

Companhia Brasileira de Alumínio

**Financial Statements at
December 31, 2004 and 2003
and Report of Independent Auditors**

Report of Independent Auditors

To the Board of Directors and Stockholders
Companhia Brasileira de Alumínio

- 1 We have audited the accompanying balance sheets of Companhia Brasileira de Alumínio as of December 31, 2004 and 2003 and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years 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 of the associated companies BAESA - Energética Barra Grande S.A., Machadinho Energética S.A., Mineração Rio do Norte S.A. and Petrocoque S.A. Indústria e Comércio and of the indirect associated company VBC Participações S.A., referred to in Note 8 to the financial statements, which are recorded on the equity method of accounting, were conducted by other auditors, and our opinion, insofar as it relates to the amount of the investments and the net income derived therefrom, of R\$ 313,839 thousand (2003 - R\$ 288,484 thousand) and R\$ 68,760 thousand (2003 - loss of R\$ 1,007 thousand), respectively, 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 the 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 Company, (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.
- 3 In our opinion, based on our audits and on the reports of the other auditors, the financial statements audited by us present fairly, in all material respects, the financial position of Companhia Brasileira de Alumínio at December 31, 2004 and 2003 and the results of its operations, the changes in stockholders' equity and the changes in its financial position for the years then ended, in accordance with accounting practices adopted in Brazil.

Companhia Brasileira de Alumínio

- 4 The financial statements at December 31, 2004 of the subsidiary Companhia Luz e Força Santa Cruz and the indirect associated company VBC Participações S.A. include matters of emphasis paragraphs relating to the provisory tariff adjustment granted by the National Electric Energy Agency (ANEEL). The financial statements at December 31, 2004 do not include possible adjustments that may arise from the definitive tariff adjustment.

São Paulo, March 18, 2005

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Paulo Cesar Estevão Netto
Contador CRC 1RJ026365/O-8 "T" SP

Companhia Brasileira de Alumínio

Balance Sheets at December 31

In thousands of reais

(A free translation of the original in Portuguese)

Assets	2004	2003	Liabilities and stockholders' equity	2004	2003
Current assets			Current liabilities		
Cash and banks	9,669	17,639	Financing	195,485	400,470
Financial investments	933,793	869,484	Suppliers	167,212	98,664
Trade accounts receivable	295,162	240,267	Salaries and social charges	15,626	13,476
Inventories	333,163	314,218	Taxes and contributions payable	119,018	92,965
Taxes recoverable	26,720	51,679	Interest on capital	60,376	170,000
Accounts receivable from related company		196,847	Provision for vacation pay and related charges	17,908	16,599
Other	74,276	22,078	Related companies		30,466
	<u>1,672,783</u>	<u>1,712,212</u>	Other	39,286	17,804
				<u>614,911</u>	<u>840,444</u>
Long-term receivables			Long-term liabilities		
Related companies		22,095	Financing	510,868	353,474
Taxes recoverable	27,581	23,444	Related companies		41,280
Deferred income tax and social contribution	33,232	27,175	Provision for contingencies	22,204	22,204
Advance for future capital increase	2,040	35,075	Other	54,826	8,085
Advances to suppliers		5,889		<u>587,898</u>	<u>425,043</u>
Tax incentives		1,384			
Other	7,960	15,840	Stockholders' equity		
	<u>70,813</u>	<u>130,902</u>	Capital	2,500,000	2,320,000
Permanent assets			Revaluation reserve	3,100	3,179
Investments	684,762	595,591	Revenue reserve	139,315	103,498
Property, plant and equipment	1,740,656	1,385,692	Retained earnings	390,301	189,701
Deferred charges	66,511	57,468		<u>3,032,716</u>	<u>2,616,378</u>
	<u>2,491,929</u>	<u>2,038,751</u>			
Total assets	<u>4,235,525</u>	<u>3,881,865</u>	Total liabilities and stockholders' equity	<u>4,235,525</u>	<u>3,881,865</u>

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

Companhia Brasileira de Alumínio

Statements of Income

Years Ended December 31

In thousands of reais unless otherwise indicated

	<u>2004</u>	<u>2003</u>
Gross sales		
Local	1,784,565	1,215,773
Foreign	<u>936,294</u>	<u>737,935</u>
	2,720,859	1,953,708
Sales deductions		
Taxes on sales and services	(481,447)	(279,687)
Returns and rebates	<u>(23,483)</u>	<u>(23,738)</u>
Net sales	2,215,929	1,650,283
Cost of sales	<u>(1,394,427)</u>	<u>(1,156,948)</u>
Gross profit	<u>821,502</u>	<u>493,335</u>
Operating (expenses) income		
Selling	(78,024)	(54,932)
Administrative	(76,827)	(58,653)
Financial expenses	(93,733)	(24,703)
Financial income	155,522	108,979
Equity in the results of subsidiary and associated companies	<u>119,264</u>	<u>48,322</u>
	<u>26,202</u>	<u>19,013</u>
Operating profit	<u>847,704</u>	<u>512,348</u>
Non-operating results		
Capital loss on corporate investments		(15,824)
Other non-operating (expenses) income, net	<u>5,785</u>	<u>(51,245)</u>
	<u>5,785</u>	<u>(67,069)</u>
Income before taxation	<u>853,489</u>	<u>445,279</u>
Income tax and social contribution		
Current	(143,208)	(68,815)
Deferred	<u>6,057</u>	<u>2,203</u>
	<u>(137,151)</u>	<u>(66,612)</u>
Net income for the year	<u>716,338</u>	<u>378,667</u>
Net income per share at the end of the year - R\$	<u>1.00</u>	<u>0.53</u>

