



Second Quarter 2005

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Highlights

- ✓ New cycle of growth began with Veracel (JV) start-up in May/05, generating total pulp production of 59,900 tons by the end of June/05.
- ✓ Record pulp production of 678,000 tons, including 50% of Veracel's production, 7% higher than in the same period of the previous year.
- ✓ Record EBITDA^(*) of US\$175 million, 17% higher than in the same period of the previous year. The EBITDA^(*) margin was 54%, 3 p.p. higher than in the 2Q04.
- ✓ Pulp sales volume of 615,000 tons, including 50% of Veracel's sales, 6% higher than in the second quarter of the previous year.
- ✓ Net income in the quarter was US\$56.4 million, or US\$0.55 per ADR.
- ✓ Record net revenue of US\$325 million, 12% higher than in the same period of the previous year.

(JV) = joint venture

Aracruz – Summary	Unit	2Q05	2Q04	% YoY	1H05	1H04	% YoY
Net revenue	US\$ million	325.0	291.2	12%	621.8	546.5	14%
EBITDA (*)	US\$ million	175.5	149.8	17%	331.4	276.7	20%
EBITDA Margin (*)	Percentage	54%	51%	3 p.p.	53%	51%	2 p.p.
Net Income	US\$ million	56.4	88.3	(36%)	126.7	135.5	(6%)
Earnings per ADR	US\$ per ADR	0.55	0.86	(36%)	1.23	1.31	(6%)
Pulp sales volume (including 50% of Veracel)	Tons	615,000	579,000	6%	1,208,000	1,120,000	8%
Paper sales volume	Tons	13,000	12,000	8%	28,000	24,000	17%
Pulp production volume (including 50% of Veracel)	Tons	678,000	631,000	7%	1,339,000	1,259,000	6%

(*) Adjusted for other non-cash items

Note: 2Q2004 EBITDA information reclassified, see additional information on page 13.

Aracruz Celulose S.A. (NYSE: ARA) presents its consolidated second quarter 2005 results, according to US GAAP and stated in US dollars. The Company uses the equity method of accounting for Veracel Celulose S.A. in which it owns 50% stake.

Release available at: <http://www.aracruz.com.br>

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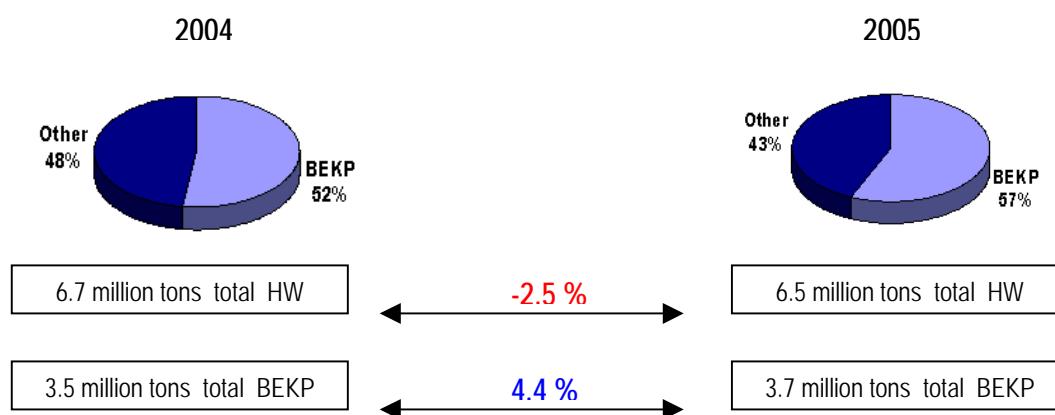
Conference Call: The management would like to invite you to participate in its 2Q2005 results conference call: July 11, 2005 - 12:00 p.m. (New York time). To join us, please dial: (1-973) 935-2100 Code: 6216013. The call will also be web cast on Aracruz's website www.aracruz.com.br

Global Pulp Market Update

The pulp and paper market continued its overall positive trend in the 2nd quarter. North America and Asia (China) were the markets that contributed most to this growth, due to the strength of their economies.

Paper demand in Western Europe, principally for coated woodfree grades, grew 1.4% and 5.7%, respectively, during April and May, in comparison with the same months last year.

