

Companhia Brasileira de Alumínio

**Financial statements for the year ended on
December 31st, 2007 and 2006
and report from the independent auditors**

Report from the independent auditors

To the Management and Stockholders
Companhia Brasileira de Alumínio

- 1 We have audited the balance sheets of Companhia Brasileira de Alumínio as of December 31st, 2007 and 2006 and the corresponding statements of results, of changes in stockholders' equity and the source and application of funds for the years ended on those dates, as prepared under the responsibility of the Company management. Our responsibility is to express an opinion on these financial statements. The audits of the financial statements of the affiliated companies Machadinho Energética S.A., Mineração Rio do Norte S.A., Petrocoque S.A. Indústria e Comércio, Campos Novos Energia S.A., and of the indirect affiliated company VBC Energia S.A. as of December 31st, 2007 and of the affiliated companies Machadinho Energética S.A., Mineração Rio do Norte S.A., Petrocoque S.A., Indústria e Comércio, BAESA - Energética Barra Grande S.A. and of the indirect affiliated company VBC Energia S.A. as of December 31st 2006, referred to in Note 8, whose investments are evaluated under the equivalent net worth method, have been conducted under the responsibility of other independent auditors. The opinion on the indirect affiliate VBC Energia S.A. was issued including an emphasis paragraph, related to the matter described under paragraph 4 below. Our opinion on the amount of such investments and on the profits resulting from them, amounting to R\$ 394,472 thousand (2006 - R\$ 244,092 thousand) and R\$ 111,636 thousand (2006 - R\$ 51,438 thousand), respectively, it is based solely and exclusively on the reports from such other auditors.
- 2 Our audits were conducted in accordance with the generally accepted auditing standards in Brazil, which require that the audits be carried out to obtain reasonable assurance that the financial statements are fairly presented, in all material aspects. Therefore, our audits comprised, among others procedures: (a) the planning of our work, considering the relevance of the balances, the volume of transactions and the Company's accounting systems and internal controls, (b) the ascertained, on a test basis, the evidence and records that support the amounts and disclosed information in the financial statements (c) the assessment of the accounting practices and the most significant estimates adopted by the management of the Company, as well as of the overall presentation of the financial statements.

Companhia Brasileira de Alumínio

- 3 Based on our audits and on the opinions under the responsibility of the other independent auditors, our opinion is that the financial statements mentioned in the first paragraph present adequately, in all material aspects, the equity and financial position of Companhia Brasileira de Alumínio on December 31st, 2007 and 2006 and the results of its operations, the changes in stockholders' equity and the source and applications of funds in the periods ended on these dates, in conformity to the generally accepted accounting practices adopted in Brazil.
- 4 The financial statements of indirect affiliated VBC Energia S.A. as of December 31st, 2007 contains an emphasis paragraph relating to the current situation of the certification on a temporary basis of the 2007 periodic tariff review made by the National Electric Energy Agency - ANEEL of its indirectly controlled society Companhia Piratininga de Força e Luz as of -10,94%. In view of the provisional nature of this tariff review, the financial statements of December 31, 2007 do not contemplate possible adjustments that may result in a definitive tariff repositioning.

São Paulo, March 7, 2008

PricewaterhouseCoopers
Independent Auditors
CRC 2SP000160/O-5

Marcelo Orlando
Accountant CRC 1SP217518/O-7

Companhia Brasileira de Alumínio

Balance Sheets for year ended December 31st

In thousand Reais

| Assets | 2007 | 2006 (Reclassified) | Liabilities and stockholder's equity | 2007 | 2006 (Reclassified) |
|---|-------------------------|-------------------------------|---|-------------------------|-------------------------------|
| Current Assets | | | Current Liabilities | | |
| Available cash | 13,753 | 1,824 | Financings (Note 12) | 393,626 | 206,947 |
| Marketable bonds and securities (Note 3) | 1,346,226 | 1,244,882 | Suppliers | 315,524 | 368,226 |
| Receivable accounts from customers (Note 4) | 325,861 | 358,928 | Salaries and Social Security charges | 13,405 | 11,924 |
| Inventory (Note 5) | 541,064 | 444,733 | Payable taxes and contributions | 47,978 | 170,818 |
| Recoverable taxes (Note 6) | 124,536 | 69,375 | Interests upon stockholders' equity | 229,500 | 229,500 |
| Other accounts receivable | <u>102,775</u> | <u>136,984</u> | Vacation allowance | 37,540 | 33,477 |
| | <u>2,454,215</u> | <u>2,256,726</u> | Other payable accounts | <u>46,550</u> | <u>28,518</u> |
| | | | | <u>1,084,123</u> | <u>1,049,410</u> |
| Non current assets | | | Non current liabilities | | |
| Long-term receivables | | | Long-term payables | | |
| Recoverable taxes (Note 6) | 178,952 | 141,903 | Financings (Note 12) | 518,269 | 663,649 |
| Deferred income tax & social contribution (Note 11) | 28,276 | 31,098 | Provision for contingencies (Note 14) | 8,085 | 9,426 |
| Advance payments to suppliers | 11,478 | | Other payable accounts | <u>7,414</u> | <u>32,878</u> |
| Other accounts receivable | <u>5,490</u> | <u>5,239</u> | | <u>533,768</u> | <u>705,953</u> |
| | <u>224,196</u> | <u>178,240</u> | Stockholder's Equity (Note 15) | | |
| Permanent | | | Capital stock | 3,241,724 | 3,012,785 |
| Investments (Note 8) | 883,659 | 660,375 | Revaluation reserves | 2,886 | 2,968 |
| Property, plant and equipment (Note 9) | 3,003,866 | 2,852,199 | Profit Reserves | 259,693 | 220,032 |
| Deferred (Note 10) | <u>98,960</u> | <u>102,668</u> | Accumulated profits | <u>1,542,702</u> | <u>1,059,060</u> |
| | <u>3,986,485</u> | <u>3,615,242</u> | | <u>5,047,005</u> | <u>4,294,845</u> |
| Total assets | <u><u>6,664,896</u></u> | <u><u>6,050,208</u></u> | Total liabilities and stockholder's equity | <u><u>6,664,896</u></u> | <u><u>6,050,208</u></u> |

The explanatory notes from management are an integral part of the financial statements.