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

Companhia Brasileira de Alumínio

Statements of Changes in Stockholders' Equity

In thousands of reais unless otherwise indicated

	<u>Capital</u>	<u>Revaluation reserve</u>	<u>Revenue reserve</u> <u>Legal</u>	<u>Retained earnings</u>	<u>Total</u>
December 31, 2002	2,200,000	3,240	84,565	149,906	2,437,711
Capitalization of reserve - Ordinary and Extraordinary General Meetings of April 30, 2003	120,000			(120,000)	
Realization of revaluation reserve		(61)		61	
Net income for the year				378,667	378,667
Appropriation of net income					
Legal reserve			18,933	(18,933)	
Interest on capital (R\$ 0.28 per share)				(200,000)	(200,000)
December 31, 2003	2,320,000	3,179	103,498	189,701	2,616,378
Capitalization of reserve - Ordinary General Meeting of April 30, 2004	180,000			(180,000)	
Realization of revaluation reserve		(79)		79	
Net income for the year				716,338	716,338
Appropriation of net income					
Legal reserve			35,817	(35,817)	
Interest on capital (R\$ 0.42 per share)				(300,000)	(300,000)
December 31, 2004	<u>2,500,000</u>	<u>3,100</u>	<u>139,315</u>	<u>390,301</u>	<u>3,032,716</u>

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

Companhia Brasileira de Alumínio

Statements of Changes in Financial Position Years Ended December 31

In thousands of reais

	<u>2004</u>	<u>2003</u>
Financial resources were provided by		
Operations		
Net income for the year	716,338	378,667
Expenses (income) not affecting working capital		
Deferred income tax and social contribution	(6,057)	(2,203)
Provision for losses on tax incentives	(939)	6,500
Equity in the results of subsidiary and associated companies	(119,264)	(48,322)
Capital loss on corporate investments		15,824
Provision for loss on investments		2,007
Provision for losses on property, plant and equipment	2,674	
Residual value on the sale of investments		255,586
Residual value on the sale of property, plant and equipment	453	952
Provision for special private pension plan	829	2,254
Depreciation, amortization and depletion	225,707	175,678
Realization of negative goodwill of merged subsidiary	(1,080)	
Interest and monetary variation on long-term items	1,262	4,070
Resources arising from operations	<u>819,923</u>	<u>791,013</u>
Third parties		
Increase in net working capital of merged subsidiary	18,183	
Decrease in related parties	22,918	81,416
Decrease in long-term receivables	5,961	6,490
Dividends received and proposed	83,247	24,987
Increase in long-term liabilities	284,808	149,366
Total funds obtained	<u>1,235,040</u>	<u>1,053,272</u>
Financial resources were used for		
Long-term receivables	41,883	21,689
Permanent assets		
Investments	45,787	254,218
Property, plant and equipment	528,209	363,504
Deferred charges	8,190	229
Decrease in long-term liabilities	45,771	38,612
Transfer from long-term to current financing	79,096	99,494
Interest on capital	300,000	200,000
Total funds used	<u>1,048,936</u>	<u>977,746</u>
Increase in working capital, net	<u>186,104</u>	<u>75,526</u>

Companhia Brasileira de Alumínio

Statements of Changes in Financial Position Years Ended December 31

In thousands of reais

(continued)

	<u>2004</u>	<u>2003</u>
Changes in working capital		
Current assets		
At the end of the year	1,672,783	1,712,212
At the beginning of the year	<u>1,712,212</u>	<u>1,442,584</u>
	<u>(39,429)</u>	<u>269,628</u>
Current liabilities		
At the end of the year	614,911	840,444
At the beginning of the year	<u>840,444</u>	<u>646,342</u>
	<u>(225,533)</u>	<u>194,102</u>
Increase in working capital, net	<u><u>186,104</u></u>	<u><u>75,526</u></u>

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

Companhia Brasileira de Alumínio

Notes to the Financial Statements at December 31, 2004 and 2003

All amounts in thousands of reais unless otherwise indicated

1 Operations

The Company is a member of the Votorantim Group. Its main activities are the extraction and processing of bauxite ore bodies in Brazil, producing and selling primary and processed aluminum to the local and foreign markets, with a wide range of products, such as, ingots, billets, rods, plates, reels, tiles, sheets, extruded products, wire and cables.

In 2003 the Company launched an expansion project to increase aluminum production capacity from 345 thousand to 400 thousand tons/year, which is expected to be concluded by the second half of 2005. The expansion project to further increase capacity to 470 thousand tons/year was also started and is expected to be concluded by the second half of 2007.