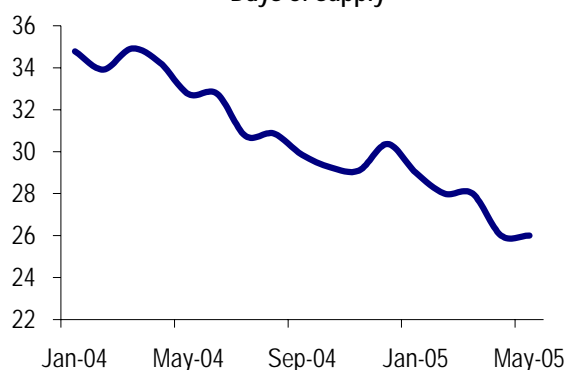
HARDWOOD MARKET SHARE Total shipments - 5 months



Source: PPC and Aracruz

Fallout from the storm in southern Sweden has continued to be felt throughout the quarter, mainly in hardwood (HW), due to the reduction in supply. Eucalyptus pulp (BEKP) shipments have grown 4.4% in the first five months, compared to 2004, and inventories in both producers' and buyers' hands are below normal levels. The main event during the quarter was undoubtedly the strike in Finland, which lasted for 7 weeks. We firmly believe that the full impact of the strike is still to be seen, and will most likely manifest itself during the third quarter.

W. European Paper Producers HW Stocks Days of supply



Source: Utipulp and Aracruz

Despite the pressure on hardwood pulp prices that started to be felt in the market towards the end of the second quarter, mainly led by the price differentials between softwood and hardwood grades, we continue to be optimistic regarding the development of the market in the short to medium term.

Such optimism is based on the limited new capacity coming on-stream; additional demand for pulp from other sources, related to the Finnish strike; increased paper demand; low inventories; unplanned downtime in Chile and Indonesia and maintenance downtime (Aracruz has brought forward its annual downtime at the Barra do Riacho mills from November to August).

Bearing all this in mind, we see no reason why the market would be unbalanced in the coming months, and this supports a positive demand scenario for market pulp.

Production and Sales

Aracruz pulp production totaled 648,000 tons in the second quarter of 2005, compared to 631,000 tons in the same period of the previous year. This quarter, saw the production start-up, in May/05, of **Veracel Celulose S.A.** (50% owned by Aracruz), which generated a total output of 59,900 tons of pulp.

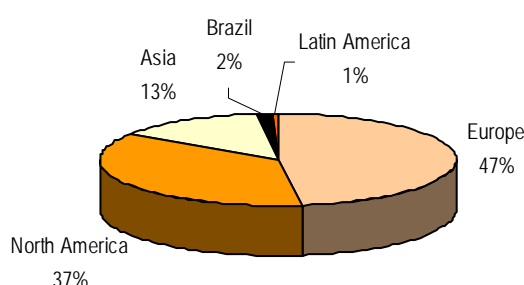
At the Guaiba unit, **paper production** in the quarter totaled 13,000 tons, consuming approximately 11,000 tons of the pulp produced. Paper inventories were at 1,000 tons at the end of June 2005 and **paper sales** in the second quarter of 2005 totaled 13,000 tons.

Aracruz pulp sales reached 608,000 tons in the second quarter, compared to 579,000 tons in the same period of the previous year. In the quarter, the **Veracel Celulose S.A.** (50% owned by Aracruz) sold 21,662 tons of pulp (7,000 tons to Aracruz and 14,662 to non-affiliated parties)

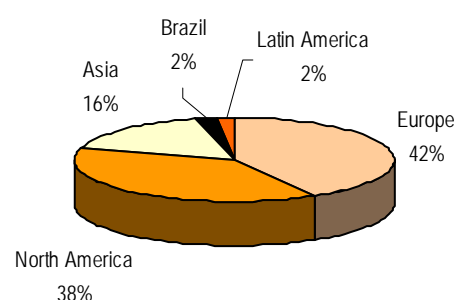
At the end of June, **inventories** attained 371,000 tons, or 48 days of production, compared to 335,000 tons, or 48 days, at the end of March 2005. If we were to consider 50% of the Veracel inventory, the inventory level at the end of June/05 would be 50 days, (calculation of inventory in the 2Q2005 considers a daily production capacity of 7,733 tons, including the impact of Veracel).