Companhia Brasileira de Alumínio

Balance sheets

Year ended on December 31st

In thousand Reais, unless otherwise indicated

| | <u>2007</u> | <u>2006</u> (Reclassified) |
|--|--------------------|-------------------------------|
| Gross sales revenues | | |
| Local market | 2,497,429 | 2,274,908 |
| Overseas market | <u>1,027,940</u> | <u>1,002,331</u> |
| | <u>3,525,369</u> | <u>3,277,239</u> |
| Sales deductions | | |
| Sales and services taxes | (559,447) | (518,905) |
| Returns and rebates | <u>(58,223)</u> | <u>(34,913)</u> |
| Net sales revenues | 2,907,699 | 2,723,421 |
| Cost of products sold | <u>(2,127,992)</u> | <u>(1,854,673)</u> |
| Gross profit | 779,707 | 868,748 |
| Operating expenses | | |
| Sales expenses | (95,749) | (87,033) |
| Administrative expenses | <u>(93,082)</u> | <u>(69,288)</u> |
| Operating profit before statutory participation and financial results | <u>590,876</u> | <u>712,427</u> |
| Result of statutory participation | | |
| Equity interest on controlled and affiliated companies (Note 8) | 195,970 | 156,200 |
| Premium amortization (Note 8) | <u>(7,518)</u> | <u></u> |
| | <u>188,452</u> | <u>156,200</u> |
| Financial Results | | |
| Financial expenses | (263,058) | (119,771) |
| Financial Income | <u>383,374</u> | <u>221,331</u> |
| | <u>120,316</u> | <u>101,560</u> |
| Operating Profit | 899,644 | 970,187 |
| Non-Operating results | | |
| Non-operating income, net (Note 17) | <u>49,014</u> | <u>144,535</u> |
| Profit before income tax and social contribution | <u>948,658</u> | <u>1,114,722</u> |
| Income tax and social contribution (Note 11(b)) | | |
| Current | (152,615) | (214,654) |
| Deferred | <u>(2,822)</u> | <u>(7,584)</u> |
| | <u>(155,437)</u> | <u>(222,238)</u> |
| Net profit for the fiscal year | <u>793,221</u> | <u>892,484</u> |
| Net profit per share at the year end - R\$ | <u>0.96</u> | <u>1.16</u> |

The explanatory notes from administration are an integral part of the financial statements.

Companhia Brasileira de Alumínio

Statement of changes in stockholders' equity

In thousand Reais, unless otherwise indicated

| | <u>Capital stock</u> | <u>Revaluation reserves</u> | <u>Legal Reserves</u> | <u>Accrued Profits</u> | <u>Total</u> |
|--|--------------------------|---------------------------------|---------------------------|----------------------------|------------------|
| As of December 31st, 2005 | 2,800,000 | 3,027 | 175,408 | 481,141 | 3,459,576 |
| Capitalization of reserves as per Stockholders' Ordinary General Meeting dated September 29 th , 2006 | 212,785 | | | | 212,785 |
| Realization of revaluation reserves | | (59) | | 59 | |
| Net profit financial year | | | | 892,484 | 892,484 |
| Profit destination | | | | | |
| Appropriation of legal reserve | | | 44,624 | (44,624) | |
| Interests on stockholders' equity (R\$ 0.35 per share) | | | | (270,000) | (270,000) |
| As of December 31st, 2006 | 3,012,785 | 2,968 | 220,032 | 1,059,060 | 4,294,845 |
| Paid-up capital, as per Stockholders' Ordinary General Meeting, dated June 29 th , 2007 (Note 15(a)) | 228,939 | | | | 228,939 |
| Realization of revaluation reserves | | (82) | | 82 | |
| Net profit financial year | | | | 793,221 | 793,221 |
| Profit destination | | | | | |
| Appropriation to legal reserve | | | 39,661 | (39,661) | |
| Interests on stockholders' equity (R\$ 0.33 per share) (Note 15(b)) | | | | (270,000) | (270,000) |
| As of December 31st, 2007 | <u>3,241,724</u> | <u>2,886</u> | <u>259,693</u> | <u>1,542,702</u> | <u>5,047,005</u> |

The explanatory notes from administration are an integral part of the financial statements.

Companhia Brasileira de Alumínio

Statement of source and application of funds

Fiscal year ended on 31st December

In thousand Reais

| | <u>2007</u> | <u>2006</u> (Reclassified) |
|---|------------------|-------------------------------|
| Source of funds | | |
| From Company portions | | |
| Net profit financial year | 793,221 | 892,484 |
| Expenses (income) not affecting the circulating capital | | |
| Deferred income tax & social contribution | 2,822 | 7,584 |
| Equivalent net worth result | (195,970) | (156,200) |
| (Reversal) provision for contingencies | (1,341) | (9,634) |
| Residual value of retired asset | 291,120 | 112,887 |
| Depreciation, amortization and depletion | 470,554 | 397,573 |
| Of Stockholders | | |
| Paid-up capital | <u>228,939</u> | <u>212,785</u> |
| | 1,589,345 | 1,457,479 |
| Of third parties | | |
| Dividends from controlled and affiliated companies | 72,160 | 167,001 |
| Inflow of resources into long-term liabilities | | <u>16,454</u> |
| Total sources | <u>1,661,505</u> | <u>1,640,934</u> |
| Application of funds | | |
| In long-term receivables | 48,778 | 74,663 |
| In fixed assets | | |
| Investments | 106,992 | 75,585 |
| Property, Plant & Equipment | 884,100 | 879,526 |
| Deferred | 18,015 | 33,959 |
| Long-term financing transfer to current assets | 170,844 | |
| Interest on stockholders' equity | <u>270,000</u> | <u>270,000</u> |
| Total applications | <u>1,498,729</u> | <u>1,333,733</u> |
| Increase n circulating capital | <u>162,776</u> | <u>307,201</u> |
| Change in circulating capital | | |
| Current assets | 197,489 | 326,936 |
| Current liabilities | <u>34,713</u> | <u>19,735</u> |
| Increase n circulating capital | <u>162,776</u> | <u>307,201</u> |

The explanatory notes from administration are an integral part of the financial statements.

Companhia Brasileira de Alumínio

Explanatory notes from Management on the Financial Statements as of December 31st, 2007 and 2006

In thousand Reais, unless otherwise indicated.