The increase of the production to 470 thousand tons foresees the construction of a reduction room, optimization of the aluminum oxide production, as well as the installation of a new bauxite ore processing plant in the municipality of Mirai, State of Minas Gerais, and other supplementary investments.

The Company is also increasing the rolling area capacity to reach new markets, domestic and export, for the manufacture of reels of width up to 2 meters.

The Company is also completing the construction of a hydroelectric power plant on the Paranapanema river (municipalities of Ourinhos, State of São Paulo and Jacarezinho, State of Paraná), scheduled to start operations in the first half of 2005, as well as a participation, through a consortium, in the project for the construction of the Barra Grande and Campos Novos power plants, which should be completed by the end of 2005 and beginning of 2006, respectively. The objective of these investments is to increase the production capacity of own energy to meet the production increase, maintaining the policy of at least 50% of own energy.

The amount of the investments programmed totals approximately US\$ 700 million, part through with own resources and part with resources obtained from the National Bank for Economic and Social Development (BNDES).

2 Significant Accounting Practices

The financial statements have been prepared and are presented in accordance with accounting practices adopted in Brazil.

Companhia Brasileira de Alumínio

Notes to the Financial Statements at December 31, 2004 and 2003

All amounts in thousands of reais unless otherwise indicated

In the preparation of financial statements, it is necessary to use estimates to record certain assets, liabilities and other transactions. The Company's financial statements therefore include various estimates in relation to the selection of the useful lives of property, plant and equipment, provisions necessary for losses on accounts receivable, property, plant and equipment, contingent liabilities and others. Actual results may differ from those estimated.

(a) Determination of net income

Net income is determined on the accrual basis of accounting. The provision for income tax takes into account the tax incentive portion. Deferred taxes were recognized based on the current rates for income tax and social contribution on temporary differences, up to a limit of probable realization (Note 11).

(b) Current assets and long-term receivables

The allowance for doubtful accounts is set up at an amount considered sufficient by management to cover expected losses on realization of amounts receivable.

Inventories are stated at average cost of purchase or production, lower than replacement cost or realizable amounts. Importations in transit are stated at the accumulated cost of each transaction.

The other assets are stated at cost or realizable amount including, when applicable, accrued earnings and indexation and exchange variations.

(c) Permanent assets

These assets are stated at cost, inflation adjusted up to December 31, 1995, combined with the following aspects:

- Investments in subsidiary and associated companies are evaluated on the equity method of accounting, plus goodwill. The other investments are carried at cost of purchase, inflation adjusted. All investments are reduced by provisions for losses, when necessary.

Companhia Brasileira de Alumínio

Notes to the Financial Statements at December 31, 2004 and 2003

All amounts in thousands of reais unless otherwise indicated

- . Amortization of goodwill paid on the purchase of investments, based on future projected profitability, over periods of up to 10 years.
- . Property, plant and equipment include revalued assets of merged companies.
- . Depreciation of property, plant and equipment on the straight-line basis at the annual rates listed in Note 9 which take into consideration the economic useful lives of the assets.
- . Amortization of deferred charges on the straight-line basis over a period of five years, as from the date benefits start to be generated.

(d) Current and long-term liabilities

These are stated at known or estimated amounts including, when applicable, accrued charges and indexation and exchange variations.

3 Financial Investments

	<u>2004</u>	<u>2003</u>
Financial investment funds, mainly those managed by Votorantim Asset Management D.T.V.M. Ltda.	933,763	859,391
Bank Deposit Certificates		10,093
Other	<u>30</u>	
	<u>933,793</u>	<u>869,484</u>

The financial investment funds portfolio comprises public securities (23%), private securities (65%) and repurchase agreements (12%).

Companhia Brasileira de Alumínio

Notes to the Financial Statements at December 31, 2004 and 2003

All amounts in thousands of reais unless otherwise indicated

4 Trade Accounts Receivable

	<u>2004</u>	<u>2003</u>
Market		
Domestic	240,427	176,678
Export	<u>76,305</u>	<u>81,688</u>
	316,732	258,366
Allowance for doubtful accounts	<u>(21,570)</u>	<u>(18,099)</u>
	<u>295,162</u>	<u>240,267</u>

5 Inventories

	<u>2004</u>	<u>2003</u>
Finished products	135,237	138,582
Products in process	86,613	86,488
Raw materials	49,639	42,812
Warehouse materials	38,469	33,315
Imports in transit	13,259	3,884
Other	<u>9,946</u>	<u>9,137</u>
	<u>333,163</u>	<u>314,218</u>

6 Taxes Recoverable

	<u>2004</u>	<u>2003</u>
Value-Added Tax on Sales and Services (ICMS) and Excise Tax (IPI) (*)	51,168	57,220
Taxes withheld and prepaid	<u>3,133</u>	<u>17,903</u>
	54,301	75,123
Long-term	<u>(27,581)</u>	<u>(23,444)</u>
Current	<u>26,720</u>	<u>51,679</u>

(*) Includes ICMS benefits/credits arising from the purchase of fixed assets in conformity with Supplementary Law 102/2000.