Pulp sales volume distribution by region

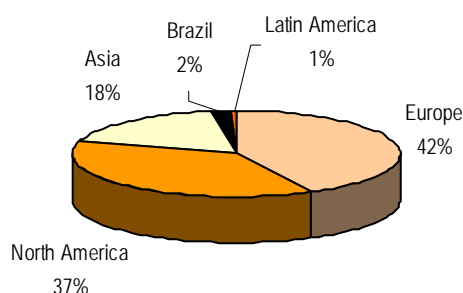
Second Quarter 2005



Second Quarter 2004



Last 12 months



Income Statement 2Q05

The **average list pulp price** in the quarter was \$609/ton, compared to \$563/ton in the same period of last year also higher than the average list price, of \$565/ton, in the first quarter of 2005.

Total net operating revenue totaled \$325.0 million, \$33.8 million higher than in the same period of the previous year.

Net paper operating revenue amounted to \$11.0 million in the quarter, \$2.3 million higher than in the same period of the previous year.

Net pulp operating revenue during the quarter amounted to \$314.0 million, compared to \$280.4 million in the same period of the previous year. Revenue increased as a result of the 5% larger sales volume and 7% higher net prices.

The **total cost of sales**, which includes inland freight, ocean freight and insurance, was \$178.5 million in the second quarter of 2005, compared to \$168.6 million in the same period of the previous year.

The **pulp production cost** in the quarter was \$244/ton, compared to \$223/ton in the same period of 2004. The **cash production cost** (net of depreciation and depletion) in the quarter was \$164/ton, compared to \$146/ton in the same period of the previous year (see table below).

Cash Production Cost	US\$ per ton
2Q04	146
Wood cost - (lower purchased wood volume and cost)	(12)
Lower specific consumption of raw materials	(3)
Brazilian currency appreciation against the US dollar	22
Higher maintenance costs	5
Higher raw material costs	4
Other	2
2Q05	164

Note: see reconciliation to GAAP numbers on page 19.

Currently, approximately 70% of the company's cash production cost is correlated to the local currency (R\$). The average exchange rate in the second quarter was R\$2.4771 per US\$1.00, against R\$3.0455 per US\$1.00 in the same period of 2004, representing a 18.7% appreciation of the real against the US dollar.

The **cash production cost** in the second quarter of 2005 was \$164/ton, compared to \$151/ton in the first quarter of 2005, mainly as a result of the \$9/ton negative impact of additional appreciation of the real against the dollar, \$3/ton from higher maintenance costs, \$4/ton of higher specific consumption and \$3/ton of higher prices of raw materials, partially offset by the \$8/ton positive impact of lower wood costs basically due to a reduction in the wood purchases volume, in favor of greater use of company-produced wood. (Note: see reconciliation to GAAP numbers on page 19.)

Sales and distribution expenses were \$15.4 million, \$2.7 million higher than in the same period of last year, mainly due to higher sales volume and higher terminal expenses mainly due to changes in the geographical sales mix.

Administrative expenses were \$7.0 million, \$1.4 million lower than in the same period of 2004, mainly due to lower service expenses, partially offset by the appreciation of the real against the dollar.

Other net operating expenses amounted to \$11.0 million, \$4.0 million higher than in the same period of the previous year, mainly due to a higher provision for fines relating to tax contingencies of \$3.3 million.

The sum of **financial and currency re-measurement results** in the quarter showed a net income of \$21.4 million, compared to a net expense of \$13.8 million in the same period of the previous year (see chart below).

(US\$ million)	2Q05	2Q04
Financial Expenses	44.5	29.0
Interest on financing	24.9	22.9
Taxes (PIS/COFINS and CPMF)	1.4	3.2
Interest on fiscal contingency provisions	17.7	3.1
Other	0.5	(0.2)
Financial Income	(46.0)	(7.0)
Currency re-measurement	(19.9)	(8.2)
Total	(21.4)	13.8

The increase in "Interest on Financing" resulted from a 3% larger average debt balance and higher floating interest rates based on LIBOR.