1 Operational context

Companhia Brasileira de Alumínio (the "Company") is an integral part of the Votorantim Group. Its main activities are the exploration and exploitation of bauxite deposits in the Brazilian territory, to produce and to commercialize, locally and abroad, primary and transformed aluminum, having a wide range of products, such as ingots, billets, beams, plates, coils, tiles, sheets, extruded products, wires and cables.

The Company approved a plan for a further expansion of production capacity, from the current 470 thousand tons/year to 570 thousand tons/year of primary aluminum, with work starting in January 2008 and conclusion foreseen for December 2009. Together with this expansion, the Company began an increase of the installed capacity in the Drawing area, increasing production from 48 thousand ton/year to 72 thousand tons/year. This increase has as objective of meeting the increasing demand of this segment, as well as reaching new developing markets such as furniture, automotive industry, and multicolor anodized products, among others. This new plant will start operation in the 2nd semester of 2008.

In the mining area, a new bauxite beneficiation plant is in the completion phase in the municipality of Miraf - State of Minas Gerais; it will start operations in the 1st semester of 2008, increasing the installed ore production capacity. In the north region of Pará, the Company continues to do mining research in the municipality of Paragominas, with the objective of measuring, evaluating and exploring the bauxite reserves in that location.

Concomitantly to the growth of the production capacity of primary aluminum and of its bauxite reserves, the Company acquired River Verdinho Energy S/A, ANEEL approved the transfer in October 2007, being that the construction work is under way, with forecast for completion in December 2009. In addition to this investment, a participation of 60% in the enterprise consortium Salto do Pilão (located in Santa Catarina) is in the process of being transferred to CBA, established for the hydroelectric exploitation in the Itajaí-Açu river, with forecast for completion in the 2nd semester of 2009. The aim of these investments, together with all other investments already made in power generation by the Company, is to maintain its current level of 70% of Company-generated energy.

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Explanatory notes from Management on the Financial Statements as of December 31st, 2007 and 2006

In thousand Reais, unless otherwise indicated.

2 Presentation of the financial statements and significant accounting practices

The financial statements were prepared and are presented in conformity with the generally accepted accounting practices adopted in Brazil, based on the provisions contained in the Brazilian Corporate Law.

In the elaboration of financial statements, it is necessary to use estimates to record certain assets, liabilities and other transactions. Therefore, the Company's financial demonstrations include a number of estimates referring to the selection of the useful life of the fixed assets, the necessary provisions for losses in accounts receivable, contingent liabilities and others. The real results may present variations concerning the estimates.

The financial statements of the previous fiscal year were reclassified in some items to adjust them to the financial statements of this fiscal year.

(a) Determination of results

The results of operations are determined on the accrual basis. The income is recognized at the time of product delivery, considering that risks and benefits are then transferred to the buyer. The provision for income tax is constituted by the addition of the amount of tax incentives. The deferred taxes were recognized considering the effective income tax and social contribution on the temporary differences, to the extent of their probable realization.

(b) Current assets and long-term receivables

The financial applications are stated considering the financial income earned up to December 31st of each year. The shares of investment funds are stated at their realization value, based on the share value available on the last business day prior to the preparation of the balance sheet.

The provision for losses bad debt is calculated based on the losses deemed as probable, the amount of which is considered by the management to be sufficient to cover expected losses in the realization of the accounts receivable.

The inventories are stated at the average purchases or production cost, lower than the cost of replacement or realization value, deduced from the provision for losses in the realization. The imports under way are stated at their specific incurred costs.

All other assets are stated at cost or realization value, including, if applicable, all incomes, the exchange rates variations and monetary variations earned.

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Explanatory notes from Management on the Financial Statements as of December 31st, 2007 and 2006

In thousand Reais, unless otherwise indicated.

(c) Permanent assets

Stated at their monetarily corrected cost up to December 31st, 1995, combined with the following aspects:

- , Equity interests in controlled and affiliated companies evaluated by the equivalent net worth method, aggregated by premium paid in the acquisition of investments, as explained in Note 8. Other investments are stated at their monetarily corrected cost of acquisition.
- , Amortization of premium paid in the acquisition of investments up to ten years based on expected future profitability.
- , The revaluation of assets originating from consolidated companies, stated based on evaluations made by independent experts.
- , Depreciation of the fixed assets, calculated by the straight-line method, at the rates mentioned in Note 9, which take into account the estimated useful life of such assets and, if applicable, the corrected cost of the asset is deducted from the provision at the recovery value, taking into account the expected amount to be recovered through the future use of such asset in the Company's operations.
- , Amortization of deferred asset, calculated by the straight-line method, over a period of up to five years, counted from the date when the benefits will start to be generated.
- , Depletion of ore deposits, calculated based on the ratio between the effective production and the estimated capacity.

(d) Current liabilities and long-term liabilities

These are stated at their known or computable values aggregated, if applicable, by the corresponding encumbrances, exchange rate variations and incurred monetary variations.

(e) Income tax and social contribution

The social contribution and income tax comprise the incurred tax. The incurred tax is calculated over the taxable income in the fiscal year, used the applicable tax rates in effect at the dates of the balance sheet preparation, namely:

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In thousand Reais, unless otherwise indicated.

(i) Income tax - calculated at the rate of 25% (15% over the taxable income, increased by the additional rate of 10%) and (ii) social contribution - calculated at the rate of 9% over the adjusted accounting profit.

Income tax and social contribution on deferred assets are constituted up to the limit of probable taxable income occurring in the future, against which taxes will be assessed.

(f) Alterations in the Brazilian Corporate Law

Relevance of the alterations produced

By Law # 11,638/07

Law # 11,638/07 was decreed on December 28th, 2007. It changes certain dispositions in the Brazilian Corporate Law (Law # 6,404, of December 15th, 1976), In general, the new Law allows the harmonization of accounting practices adopted in Brazil with the international accounting standards derived from the rules issued by the International Accounting Standards Board.

The management is analyzing the impacts of the alterations introduced by this new Law, referring mainly to the elaboration of the cash flow statements and added value, to the creation of new sub-groups of accounts, introduction of new criteria for classification and evaluation of financial instruments and the concept of adjustment to the present value for the active and passive operations in the long run and for those relevant in the short run. The possible impacts of the alterations introduced by the new law will be known during 2008.