Companhia Brasileira de Alumínio

Notes to the Financial Statements at December 31, 2004 and 2003

All amounts in thousands of reais unless otherwise indicated

7 Transactions and Balances with Related Companies

Description	Balances at December 31, 2004				Balances at December 31, 2003				Transactions			
	Assets		Liabilities		Assets		Liabilities		Income		Expenses/purchases	
	Current assets	Long-term receivables	Current liabilities	Long-term liabilities	Current assets	Long-term receivables	Current liabilities	Long-term liabilities	2004	2003	2004	2003
Financial investments												
Votorantim Asset Management												
D.T.V.M. Ltda.	925,944				862,333				128,442	81,502		
Accounts receivable												
Votorantim Metais Ltda.					196,847					202,734		254,631
Companhia Mineira de Metais	362				887				5,383	6,617		
Companhia Nitro Química Brasileira	156				305				2,382	3,466		
Companhia Paraibuna de Metais	453				331					3,962		
Siderúrgica Barra Mansa S.A.	273				274				2,826	466		
Indústria e Comércio Metalúrgica												
Atlas S.A.	7				213					4		
Companhia Luz e Força Santa Cruz									1,175	1,807		
Votorantim Participações S.A.					1,071							
Votorantrade N.V.	19,021				381							
Other	39								1,721	1,257		
	20,311				200,309				13,487	220,313		254,631
Other accounts receivable												
Indústria e Comércio Metalúrgica												
Atlas S.A.	11,770											
Companhia Luz e Força Santa Cruz	27,000											
Mineração Rio do Norte S.A.	5,553											
Petrocoque S.A. Indústria e												
Comércio	429											
Other	53											
	44,805											

Companhia Brasileira de Alumínio

Notes to the Financial Statements at December 31, 2004 and 2003

All amounts in thousands of reais unless otherwise indicated

Description	Balances at December 31, 2004					Balances at December 31, 2003				Transactions			
	Assets			Liabilities		Assets		Liabilities		Income		Expenses/purchases	
	Current assets	Long-term receivables	Permanent assets	Current liabilities	Long-term liabilities	Current assets	Long-term receivables	Current liabilities	Long-term liabilities	2004	2003	2004	2003
Advances to suppliers													
Indústria e Comércio Metalúrgica Atlas S.A.	1,282		48,719			39,589							
	<u>1,282</u>		<u>48,719</u>			<u>39,589</u>							
Advances for future capital increase													
BAESA - Energética Barra Grande S.A.							86						
Votorantim Energia S.A.		2,040					34,989						
Ourinhos Energia S.A.													
		<u>2,040</u>					<u>35,075</u>						
Suppliers													
Indústria e Comércio Metalúrgica Atlas S.A.				16,630				252				78,004	150,955
Machadinho Energética S.A.				41,828				39,412				57,022	83,598
Petrocoque S.A.				3,759				3,282				81,502	73,252
Companhia Luz e Força Santa Cruz Siderúrgica Barra Mansa S.A.												13,527	3,713
Companhia Cimento Portland Itaú Cimento Rio Branco S.A.												3,836	4,232
Votocel Filmes Flexíveis Ltda.												416	654
Companhia Nitro Química Brasileira				493								18,411	20,989
Anfreixo S.A.				261								3,369	
Other				242				1,743					2,133
				<u>63,213</u>				<u>44,689</u>				<u>256,535</u>	<u>339,526</u>

Companhia Brasileira de Alumínio

Notes to the Financial Statements at December 31, 2004 and 2003

All amounts in thousands of reais unless otherwise indicated

Description	Balances at December 31, 2004				Balances at December 31, 2003				Transactions			
	Assets		Liabilities		Assets		Liabilities		Income	Expenses/purchases		
	Current assets	Long-term receivables	Current liabilities	Long-term liabilities	Current assets	Long-term receivables	Current liabilities	Long-term liabilities	2004	2003	2004	2003
Interest on capital												
Votorantim Participações S.A.			59,706				169,553				299,211	169,553
Other			670				447				789	447
			<u>60,376</u>				<u>170,000</u>				<u>300,000</u>	<u>170,000</u>
Other accounts payable												
Indústria e Comércio Metalúrgica Atlas S.A.							1,071					
CBA Overseas Trading CO Ltd. FUNSEJEM			640	8,914			640	8,085			829	4,867
Other			52				17					
			<u>692</u>	<u>8,914</u>			<u>1,728</u>	<u>8,085</u>			<u>829</u>	<u>4,867</u>
Loan agreements												
Indústria e Comércio Metalúrgica Atlas S.A. (*)								40,296			4,962	3,039
Votorantim Energia Ltda. BAESA - Energética Barra Grande S.A. (*)						11,649			1,529		1,445	
Companhia Luz e Força Santa Cruz (*)												847
Votorantim Comercial Exportadora e Importadora Ltda.							30,466				10,532	
Votorantim Participações S.A.						10,446						
Other								984				
						<u>22,095</u>	<u>30,466</u>	<u>41,280</u>	<u>1,529</u>		<u>16,939</u>	<u>3,922</u>

(*) Financial charges on loan agreements correspond to the Interbank Deposit Certificate (CDI) variation.

