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Governs the preparation and disclosure of consolidated financial statements in accordance with International Financial Reporting Standards – IFRS, issued by the International Accounting Standards Board – IASB.

THE CHAIRMAN OF THE SECURITIES COMMISSION OF BRAZIL – CVM announces that the Board of Commissioners, in a meeting held on July 11, 2007, and in view of the sole paragraph of article 249 of Law 6,404 dated December 15, 1976, and of sub-paragraphs I, II and IV of sole paragraph 1 of article 22 of Law 6,385 dated December 7, 1976, decided to issue the following Instruction:

CONSIDERING:

a) the importance and the need that the Brazilian accounting practices be convergent with international accounting practices, be it due to the increase of transparency and trustworthiness in our financial information, or in order to allow the access of national companies to foreign financing sources at a lower cost;
b) the efforts of the CVM, since the last decade, to make this convergence possible, either by enhancing its own standards or by submitting a draft law project to the Executive (known today as PL 3741/2000);

c) that the markets and regulators in other countries and communities of nations, committed to this process, are persistently trying to develop mechanisms restraining the access of those countries that have not yet adopted or are not committed to the adoption of IFRS; and

d) that it is essential to explore alternatives to accelerate this convergence process, though by imposing neither unreasonable costs without adequate benefits nor an overambitious agenda on public companies.

**DECIDED:**

Article 1. Public companies shall, starting from reporting periods ending in **2010**, present their consolidated financial statements according to International Financial Reporting Standards – IFRS, as issued by the International Accounting Standards Board – IASB.

Sole paragraph. The provisions set forth in the **caput** of this article shall also be applied to the consolidated financial statements of the previous fiscal year presented for comparison purposes.

Article 2. Until the reporting period ending in **2009**, public companies may, optionally, present their consolidated financial statements in accordance with IFRS as issued by IASB, in lieu of Brazilian accounting standards.

Paragraph 1. As a result of adopting the option referred to in this article, and in addition to the provisions set forth by article 31 of CVM Instruction 247, the explanatory notes to the consolidated financial statements shall include a reconciliation illustrating the effects of events that produced differences between the amounts of shareholders’ equity and of profit or loss of the parent company, comparing such amounts with those of the consolidated equity and of profit or loss.

Paragraph 2. Public companies that adopt the optional procedure referred to in this article are not obliged to present, for comparison purposes, the consolidated financial statements of the previous reporting period prepared under the Brazilian accounting standards.

Article 3. When adopting this Instruction for the first time, public companies and their subsidiaries included in the consolidation shall utilize, on the opening balance sheet, the information that was disclosed in the audited financial statements (prepared in accordance with IASB standards since the first presentation) used to register with a foreign market or with São Paulo Stock Exchange – Bovespa’s Novo Mercado.

Article 4. Independent auditors shall issue their opinion about the consolidated financial statements prepared according to IFRS, as well as about the explanatory note referred to in the sole paragraph of art. 2.

Article 5. This Instruction becomes effective on the date of its publication in the Federal Official Journal.

Original signed by

**MARCELO FERNANDEZ TRINDADE**

Chairman