3 Marketable bonds and securities

| | <u>2007</u> | <u>2006</u> |
|---------------------------|------------------|------------------|
| Fixed income applications | | |
| Third parties | 177,310 | 299,987 |
| Related party (Note 7) | 1,094,298 | 941,663 |
| Others | <u>74,618</u> | <u>3,232</u> |
| | <u>1,346,226</u> | <u>1,244,882</u> |

The portfolio of investment funds is formed by 63% fixed interest funds (2006 - 93%), 29% multiportfolio funds (2006 - 0%) and 8% committed operations (2006 - 7%),

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Explanatory notes from Management on the Financial Statements as of December 31st, 2007 and 2006

In thousand Reais, unless otherwise indicated.

The fixed interest applications refer to shares in investment funds, remunerated by the variation of Interbank Deposit Certificates – IDC. In 2007, the average profitability of such funds was IDC plus spread.

4 Clients accounts receivable

| | <u>2007</u> | <u>2006</u> |
|--------------------|-----------------------|-----------------------|
| Local market | 223,465 | 245,925 |
| Overseas markets | <u>103,050</u> | <u>113,256</u> |
| | 326,515 | 359,181 |
| Bad debt allowance | <u>(654)</u> | <u>(253)</u> |
| | <u><u>325,861</u></u> | <u><u>358,928</u></u> |

5 Inventory

| | <u>2007</u> | <u>2006</u> |
|--------------------------------------|-----------------------|-----------------------|
| Finished products | 209,246 | 198,762 |
| Products in process | 198,452 | 159,506 |
| Raw materials | 60,049 | 35,515 |
| Storeroom | 74,953 | 51,942 |
| Imports in progress and others | 7,130 | 5,634 |
| Provision for inventory obsolescence | <u>(8,766)</u> | <u>(6,626)</u> |
| | <u><u>541,064</u></u> | <u><u>444,733</u></u> |

6 Recoverable taxes

| | <u>2007</u> | <u>2006</u> |
|---|-----------------------|-----------------------|
| State Sale and Service Tax - ICMS and Tax on Industrialized Products - IPI (*) | 233,137 | 182,446 |
| IR and CSLL anticipation | 39,522 | |
| Recoverable PIS and COFINS | <u>30,829</u> | <u>28,832</u> |
| | 303,488 | 211,278 |
| Current assets | <u>(124,536)</u> | <u>(69,375)</u> |
| Long-term receivables | <u><u>178,952</u></u> | <u><u>141,903</u></u> |

Companhia Brasileira de Alumínio

Explanatory notes from Management on the Financial Statements as of December 31st, 2007 and 2006

In thousand Reais, unless otherwise indicated.

(*) Includes ICMS credits resulting from purchase of goods intended for fixed assets in conformity with Complementary Law # 102/2000, R\$ 121,207 (2006 - R\$ 115,279) and recoverable ICMS balance of R\$ 109,419 (2006 - R\$ 67,167). The Company has a realization plan for the referred credits.

7 Related Parties

| | 2007 | | 2006 | |
|---|----------------|-------------------|----------------|-------------------|
| | Current assets | Income (expenses) | Current assets | Income (expenses) |
| Financial applications | | | | |
| Votorantim Asset Management DTVM Ltda. | 1,094,298 | 24,468 | 941,663 | 133,300 |
| Account receivable | | | | |
| Votorantrade N.V. | 38,028 | 371,467 | 18,954 | 381,154 |
| Others | 2,273 | 22,728 | 1,782 | 18,658 |
| | 40,301 | 394,195 | 20,736 | 399,812 |
| Other accounts receivable | | | | |
| Indústria e Comércio Metalúrgica Atlas S.A. | | | 7,889 | |
| Santa Cruz Geração de Energia S.A. | 11,982 | | 36,708 | |
| Others | 9,864 | | 18,590 | |
| | 21,846 | | 63,187 | |
| Advance for future capital increase | | | | |
| Rio Verdinho Energia S.A. | 11,478 | | | |
| VID - Votorantim Invest. Industriais S.A. | | | (10,101) | |
| Advance to customers | | | | |
| Affiliated companies | (348) | | (101) | |
| Suppliers | | | | |
| Indústria e Comércio Metalúrgica Atlas S.A. | (1,990) | (27,143) | (2,414) | (156,140) |
| Engemix S.A. | (963) | (7,854) | (884) | (12,956) |
| Machadinho Energética S.A. | (28,421) | (45,108) | (30,651) | (48,639) |
| Petrocoque S.A. Indústria e Comércio | (5,677) | (121,492) | (5,546) | (108,789) |
| BAESA - Energética Barra Grande S.A. | (99) | (34,354) | (8,404) | (48,337) |
| Companhia Nitro Química Brasileira | (798) | (27,001) | (448) | (22,829) |
| Votorantrade N.V. | | (177,016) | | |
| Others | (1,704) | (21,212) | (7,039) | (33,632) |
| | (39,652) | (461,180) | (55,386) | (431,322) |
| Interests on stockholders' equity | | | | |
| Votorantim Participações S.A. | (228,979) | | (228,979) | |
| Other accounts payable | | | | |
| FUNSEJEM | (7,384) | (4,215) | (8,758) | (3,697) |

Companhia Brasileira de Alumínio

Explanatory notes from Management on the Financial Statements as of December 31st, 2007 and 2006

In thousand Reais, unless otherwise indicated.

8 Investments

| | 2007 | | | | | | |
|---|---|-------------------------------|---|---|--|----------------|-----------------------------------|
| | Information from Controlled/affiliates | | | | | | |
| | Adjusted net Stockholders' Equity | Fiscal Year Result | Shares/Quotas Held - thousands | Equity Interest On other Companies - % | Equivalent Net Worth Result | Premium | Balance of Investments |
| Controlled companies | | | | | | | |
| CBA Overseas Trading CO Ltd, | 1,075 | (235) | 150 | 100.00 | (459) | | 1,075 |
| Santa Cruz Geração de Energia S.A. | 63,045 | 23,710 | 42,106 | 100.00 | 23,710 | | 63,045 |
| Indústria e Comércio Metalúrgica Atlas S.A. | 39,271 | 29,255 | 396,301 | 99.86 | 38,480 | | 39,218 |
| Mineração Zona da Mata Ltda. | 993 | | 1,000 | 100.00 | | 25,993 | 993 |
| Rio Verdinho Energia S.A. | 34,580 | | 5,787 | 100.00 | | 28,990 | 34,580 |
| Affiliates | | | | | | | |
| BAESA - Energética Barra Grande S.A. | 525,199 | 82,914 | 59,757 | 15.00 | 12,437 | 7,545 | 78,780 |
| Campos Novos Energia S.A. | 487,688 | 129,706 | 96,129 | 24.73 | 32,070 | 37,887 | 120,583 |
| Machadinho Energética S.A. | 355,598 | (1,797) | 112,600 | 33.14 | (625) | 16,652 | 117,828 |
| Mineração Rio do Norte S.A. | 591,012 | 432,143 | 60,000 | 10.00 | 43,727 | | 59,101 |
| Petrocoque S.A. Indústria e Comércio | 59,103 | 27,475 | 5,100 | 22.50 | 7,079 | 5,269 | 13,298 |
| Votorantim Energia Ltda. | 607,818 | 141,492 | 70,828 | 21.77 | 39,551 | | 132,322 |
| | | | | | | | 660,823 |
| Other investments, at cost | | | | | | | 100,500 |
| | | | | | <u>195,970</u> | <u>122,336</u> | <u>761,323</u> |
| | | | | | | | <u>883,659</u> |