Companhia Brasileira de Alumínio

Notes to the Financial Statements at December 31, 2004 and 2003

All amounts in thousands of reais unless otherwise indicated

8 Investments

	2004						
	<u>Information on subsidiary/associated companies</u>						
	<u>Adjusted net equity</u>	<u>Results for the year</u>	<u>Shares/quotas held (thousands)</u>	<u>Holding - %</u>	<u>Result of equity accounting</u>	<u>Goodwill</u>	<u>Balance of investments</u>
Subsidiaries							
CBA Overseas Trading Co. Ltd.	2,489	608	150	100.00	442		2,489
Companhia Luz e Força Santa Cruz	125,654	30,428	511,277	99.99	30,426		125,641
Indústria e Comércio Metalúrgica Atlas S.A.	62,591	22,452	396,301	99.86	22,421		62,503
Mineração Zona da Mata Ltda.		(7)	1,000	100.00	(125)	2,850	
Associated companies							
BAESA - Energética Barra Grande S.A.	398,381		59,757	15.00		9,334	59,757
Campos Novos Energia S.A.	388,787		88,222	22.69		29,824	88,222
Machadinho Energética S.A.	349,381	6,267	98,911	29.11	1,824		101,705
Mineração Rio do Norte S.A.	870,021	471,099	60,000,000	10.00	47,638		87,002
Petrocoque S.A. Indústria e Comércio	51,230	18,921	5,100	15.00	2,838		7,685
Votorantim Energia Ltda.	167,380	49,409	225,394	27.93	13,800		46,749
					<u>119,264</u>	42,008	581,753
Other investments carried at cost							61,001
						<u>42,008</u>	<u>642,754</u>
Total						<u>684,762</u>	

Companhia Brasileira de Alumínio

Notes to the Financial Statements at December 31, 2004 and 2003

All amounts in thousands of reais unless otherwise indicated

	2003							
	Information on subsidiary/associated companies							
	Adjusted net equity	Results for the year	Shares/quotas held (thousands)	Holding - %	Result of equity accounting	Capital gain (loss) on corporate investment	Goodwill (negative goodwill)	Balance of investments
Subsidiaries								
CBA Overseas Trading Co. Ltd.	2,046	1,748	150	100.00	1,683			2,046
Companhia Luz e Força Santa Cruz	122,228	1,436	511,277	99.99	1,436			122,216
Companhia Paraibuna de Metais (*)				99.78	19,519			
Indústria e Comércio Metalúrgica Atlas S.A.	52,998	13,536	396,301	99.86	13,517			52,924
Mineração Morro Agudo S.A. (*)				100.00	(105)			
Ourinhos Energia S.A.	4,099		4,099	100.00			(1,080)	4,099
Associated companies								
BAESA - Energética Barra Grande S.A.	398,381		59,757	15.00			9,334	59,757
Campos Novos Energia S.A.	387,153		62,206	16.07			18,607	62,206
Machadinho Energética S.A.	343,114	87,655	98,911	29.11	25,516			99,880
Mineração Rio do Norte S.A.	796,407	325,122	60,000,000	10.00	33,111			79,640
Petrocoque S.A. Indústria e Comércio	53,166	25,041	5,100	15.00	3,665			7,975
Votorantim Energia Ltda.	117,971	(178,862)	225,394	27.93	(50,020)	(15,824)		32,949
					<u>48,322</u>	<u>(15,824)</u>	26,861	523,692
Other investments carried at cost								<u>45,038</u>
							<u>26,861</u>	<u>568,730</u>
Total							<u>595,591</u>	

(*) Investments sold in 2003.

(a) Companhia Luz e Força Santa Cruz

Direct holding of 8.20% in Votorantim Energia Ltda.

(b) Ourinhos Energia S.A.

In June 2003, the Company acquired a 100% ownership of Ourinhos Energia S.A. (hydroelectric power plant located on the Paranapanema river, State of São Paulo), totaling R\$ 3,019. Negative goodwill on acquisition was R\$ 1,080.

At the Extraordinary General Meeting (AGE) held on July 31, 2004, the merger of the subsidiary Ourinhos Energia S.A was approved. The net assets of the merged subsidiary were as follows:

Current assets	29,696
Current liabilities	<u>(11,513)</u>
Net working capital	18,183
Permanent assets	56,442
Long-term liabilities	<u>(35,536)</u>
Merged net assets	<u><u>39,089</u></u>

(c) Mineração Zona da Mata Ltda.

In October 2003, the Company acquired a 100% ownership of Mineração Zona da Mata Ltda., holder of the mining rights in the Cataguases region. The total acquisition price will be determined at the end of the measurement of the ore content in the Mineração Zona da Mata Ltda. reserves, scheduled for 2006. Total amount, if the content informed by the former controlling quotaholders is confirmed, may reach R\$ 26,000 (equivalent to US\$ 10 million). R\$ 2,850 had been paid up to December 31, 2004. The goodwill recorded, based on the expectation of future profitability, will be amortized in ten years, as from the start of the extraction process of the acquired areas.

(d) BAESA - Energética Barra Grande S.A.