The increase in "Interest on fiscal contingency provisions" resulted from an additional provision relating to legal disputes regarding the deductibility of certain fiscal losses.

The improvement in "Financial Income" was mainly due to a 64% greater average cash balance and hedging transactions against the local currency (R\$), which are designed to cover also Aracruz' s exposure through its 50% equity interest in Veracel's currency exposure.

During the quarter, the local currency appreciated 11.8% against the US dollar, compared to a depreciation of 6.8% in the same period of the previous year. The closing exchange rate on June 30, 2005 was R\$2.3504 per US dollar.

The **equity result** showed a loss of \$30.2 million, \$0.4 million from Aracruz Produtos de Madeira S.A. and \$29.8 million from Veracel, mainly as a result of the negative impact of the appreciation of the real against the dollar on its financial statements, in the second quarter of 2005.

The company has a 50% controlling stake in Veracel (see "**Veracel Information**" section for more details).

Income tax and social contribution in the quarter amounted to an expense of \$48.0 million, against a credit of \$5.5 million in the same period of the previous year, and represented a tax expense of 46% on profit before income taxes in the current quarter.

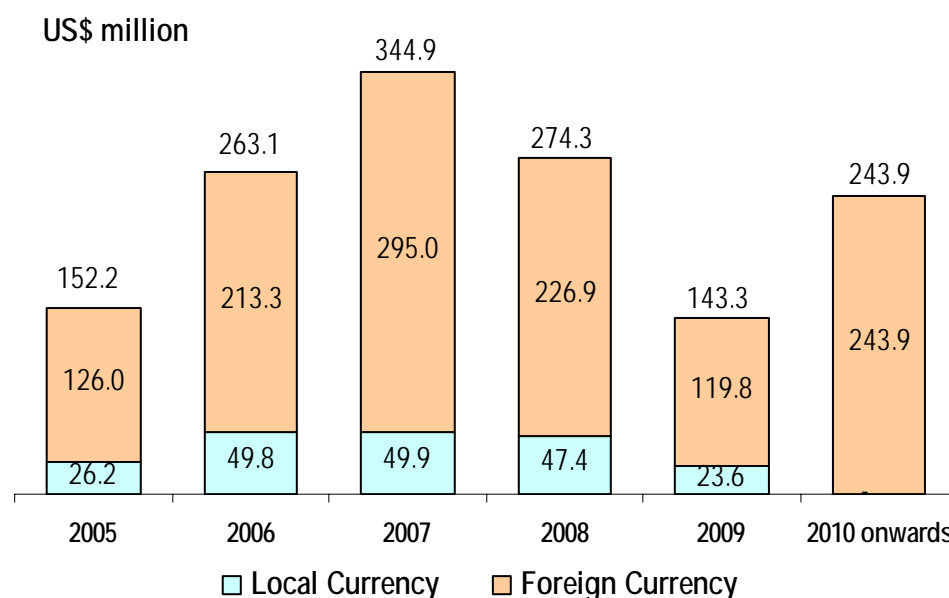
Such a high tax rate occurred because tax charges are calculated based on the parent company (unconsolidated) Brazilian GAAP results, and are influenced by exchange rate variations, which are taxable. In this case, there was a gain of R\$371 million on the Brazilian GAAP results in the 2nd quarter of 2005, partially offset by the interest on stockholders' equity declared in the period, amounting to a total of R\$152 million.

Debt and Cash Structure

The company's **gross debt** amounted to \$1,421.8 million at the end of June 2005, \$48.2 million higher than at the end of March 2005.

(US\$ million)	June 30, 2005	March 31, 2005
SHORT-TERM DEBT	285.5	209.4
Current Portion of Long-Term Debt	224.5	199.9
Short Term Debt Instruments	52.4	-
Accrued financial charges	8.6	9.5
LONG-TERM DEBT	1,136.3	1,164.2
TOTAL DEBT	1,421.8	1,373.6
Cash, cash equivalent and investments	589.4	520.5
NET DEBT	832.4	853.1

The local currency debt corresponds entirely to long-term BNDES (Brazilian Development Bank) loans. The debt maturity as at June 30, 2005 was as follows:



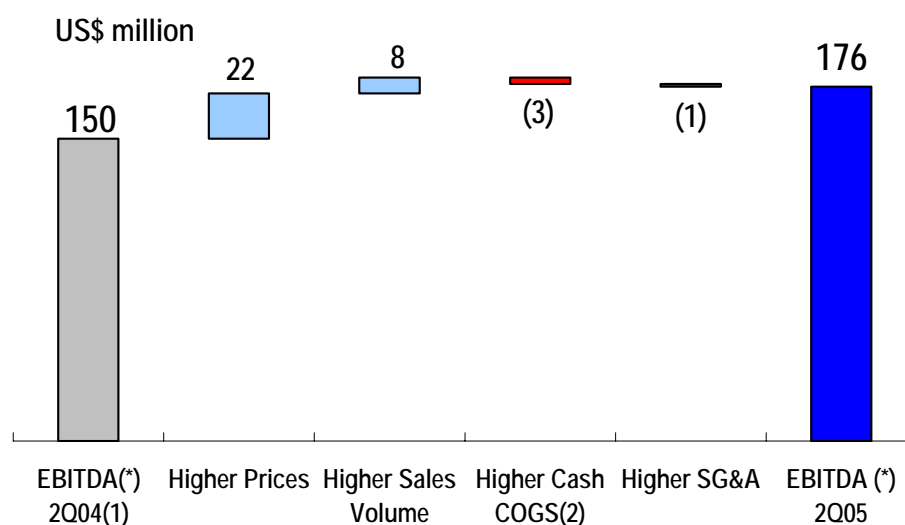
At the end of the period, 54% of the long-term debt had fixed interest rates, the short-term debt represented 20% of the total debt and the amount of cash investment corresponded to 2.1x short-term debt.

(US\$ million)	Principal	%		Average interest rate
Foreign Currency	1.217	86%		6.1% p.a.
Trade Finance - LT	315	22%	floating	4.9% p.a
Trade Finance - ST	52	4%	fixed	3.4% p.a
Securitization	758	54%	fixed	6.6% p.a
IFC	50	3%	floating	6.4% p.a
Import Financing	8	1%	floating	4.2% p.a
BNDES	34	2%	floating	9.9% p.a
Local Currency	196	14%		13.3% p.a
TJLP	196	14%	floating	13.3% p.a
Total	1.413	100%		

Cash, cash equivalent and investments, at the end of the quarter, totaled \$589.4 million, of which \$559.6 million was invested in local currency instruments and \$29.8 million was invested abroad, mostly in US dollar time deposits.

Net debt (gross debt less cash holdings) was \$832.4 million at the end of the quarter, \$20.7 million lower than at the end of the previous quarter, mainly due to positive operating cash generation, partially offset by \$60.8 million in payment of dividends (based on 2004), \$51.2 million in payment of interest on shareholders' equity (based on 2005), \$27.4 million of capital expenditure and \$19.5 million for Veracel's capital increase. At the end of the quarter, the net debt to total capital ratio was 31%.

EBITDA was \$164.0 million in the second quarter of 2005, compared to \$142.4 million in the same period of 2004, mainly as a result of a larger pulp sales volume and higher net pulp prices. EBITDA in the last twelve months was \$613.0 million. The second quarter 2005 **adjusted EBITDA**, before other non-cash charges, totaled \$175.5 million, compared to \$149.8 million in the same period of the previous year, resulting in an **adjusted margin** of 54%. Adjusted EBITDA in the last twelve months was \$649.7 million.



(*) Adjusted for other non-cash items

(1) Reclassified, see "Additional Information" on page 13

(2) COGS = Cost of Goods Sold

EBITDA Analysis

(US\$ million)	2Q 2005	2Q 2004
Net income	56.4	88.3
Financial income	(46.0)	(7.0)
Financial expenses	44.5	29.0
Tax provision	48.0	(5.5)
Equity in results of affiliated companies	30.2	(2.0)
Loss (gain) on currency remeasurement, net	(19.9)	(8.2)
Other	(0.1)	-
Operating income	113.1	94.6
Depreciation and depletion in the results:	50.9	47.8
Depreciation and depletion	52.8	51.5
Depreciation and depletion - Inventory movement	(1.9)	(3.7)
EBITDA	164.0	142.4
Non-cash charges	11.5	7.4
Provision for labor indemnity	0.7	0.3
Provision for loss on ICMS credits	6.4	6.2
Provision for loss on inventory	-	0.1
Provision for a tax contingency	3.6	0.3
Fixed asset write-offs	0.4	0.4
Loss on the sale of obsolete spare parts	0.4	0.1
Adjusted EBITDA	175.5	149.8
Adjusted EBITDA margin - %	54%	51%