Companhia Brasileira de Alumínio

Explanatory notes from Management on the Financial Statements as of December 31st, 2007 and 2006

In thousand Reais, unless otherwise indicated.

| | 2006 | | | | | | |
|---|---|--------------------------------|---|---|--|----------------|--------------------------------|
| | <u>Information from Controlled/affiliates</u> | | | | | | |
| | <u>Adjusted Net Stockholders' equity</u> | <u>Fiscal year results</u> | <u>Shares/quotas held - thousands</u> | <u>Equity Interest On other companies - %</u> | <u>Equivalent Net worth result</u> | <u>Premium</u> | <u>Investment balances</u> |
| Controlled companies | | | | | | | |
| CBA Overseas Trading CO Ltd, | 1,534 | (196) | 150 | 100.00 | (359) | | 1,534 |
| Companhia Luz e Força Santa Cruz | 83,168 | 22,293 | 371,744 | 99.99 | 15,670 | | |
| Santa Cruz Geração de Energia S.A. | 44,967 | | 42,102 | 100.00 | 37,800 | | 44,967 |
| Indústria e Comércio Metalúrgica Atlas S.A. | 3,943 | 44,173 | 396,301 | 99.86 | 11,471 | | 3,943 |
| Mineração Zona da Mata Ltda. | | | 1,000 | 100.00 | | 26,986 | |
| Affiliates | | | | | | | |
| BAESA - Energética Barra Grande S.A. | 443,072 | 51,082 | 59,757 | 15.00 | 7,662 | 9,334 | 66,461 |
| Campos Novos Energia S.A. | 388,787 | | 96,129 | 24.73 | | 40,594 | 96,129 |
| Machadinho Energética S.A. | 357,395 | 3,212 | 98,911 | 29.11 | 935 | | 104,038 |
| Mineração Rio do Norte S.A. | 584,885 | 340,808 | 60,000 | 10.00 | 34,567 | | 58,488 |
| Petrocoque S.A. Indústria e Comércio | 44,194 | 19,090 | 7,650 | 22.50 | (823) | 6,587 | 9,944 |
| Votorantim Energia Ltda. | 466,326 | 598,410 | 227,434 | 21.77 | 49,277 | | 101,519 |
| | | | | | | | 487,023 |
| Other investments, at cost | | | | | | | 89,851 |
| | | | | | <u>156,200</u> | <u>83,501</u> | <u>576,874</u> |
| | | | | | | | <u>660,375</u> |

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Financial Investments

| | CBA Overseas | Cia Luz e Força Sta. Cruz | Santa Cruz Geração S.A. | Indústria e Comércio Metalúrgica Atlas S.A. | Baesa Energética Barra Grande S.A. | Campos Novos Energia S.A. | MAESA - Machadinho Energética S.A. | Mineração Rio do Norte S.A. | Petrocoque S.A. Indústria e Comércio | Votorantim Energia Ltda. | Mineração Zona da Mata Ltda. | Rio Verdinho Energia S.A. | Total |
|---|--------------|---------------------------|-------------------------|---|------------------------------------|---------------------------|------------------------------------|-----------------------------|--------------------------------------|--------------------------|------------------------------|---------------------------|-----------|
| Financial | | | | | | | | | | | | | |
| Balance on December 31 st , 2005 | 1,893 | 89,231 | 53,686 | 34,692 | 68,197 | 118,046 | 103,103 | 57,897 | 8,229 | 88,812 | 8,756 | | 632,542 |
| Premium on participation acquisition | | | | | | 10,769 | | | 6,587 | | 18,230 | | 35,586 |
| Capital Increase | | | 2,604 | | | | | | | | | | 2,604 |
| Participation Acquisition | | | | | | 7,908 | | | 7,586 | | | | 15,494 |
| Alienation | | (104,901) | | | | | | | | | | | (104,901) |
| Dividends received and receivables | | | (49,123) | (42,220) | (64) | | | (33,976) | (5,048) | (36,570) | | | (167,001) |
| Adjust of Assets | (359) | 15,670 | 37,800 | 11,471 | 7,662 | | 935 | 34,567 | (823) | 49,277 | | | 156,200 |
| Balance on December 31 st , 2006 | 1,534 | | 44,967 | 3,943 | 75,795 | 136,723 | 104,038 | 58,488 | 16,531 | 101,519 | 26,986 | | 570,524 |
| Premium on participation acquisition | | | | | | | 18,358 | | | | | 28,990 | 47,348 |
| Amortization of premium/non-premium | | | | | (1,788) | (2,706) | (1,706) | | (1,318) | | | | (7,518) |
| Dividends received and receivables | | | (5,632) | (3,205) | (119) | (7,617) | | (43,114) | (3,725) | (8,748) | | | (72,160) |
| Acquisition | | | | | | | 14,415 | | | | | 34,580 | 48,995 |
| Adjust of Assets | (459) | | 23,710 | 38,480 | 12,437 | 32,070 | (625) | 43,727 | 7,079 | 39,551 | | | 195,970 |
| Balance on December 31 st , 2007 | 1,075 | | 63,045 | 39,218 | 86,325 | 158,470 | 134,480 | 59,101 | 18,567 | 132,322 | 26,986 | 63,570 | 783,159 |
| Balance Description | | | | | | | | | | | | | |
| Investment Value | 1,075 | | 63,045 | 39,218 | 78,780 | 120,583 | 117,828 | 59,101 | 13,298 | 132,322 | 993 | 34,580 | 660,823 |
| Premium value | | | | | 7,545 | 37,887 | 16,652 | | 5,269 | | 25,993 | 28,990 | 122,336 |
| Total | 1,075 | | 63,045 | 39,218 | 86,325 | 158,470 | 134,480 | 59,101 | 18,567 | 132,322 | 26,986 | 63,570 | 783,159 |

The financial statements of the following controlled and affiliated companies were examined by other independent auditors: Mineração Rio do Norte S.A., Petrocoque S.A. Indústria e Comércio, Machadinho Energética S.A. and Campos Novos Energia S.A.