In 2003, the Company acquired from Barra Grande Energia S.A. (hydroelectric power plant located on the Uruguay river - between the states of Santa Catarina and Rio Grande do Sul), ownership of 15.00% of BAESA - Energética Barra Grande S.A. for R\$ 55,427. The goodwill paid on acquisition, R\$ 9,334, based on the expectation of future profitability, will be amortized in ten years as from the start of the plant's operations. Also in 2003, the Company subscribed paid up capital of R\$ 13,664, without changes to ownership.

(e) Campos Novos Energia S.A.

In August 2003, the Company acquired from CPFL - Geração de Energia S.A. a 16.07% interest in Campos Novos Energia S.A. (hydroelectric power plant located on the Canoas river, State of Santa Catarina) for R\$ 80,813. The goodwill paid on acquisition, R\$ 18,607, based on the expectation of future profitability, will be amortized in ten years as from the start of the plant's operation.

In November 2003 and February 2004, the Company exercised its right of preference for the acquisition of 6.62% of the stockholding held by Copel Participações S.A. - COPEL PAR, for R\$ 37,233. The goodwill paid on acquisition, R\$ 11,217, also based on the expectation of future profitability, will be amortized in ten years as from the start of the plant's operation, scheduled for 2006.

(f) Machadinho Energética S.A.

On September 2, 2004, Machadinho Energética S.A. published a Significant Event Notice, in compliance with the dispositions of CVM Instruction 358/2002, based on Official Letter 829/2004 - SFF/ANEEL (SFF Official Letter).

(g) Mineração Rio do Norte S.A.

Mineração Rio do Norte S.A. was fined for the reduction of capital made on July 22, 1999. On April 16, 2003, the associated company received a notice from the Federal Revenue Service, demanding the payment of this tax assessment. With the objective of suspending this payment, the associated company made a judicial deposit of R\$ 316,011 in May 2003 for its cause to be considered in the courts. Management of the associated company believes, based on the opinion of its legal advisors, that the company will probably receive a favorable decision in this action and, accordingly, no provision for contingent liabilities was recorded by the associated company.

(h) Votorantim Energia Ltda.

Votorantim Energia Ltda. has a holding of 33.33% in VBC Participações S.A., whose financial statements were audited by other independent auditors.

In December 2003, the quotaholders of Votorantim Energia S.A. subscribed capital through the use of part of the balance of the Advance for Future Capital Increase account, attributing quotas to the new owners. This increase made by the Company, totaling R\$ 98,793, changed its ownership from 30.00% to 27.93%, with a loss of R\$ 15,824 on the transaction.

(i) **Further information**

The investments in the subsidiary and associated companies Mineração Rio do Norte S.A., Petrocoque S.A. Indústria e Comércio, Machadinho Energética S.A. e BAESA - Energética Barra Grande S.A were audited by other independent auditors.

9 Property, Plant and Equipment

	<u>2004</u>		<u>2003</u>		
	<u>Restated cost</u>	<u>Accumulated depreciation and depletion</u>	<u>Balance</u>	<u>Balance</u>	<u>Annual depreciation rates - %</u>
Land	75,157		75,157	65,174	
Buildings and civil works (i)	593,459	(267,088)	326,371	329,911	3 to 4
Machinery and equipment (i)	1,808,056	(943,116)	864,940	802,412	3 to 20
Installations	117,151	(94,840)	22,311	24,667	10
Furniture and fixtures	5,220	(3,023)	2,197	1,980	10
Vehicles	33,396	(23,943)	9,453	13,797	20 and 25
Mining rights (ii)	34,782	(238)	34,544	34,629	
Construction in progress	183,510		183,510	47,221	
Advances to suppliers	210,016		210,016	53,313	
Other	14,841	(2,684)	12,157	12,588	15 and 20
	<u>3,075,588</u>	<u>(1,334,932)</u>	<u>1,740,656</u>	<u>1,385,692</u>	

(i) Depreciation rates take into consideration the estimated useful lives of the assets, limited to the concession term in the case of the assets linked to the UHE Canoas.

(ii) Depletion is calculated proportionally to the extraction in relation to ore reserves.

Property, plant and equipment includes investments for the construction of hydroelectric power plants amounting to R\$ 66,286 (2003 - R\$ 63,672), for which environmental licenses are pending approval and release. Management expects that operations for the use of electric energy of these units should start in the medium term.

With the start of operations, management, based on the opinion of its legal advisors, expects a favorable outcome to the environmental lawsuits concerning the units. These lawsuits amounted to R\$ 71,796 (2003 - R\$ 73,402) at December 31, 2004.

10 Deferred Charges

	2004		2003		
	Restated cost	Accumulated amortization	Balance	Balance	Annual amortization rates - %
Pre-operating expenses	94,917	(30,617)	64,300	55,428	20
Other	6,323	(4,112)	2,211	2,040	20
	101,240	(34,729)	66,511	57,468	

Deferred charges include investments in pre-operating expenses for the construction of hydroelectric plants totaling R\$ 15,850 (2003 - R\$ 15,637), for which environmental licenses are pending approval and release. Management expects that operations for the use of electric energy of these units should start in the medium term (Note 9).

Pre-operating expenses are represented by administrative and conservation expenses during the construction phase of the hydroelectric plants.

