Net Debt (Total Debt less cash available for debt reduction) to EBITDA declines below 3x and free cash flow turns positive with Free Cash Flow to Total Adjusted Net Debt approaching 10% on a sustainable basis. Also, the maintenance of strong liquidity would be necessary for a positive rating action.

Should Votorantim not be able to reduce leverage as expected and turn free cash flow positive in the near term, or if liquidity deteriorates significantly, its ratings or outlook would likely come under downward pressure.

Moody's last rating action on Votorantim occurred on March 23, 2010 when we affirmed all its ratings and revised their outlook to stable from negative.

The principal methodology used in rating Votorantim was Moody's Global Mining Industry rating methodology (April 2009), which can be found at www.moodys.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

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. Votorantim reported consolidated net revenues of USD 14.3 billion in 2009, thereof some 70% deriving from its industrial operations and 30% from its banking business.

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