Capital Expenditure

Capital expenditure and investment were as follows:

(US\$ million)	2Q 05	1H 05
Silviculture	14.9	27.9
On-going industrial investment	3.7	6.5
Forest and land purchases	0.4	0.7
Other forestry investments	0.9	1.9
Guaíba Unit optimization	5.9	11.8
Sea transportation	-	0.1
Miscellaneous projects	1.6	2.9
Total Capital Expenditure	27.4	51.8
Aracruz' equity contribution for Veracel	19.5	25.5
Total Capital Expenditure and investment	46.9	77.3

The capital expenditure forecast also shows 50% of the total investment in the Veracel project, as follows:

(US\$ million)	2nd half		2007E	2008E
	2005E	2006E		
- Guaiba Unit optimization	18	-	-	-
- Regular investments - (Barra do Riacho and Guaiba Units)	73	90	95	85
- 50% of Veracel Project (including regular investments)	49	25	15	15
Veracel's other sources of funding (bank loans and own cash generation)	49	25	15	15
Total	140	115	110	100

Veracel Information

On May 22nd Veracel started the operational testing of the production areas and produced its first bail of pulp. After a seventeen-month construction period, at the peak of which some 12 thousand workers were engaged, the new mill started operations.

With the exception of the "start-up" pulp, the output of the new plant will be sold in its entirety to the controlling shareholders, in the same proportion as their shareholdings (50% each). Production in 2005 is forecast at 360,000 tons of pulp, half of it (180,000 tons) going to Aracruz Celulose. Of this amount, Aracruz expects to sell about 130,000 tons in 2005, with the rest being used to supplement stocks. In 2006, with completion of the learning curve, the plant should attain full capacity. Transportation of the pulp from the Belmonte terminal to the Portocel port terminal (51% owned by Aracruz), in the state of Espírito Santo, a distance of approximately 450 km, will be carried out using sea-barges.

Pulp production totaled 59,900 tons in the second quarter of 2005, since the start-up on May 22nd. At the end of June, **inventory** stood at 38,000 tons of pulp.

Pulp sales reached 21,662 tons in the second quarter, of which 14,662 tons was direct sales to third parties and 7,000 tons was through Aracruz.

Veracel's Balance Sheet, Debt Maturity and Statements of Operations are shown below:

VERACEL CELULOSE S.A BALANCE SHEET (Expressed in millions of US dollars)

ASSETS	June 30, 2005	Dec.31, 2004	LIABILITIES	June 30, 2005	Dec.31, 2004
Current assets	74.7	75.5	Current liabilities	94.3	87.6
Cash investments	14.4	59.0	Other accruals	54.7	66.8
Other current assets	60.3	16.5	Short-term debt	39.6	20.8
Long term assets	71.3	47.8	Long-term liabilities	672.3	489.0
Other long term assets	71.3	47.8	Long-term debt	667.0	489.0
Permanent assets	1,135.7	978.8	Other long-term liabilities	5.3	
			Shareholders' equity	515.1	525.5
TOTAL	1,281.7	1,102.1	TOTAL	1,281.7	1,102.1

VERACEL'S TOTAL DEBT MATURITY AS AT JUNE 30, 2005

(US\$ million)	Local Currency	Foreign Currency	Total Debt	%
2005	22.2	8.5	30.7	4.3%
2006	10.3	14.4	24.7	3.5%
2007	54.2	40.3	94.5	13.4%
2008	54.1	41.6	95.7	13.6%
2009	53.9	41.4	95.3	13.5%
2010	49.2	41.4	90.6	12.8%
2011 onwards	137.9	137.2	275.1	38.9%
Total	381.8	324.8	706.6	100%