11 Income Tax and Social Contribution

The reconciliation between income tax and social contribution, statutory and effective rates, is shown as follows:

	2004	2003
Income before taxation	853,489	445,279
Nominal rate - %	34	34
Income tax and social contribution at nominal rate	(290,186)	(151,395)
Reconciliation		
Interest on capital benefit	102,000	68,000
Equity accounting	40,550	11,049
Non-taxable income	15,060	7,938
Recomposition of social contribution losses	(735)	3,550
Temporary differences	(2,254)	(7,381)
Other	(1,586)	1,627
Income tax and social contribution expense	(137,151)	(66,612)
Income tax and social contribution - effective rate - %	16	15
Deferred tax on temporary differences		

Deferred income tax and social contribution, recorded in long-term receivables, were calculated at the nominal rates of realization on the following items:

	2004	2003
Provision for:		
Contingencies	7,549	7,549

Social Integration Program (PIS) and Social Contribution on Revenues (COFINS) payment	2,183	12,946
Private pension plan - FUNSEJEM	3,031	2,749
Losses on tax incentives	1,580	1,665
Losses on receivables	1,863	898
Losses on inventories and property, plant and equipment	4,202	400
Electric energy charges (ECE) (*)	7,847	
Other	4,977	968
	<u>33,232</u>	<u>27,175</u>

(*) Emergency Capacity Charge (ECE)

12 Financing

<u>Type/purpose</u>	<u>Annual financial charges</u>	<u>2004</u>		<u>2003</u>	
		<u>Current</u>	<u>Long-term</u>	<u>Current</u>	<u>Long-term</u>
Prepayments on exports	US\$ + LIBOR + spread	43,712	272,076	126,210	85,071
Advances on export contracts	US\$ + spread	91,878		232,150	
Purchases of property, plant and equipment					
BNDES UHE Canoas I and II	TJLP + spread	12,541	54,226	11,980	64,321
BNDES UHE Pirajú	TJLP + spread	11,170	44,745	11,412	55,747
BNDES industrial Expansion	TJLP + spread	<u>36,184</u>	<u>139,821</u>	<u>18,718</u>	<u>148,335</u>
		<u>195,485</u>	<u>510,868</u>	<u>400,470</u>	<u>353,474</u>

The average spread on the financing in foreign currency is 1.56% per year (2003 - 2.93% per year) and on local currency 3.10% per year (2003 - 3.10% per year).

	<u>2004</u>	<u>2003</u>
Long-term installments fall due in		
2005		102,053
2006	219,783	88,910
2007	169,833	52,795
2008	58,770	109,716
2009	56,209	
2010 onwards	<u>6,273</u>	
	<u>510,868</u>	<u>353,474</u>

Liabilities are guaranteed by promissory notes, sureties from the parent company Votorantim Participações S.A. and by the assets which are being financed.

(a) Restriction clauses

The loan agreements with the BNDES for the purchase of property, plant and equipment contain restrictive clauses related to: (i) change in basis of the investments to other investments non-approved; (ii) sale of the company, or any merger, acquisition, split-off which indicates the transfer of funds to other activities, (iii) sale of the asset financed, (iv) non utilization of the funds in the construction for a minimum period after release and (v) commercial negotiations to close the market with competitors that impedes the growth of the Company.

(b) Bank sureties

The Company has bank surety agreements granted to third parties, arising from commercial transactions, as follows:

<u>Description</u>	<u>2004</u>	<u>2003</u>
Investees and related companies	17,315	16,252
Commercial transactions with third parties	<u>39,394</u>	<u>9,906</u>
	<u>56,709</u>	<u>26,158</u>

(c) Other commitments

The Company is a guarantor of loans obtained by investees and related companies, as follows:

	<u>2004</u>	<u>2003</u>
Companhia Níquel Tocantins		
Surety letter for BNDES	5,234	5,234
Guarantee in Export Prepayment Agreement before ING Bank NV Curacao Branch	57,784	57,784
Ourinhos Energia S.A.		
Surety letter for Banco BNL do Brasil S.A.		10,500
Siderúrgica Barra Mansa		
Promissory note for ACE credit	33,515	33,515
Campos Novos Energia S.A.		
Loan agreement before BNDES	460,624	460,624
BAESA - Energética Barra Grande S.A.		
Loan agreement before BNDES	300,000	619,872
Companhia Mineira de Metais		
Surety letter for BNDES	112,000	112,000
Concession agreement - ANEEL	4,560	4,560
Indústria e Comércio Metalúrgica Atlas S.A.		
Surety letter for Alunorte - Alumina do Norte S.A.	3,470	3,470
Machadinho Energética S.A.		
Loan agreement before BNDES	76,200	76,200
Surety letter for BNDES	<u>232,339</u>	<u>232,339</u>
	<u>1,285,726</u>	<u>1,616,098</u>

Additionally, the Company has electric energy and fuel oil supply agreements, with the following restrictions:

- . Minimum energy consumption jointly with CESP - Companhia Energética de São Paulo of 284 MW, of which 147 MW up to 2011 and 137 MW up to 2005. The latter establishes a decrease to 110 MW as from January 2006, with an extension of the due date up to December 2011.
- . Minimum fuel oil consumption jointly with Petrobras Distribuidora S.A. of 600 thousand tons in 60 months up to March 2006.