The premiums arising from the equity acquisition of BAESA - Energética Barra Grande S.A., Campos Novos Energia S.A., Machadinho Energética S.A., and Rio Verdinho Energia S.A. are founded on expectations of future profitability arising from their grant agreements, being amortized over the duration of such agreements, starting from the date of commercial operation of these companies. The premium resulting from the measurement of ore content in the reserves of Mineração Zona da Mata Ltda. will be amortized over ten years, counting from the start of the exploitation process of the acquired areas,

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9 Property, Plant & Equipment

| | Deposit covered by prospecting decree | Land | Buildings | Machinery & equipment | Vehicles | Furniture & fixtures | Computer Hardware Equipments and Software | Total operating | Works in progress | Property, Plant & Equipments Total |
|--|---------------------------------------|---------------|----------------|-----------------------|---------------|----------------------|---|------------------|-------------------|------------------------------------|
| Balance on December 31 st , 2005 | 169,464 | 77,161 | 440,143 | 1,285,200 | 22,116 | 3,239 | 11,905 | 2,009,228 | 352,417 | 2,361,645 |
| Acquisition | 839 | | 126,508 | 97,634 | 705 | 43 | 9,524 | 235,253 | 644,273 | 879,526 |
| Retirements | | (857) | (108) | (5,821) | (284) | (161) | (755) | (7,986) | | (7,986) |
| Transfer works in progress | | | 69,728 | 248,833 | 1,891 | 1,235 | | 321,687 | (321,687) | |
| Depreciation/depletion/amortization | (10,721) | | (54,294) | (296,065) | (8,664) | (440) | (10,802) | (380,986) | | (380,986) |
| Balance on December 31st, 2006 | 159,582 | 76,304 | 581,977 | 1,329,781 | 15,764 | 3,916 | 9,872 | 2,177,196 | 675,003 | 2,852,199 |
| Total cost | 170,574 | 76,304 | 925,177 | 2,875,911 | 54,552 | 7,780 | 24,030 | 4,134,328 | 675,003 | 4,809,331 |
| Accrued depreciation | (10,992) | | (343,200) | (1,546,130) | (38,788) | (3,864) | (14,158) | (1,957,132) | | (1,957,132) |
| Residual value | 159,582 | 76,304 | 581,977 | 1,329,781 | 15,764 | 3,916 | 9,872 | 2,177,196 | 675,003 | 2,852,199 |
| Balance on December 31 st , 2006 | 159,582 | 76,304 | 581,977 | 1,329,781 | 15,764 | 3,916 | 9,872 | 2,177,196 | 675,003 | 2,852,199 |
| Acquisition | | 11,196 | 125,181 | 254,861 | 8,491 | 1,040 | 442 | 401,211 | 482,889 | 884,100 |
| Retirements | | (5,497) | (123,065) | (155,547) | (5,636) | (533) | (842) | (291,120) | | (291,120) |
| Transfer to assets for sale | | | | | | | | | | |
| Transfer works in progress | | | 129,652 | 199,090 | 2,915 | 12 | | 331,669 | (331,669) | |
| Depreciation/depletion/amortization | (1,783) | | (32,569) | (400,229) | (4,268) | (528) | (1,936) | (441,313) | | (441,313) |
| Balance on December 31st, 2007 | 157,799 | 82,003 | 681,176 | 1,227,956 | 17,266 | 3,907 | 7,536 | 2,177,643 | 826,223 | 3,003,866 |
| Total cost | 170,574 | 82,003 | 1,056,945 | 3,174,315 | 60,322 | 8,299 | 23,630 | 4,576,088 | 826,223 | 5,402,311 |
| Accrued depreciation | (12,775) | | (375,769) | (1,946,359) | (43,056) | (4,392) | (16,094) | (2,398,445) | | (2,398,445) |
| Residual value | 157,799 | 82,003 | 681,176 | 1,227,956 | 17,266 | 3,907 | 7,536 | 2,177,643 | 826,223 | 3,003,866 |
| Annual taxes of depreciation - % | * | | 4 | 20 | 25 | 10 | 20 | | | |

[P1] Comentário: Arrumar a quebra de página e indicar nesta " 8 – Imobilizado (continuação) "

* calculated based on the ratio between effective production and estimated capacity.

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The fixed assets, on December 31st of 2007 and 2006 include investments for construction of hydroelectric plant amounting to R\$ 63,922, whose environmental licenses are pending approval and clearance, According to the Company management, the operations to exploit the electric energy of these units will begin in the medium run.

10 Deferred

| | <u>2007</u> | | <u>2006</u> | Annual | |
|--------------------------|------------------|---------------------|----------------|---------------------|----|
| | Corrected | Accrued | | Amortization | |
| | cost | amortization | Balance | rates | |
| | | | | - % | |
| Pre-operational expenses | <u>184,925</u> | <u>(85,965)</u> | <u>98,960</u> | <u>102,668</u> | 20 |

The deferred assets on December 31st of 2007 and 2006 include investments in pre-operational expenses for the construction of hydroelectric power plants amounting to R\$ 17,007, whose environmental licenses are pending approval and clearance. According to the Company management, the operations to exploit the electric energy of these units will begin in the medium run.

The pre-operational expenses are represented by administrative and conservation expenses during the construction phase of the hydroelectric power plants.

11 Income tax and social contribution

(a) Deferred taxes on temporary differences

The deferred income tax and social contribution, recorded in the long-term receivables, were calculated at their nominal realization rates over the following items:

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| | <u>2007</u> | <u>2006</u> |
|-----------------------------------|---------------|---------------|
| Provision for | | |
| Contingencies | 2,749 | 3,205 |
| Losses on credit receivable | 107 | 19 |
| Pension plan - FUNSEJEM | 2,510 | 2,978 |
| Fiscal incentive losses | 1,580 | 1,580 |
| Inventory and fixed asset losses | 2,980 | 3,632 |
| Electric Energy charges - ECE (*) | 12,105 | 12,099 |
| Others | 6,245 | 7,585 |
| | <u>28,276</u> | <u>31,098</u> |

(*) Emergency Capacity Charge - ECE,

(b) Reconciliation of income tax and social contribution expenses

The conciliation between income tax and social contribution, nominal and effective can be demonstrated as follows:

| | <u>2007</u> | <u>2006</u> |
|--|------------------|------------------|
| Profit before income tax and social contribution | 948,658 | 1,114,722 |
| Nominal rate - % | <u>34</u> | <u>34</u> |
| Income Tax and social contribution at nominal rate | (322,543) | (379,005) |
| Reconciliation | | |
| Tax on stockholders' equity interest | 91,800 | 91,800 |
| Equivalent net worth | 66,629 | 53,108 |
| Portion of non-taxable income | 10,293 | 13,330 |
| Income tax reduction by incentives | 2,835 | 3,733 |
| Dividends received | 1,857 | 2,010 |
| Others | <u>(6,308)</u> | <u>(7,214)</u> |
| Income tax and social contribution expenses | <u>(155,437)</u> | <u>(222,238)</u> |
| Effective Income tax and contribution rate- % | <u>16</u> | <u>20</u> |

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The expectation of the Company management is that the deferred tax credits resulting from the temporary differences will be redeemed no later than 2011, however, is not possible to estimate with reasonable accuracy as to the fiscal year when such temporary differences will be redeemed, since part of them is subject to the judicial sentences.

12 Financings

| Modality/purpose | Annual financial Charges incurred | 2007 | | 2006 | |
|--|-----------------------------------|----------------|----------------|----------------|----------------|
| | | Current | Long term | Current | Long term |
| Pre-payment of exports | US\$ + LIBOR + spread | | | 87,007 | |
| Advances on contracts exchange | US\$ + spread | 201,291 | | 716 | |
| Permanent asset acquisitions of fixed assets | | | | | |
| BNDES UHE Canoas I e II | TJLP + spread | 13,101 | 18,407 | 13,121 | 31,285 |
| BNDES UHE Pirajú | TJLP + spread | 10,152 | 10,933 | 10,681 | 21,991 |
| BNDES Expansão Industrial | TJLP + spread | <u>169,082</u> | <u>488,929</u> | <u>95,422</u> | <u>610,373</u> |
| | | <u>393,626</u> | <u>518,269</u> | <u>206,947</u> | <u>663,649</u> |

The average spread of financings in foreign currencies is 0, 73% per annum (2006 – 1, 84% per annum) and those in local currency is 4, 21% per annum (2006 – 4, 11% per annum),

| | 2007 | 2006 |
|--------------------------------|----------------|----------------|
| Maturity of long-term trenches | | |
| 2008 | | 167,925 |
| 2009 | 187,201 | 178,057 |
| 2010 | 136,383 | 132,596 |
| 2011 | 119,481 | 112,046 |
| 2012 onwards | <u>75,204</u> | <u>73,025</u> |
| | <u>518,269</u> | <u>663,649</u> |

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The obligations to BNDES are guaranteed by surety letters from the controlling company Votorantim Participações S.A. and by the assets object of the financing.

Restrictive clauses

The financing agreements with the National Economic and Social Development Bank - BNDES tied in with the acquisition of fixed assets contain restrictive clauses related to (i) change in the direction of the investments to other non-approved agreements, (ii) sale of the Company, or any operation of incorporation, split-up, merger that indicates the deviation of the funds to other activities, (iii) sale of the financed asset, (IV) the failure to use the mount of money in the construction for a minimum period after being cleared and (v) commercial negotiation on closing the market made with competitors preventing the Company from growing. The Company management is complying with such restrictive clauses.

13 Other assumed commitments

(a) Granted guaranties

The Company is the guarantor of loan agreements entered into by invested and affiliated companies, as demonstrated to below:

| | <u>2007</u> | <u>2006</u> |
|--|--------------------------|--------------------------|
| Campos Novos Energia S.A. Intervening in loan agreements with BNDES | 1,080,496 | 1,080,496 |
| BAESA - Energética Barra Grande S.A. Intervening in loan agreements with BNDES | 300,000 | 300,000 |
| Votorantim Metais Zinco S.A. Intervening in loan agreements with BNDES ANEEL grant agreement | 112,000 | 112,000 4,560 |
| Machadinho Energética S.A. Intervening in loan agreements with BNDES Surety letter to BNDES | 76,200 <u>402,000</u> | 76,200 <u>402,000</u> |
| | <u>1,970,696</u> | <u>1,975,256</u> |

(b) Bank sureties

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The Company has bank surety agreements granted to third parties as a result of commercial operations, as demonstrated to follow:

| Description | 2007 | 2006 |
|---|--------|--------|
| Commercial Operation with third parties | 82,529 | 53,981 |

(c) Commitments

The Company holds an electric energy purchase contract with a CESP – Companhia Energética de São Paulo, for 400 mW, where the established minimum consumption in the contract is of 137 mW until 2015.

14 Contingencies

On the dates of the financial statements, the Company recorded the following liabilities and the corresponding judicial deposits related to contingencies:

| | Judicial Deposits | | Provision for contingencies | |
|-----------------------------|-------------------|-------|-----------------------------|-------|
| | 2007 | 2006 | 2007 | 2006 |
| Tax contingencies | | | 478 | 148 |
| Environmental contingencies | | | | 79 |
| Labor and contingencies | | | | |
| social security | 678 | 806 | 3,122 | 4,473 |
| Civil claims | 1,409 | 957 | 4,485 | 4,726 |
| | 2,087 | 1,763 | 8,085 | 9,426 |

The provision transaction is demonstrated below:

| | Environmental and tax | Labor | Civil | Total |
|---|--------------------------|---------|---------|---------|
| Balance on December 31 st , 2006 | 227 | 4,473 | 4,726 | 9,426 |
| Reversals | 330 | (405) | (135) | (210) |
| Additions | | 280 | 1,204 | 1,484 |
| Retirements | (79) | (1,226) | (1,310) | (2,615) |
| Balance on December 31 st , 2007 | 478 | 3,122 | 4,485 | 8,085 |

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The Company is party in legal suits and administrative proceedings, arising out of the normal course of its operations, involving tax and labor issues, and civil aspects, for which it constituted a provision for contingencies, based on the information of the legal advisors on the probability of success in such suits and assessment of the relevance of all the involved amounts. The constituted provision for contingencies, substantially represented by labor and civil proceedings, accounted for better estimates of values in the cases where outside and house lawyers understand that there are expected losses, a portion of some of the lawsuits being secured by pledged assets or judicial deposits.