13 Contingencies

The Company sets up provisions to cover losses arising from those cases where the legal advisors consider an unfavorable outcome to be probable, as summarized below:

Nature of the lawsuits	
Tax	788

Environmental	712
Labor	5,528
Civil	<u>15,176</u>
	<u><u>22,204</u></u>

According to current legislation, the Company's tax books are subject to review by the tax authorities, retroactively, for up to 10 years, regarding Federal and State taxes. Contingencies that may arise from possible tax inspections cannot be defined at this time, and as a consequence, the Company has not been recording a provision for contingencies.

14 Stockholder's Equity

(a) Capital

Fully subscribed and paid-up capital comprises 713,208,967 common nominative shares with no nominal value, held by stockholders domiciled in Brazil. Stockholders are assured a mandatory minimum dividend of 10% of net income calculated as required by law.

In a General and Extraordinary Meeting of Stockholders, held on April 30, 2004, stockholders approved a capital increase from R\$ 2,320,000 to R\$ 2,500,000 through capitalization of retained earnings.

(b) Interest on capital and dividends

In June and August 2004, the Company paid R\$ 300,000 as interest on capital, attributable to the mandatory minimum dividend for the year, to be approved at the Ordinary General Meeting (AGO).

Complying with statutory provisions, the balance of retained earnings at December 31, 2004 of R\$ 390,301, remains at the disposal of the General Meeting of Stockholders.

15 Other Non-Operating Income (Expenses), Net

In 2003, these are mainly represented by the loss on the sale of the investment in Companhia Paraibuna de Metais of R\$ 51,897.

16 Private Pension Plan - Defined Contribution

(a) Regular pension plan

In July 2001, the Company became a sponsor of FUNSEJEM - Fundação Senador José Ermírio de Moraes, a private non-profit closed pension fund, which offers the opportunity of participation to all employees of Votorantim Group companies. According to the regulations, the Company matches the contributions from the employees to FUNSEJEM, based on the level of the employee's remuneration. For employees with remuneration lower than a certain amount, the Company matches the contributions that represent up to 1.5% of the employee's monthly remuneration. For employees with remuneration higher than a certain amount, the Company matches the contributions of the employee that represent up to 6% of the employee's monthly remuneration. Voluntary contributions may also be made to FUNSEJEM. Contributions by the Company during 2004 amounted to R\$ 2,678 (2003 - R\$ 2,595).

(b) Special pension plan

Additionally, the Company assumed in July 2001, as a special contribution, the cost of the past service corresponding to 6% on the base salary multiplied by the number of continuous years in service of certain participants that meet the conditions set by the plan's regulations, as follows:

- . Minimum of ten years of continuous services.
- . Sum of the participant's age with the continuous services equal to or greater than 55 years.
- . Applicable salary equal to or greater than 15 times the amount of the Aluminum Reference Unit (URA).

On December 31, 2004, the provision formed totals R\$ 8,914 (2003 - R\$ 8,085). The amounts are paid monthly to FUNSEJEM, together with the regular defined pension contributions. In 2004, these totaled R\$ 829 (2003 - R\$ 841). Also in 2004, the Company allocated R\$ 613 (2003 - R\$ 1,463) to FUNSEJEM for the participants retiring at the age of 55, who become eligible for redemption.

17 Insurance Coverage

Optimizing cost effectiveness, the Company is self-insured against possible damages to its assets. This policy was implemented by management in common agreement with the stockholders, since the Company has no history of material losses on assets. However, the Company has insurance for the materials kept in the branches, as well as material shipped to customers and between branches.

18 Financial Instruments

(a) Swap transactions

The Company effects swap operations for protection against the volatility of foreign currencies. Also, temporary cash surpluses are invested in line with treasury policies, which are reviewed periodically.

At December 31, 2004 and 2003, the swap contracts effected by means of financial investments in an exclusive investment fund managed by Banco Votorantim S.A., and recorded at market value, amounted to R\$ 79,819 (2003 - R\$ 85,989). These contracts mature in 2005.

The operations and the management of these instruments through the exclusive fund are carried out by the financial operations area through control policies and the establishment of an operating strategy previously approved by management.

(b) Other financial assets and liabilities

Cash and banks, accounts receivable, other current assets, accounts payable and sundry provisions: the amounts recorded approximate the realizable amount of the respective assets.

The financial investments, mainly represented by investment fund quotas, are recorded at realizable amounts, based on the amount of the last available quotation.

Investments: recorded on the equity method of accounting or inflation adjusted cost, mainly comprise subsidiary and associated companies which are of strategic interest to Company operations. The Company has no intention of selling these investments in the short-term.

Financings are recorded based on the contractual interest of each operation.

19 Subsequent Events

On February 2, 2005, the Company signed a financing agreement with the National Bank for Economic and Social Development (BNDES), in the amount of R\$ 234,039. The resources will be used to increase the primary aluminum production capacity from 345,000 tons/years to 400,000 tons/year, involving the construction of two rooms for the installation of 164 new electrolytic tanks, substation and annexes, in the industrial plant, including the implementation of a SENAI school in the municipality of Alumínio, State of São Paulo.

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