Possible losses

The Company faces law suits of tax, civil, labor, and environmental nature amounting to R\$ 59,813 (2006 - R\$ 64,268), R\$ 1,877 (2006 - R\$ 8,752), R\$ 480 (2006 - R\$ 557) and R\$ 25,084 (2006 - R\$ 24,964), respectively, involving risks of loss classified by the Company management and its legal advisors as being possible, for which it no provision has been constituted.

15 Stockholders' Equity

(a) Capital stock

The capital stock, fully subscribed and paid up on December 31st of 2007 is represented by 825,723,896 (2006 – 767,409,053) common shares, nominative and without par value, held by the stockholders domiciled in the country, The stockholders are assured the right to receive, as mandatory dividend, an amount equivalent to 10% of the net profits declared as required by the law.

In an Ordinary and Extraordinary General Meeting, held on June 29th, 2007, the shareholders approved a capital increase from R\$ 3,012,785 to R\$ 3,241,724 by means of capitalizing interests on stockholders' equity related to the fiscal year of 2006.

(b) Interests on stockholders' equity and dividends

The Company is proposing the payment of R\$ 270,000 by way of interests on stockholders' equity, imputable to mandatory year-end dividend, to be authorized by the Ordinary General Meeting - AGO, the aggregate amounts of which will exceed the minimum mandatory dividend.

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The value of the mentioned interests was posted under the heading "Financial Expenses", as determined by the tax legislation. For purposes of the financial statement presentation, the interests on stockholders' equity have been reverted from the "Financial Expenses" account to the "Accrued Profits" account.

Once the statutory provisions are met, the balance of accrued profits on December 31st of 2007, amounting to R\$ 1,542,702 remains at the disposal of the AGO.

16 Defined contribution Private pension plan

(a) Regular retirement plan

In July of 2001, the Company joined the FUNSEJEM - Senador Jose Ermírio de Moraes Foundation, a closed, non-profit, private pension fund, offering the opportunity of participation to all the employees of the companies of the Votorantim Group. In the terms of the fund regulation, the Company equals the contributions of the employees to FUNSEJEM according to the level of remuneration of the employee. For employees with compensation below a given amount, the Company equals the contributions that represent up to 1,5% of the employee's monthly remuneration. For employees with compensation greater than a given amount, the Company equals the contributions of the employee that represent up to 6% of the employee's monthly remuneration. Voluntary contributions to the FUNSEJEM can also be made. The contributions by the Company in 2007 totaled R\$ 4,215 (2006 - R\$ 3,697).

(b) Special retirement plan

Additionally, the Company assumed in July of 2001, by way of special contribution, the cost of past services corresponding to 6% over the base salary, multiplied by the number of years of continuous services by certain participants who had met the conditions set forth in the plan regulations, namely (i) ten years of continuous services, minimum, (ii) the sum of the employee's age with the number of years of continuous service equal to or greater than 55 years and (iii) applicable salary equal to or greater than 15 times the value of the Aluminum Reference Unit – URA.

On 31st December of 2007, the constituted provision amounted to R\$ 7,384 (2006 - R\$ 8,758). Such amounts are paid on a monthly basis to FUNSEJEM, together with the regular contributions to the defined contribution plan. In 2007, they totaled R\$ 745 (2006 - R\$ 839). In 2007, the Company effected payments to FUNSEJEM amounting to R\$ 1,913 (2006 - R\$

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1,305) in relation to participants who had left and were over 53 years of age, becoming eligible for the redemption.

17 Non-operational net results

In 2006 the non-operational result is substantially represented by the capital gain on equity interests from the alienation of Companhia Luz e Força Santa Cruz for the amount of R\$ 118,534.

18 Insurance coverage

The Company, based on cost-benefit considerations, holds no insurance coverage against possible claims on its own fixed assets. This policy was implemented by the management and mutually agreed with the stockholders, as the Company has no track record of significant asset losses. In turn, the Company holds insurance policies on the materials stocked in its branches, as well as on the materials transported to the customers and between branches.

19 Financial instruments

The Company evaluated its assets and liabilities with respect to their market/realization values, by means of available information and evaluation methodologies established by the management. However, both the interpretation of the market data and the selection of evaluation methods require a considerable amount of judgment and reasonable estimates in order to produce the most adequate realization value. Consequently, the estimates presented do not necessarily indicate the amounts capable of being realized in the current market. The use of different market assumptions and/or methodologies for such estimates can have a material effect on the estimated realization values.

Valuation of the financial instruments

The key financial instruments for the Company's assets and liabilities on December 31st of 2007 are described below, as well as their valuation/evaluation criteria.

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(a) Cash and banks, financial applications, accounts receivable, other circulating assets and accounts payable

The values recorded under availabilities, accounts receivable, other circulating assets, accounts payable and miscellaneous provisions will come close to the realization value of their corresponding assets.

The financial applications, substantially represented by quotas of investment funds, are recorded at their realization value, obtained by the value of the last available quota.

(b) Investments

The investments are stated either by the net worth method or by their corrected cost, and consist of controlled and affiliated companies, which have strategic interests to the Company operations. The Company does not intend to alienate such investments in the short run.

(c) Financings

Subject to interests at the usual market rates, as described in Note 12. The estimated market value was calculated based on the present value of the future cash disbursements, using interest rates that are available to the Company for issuing debts with similar maturities and terms.

(d) Credit Risks

The Company sales policy is intimately associated with the level of credit risk that the Company is willing to take in the course of its business. The diversification of its portfolio of receivables, the selectivity of its clients, as well as the follow-up of the sales financing terms per business segment and individual position limits, are procedures adopted in order to minimize eventual default problems in its accounts receivable.

(e) Derivative instruments

On December 31st, 2007 and 2006, the Company did not have any operations involving derivative instruments.

* * *