VERACEL CELULOSE S.A STATEMENTS OF OPERATIONS

(Expressed in thousands of US dollars)

Income statement	1 Q 05	2 Q 05	1 H 05
Gross operating income	(1.6)	5.3	3.7
Pulp	-	6.3	6.3
Other	(1.6)	(1.0)	(2.6)
Operating expenses	4.7	6.2	10.9
Sales expenses	0.4	1.9	2.3
Administrative expenses	5.1	4.7	9.8
Other, net	(0.8)	(0.4)	(1.2)
Operating income	(6.3)	(0.9)	(7.2)
Financial income	(1.5)	(0.4)	(1.9)
Financial expenses	2.3	7.8	10.1
(Gain) loss on currency re-measurement, net	(2.1)	53.0	50.9
Other, net	-	0.1	0.1
Income before income taxes	(5.0)	(61.4)	(66.4)
Income tax expense (benefit)	(2.0)	(1.7)	(3.7)
Net income	(3.0)	(59.7)	(62.7)

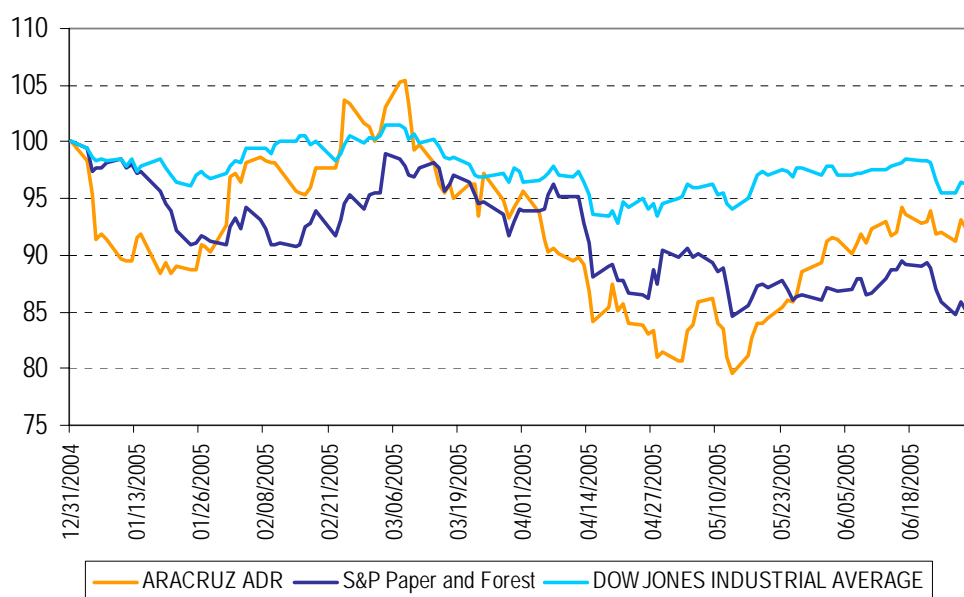
Aracruz is a several guarantor of 50% of the indebtedness incurred by Veracel, and Stora Enso is the several guarantor of the other 50% of such indebtedness.

Veracel has a yearly capacity of 900,000 tons of bleached eucalyptus pulp and it is a joint-venture which is jointly-controlled by Aracruz (50%) and Stora Enso OYJ (50%) and both shareholders must together approve all significant ordinary course of business actions, in accordance with contractual arrangements.

Stock Performance

From December 31, 2004 to June 30, 2005, Aracruz's ADR price declined 7.8%, from \$37.70 to \$34.75. In the same period, the Dow Jones Industrial Average index and the S&P Paper and Forest index decreased by 4.7% and 16.9% respectively.

Stock Price Performance - through June 30, 2005 (Base 100 = Dec. 31, 2004)



Stock information	June 30, 2005
Total number of shares outstanding	1,030,693,006
Common shares	454,907,585
Preferred shares	575,785,421
ADR Ratio	1 ADR = 10 preferred shares
Market capitalization	\$3.6 billion
Average daily trading volume – 2Q05 (Bovespa and NYSE)*	\$15.2 million

*Source: Bloomberg

Dividends/ Share buy-back program

Dividends / Interest on Stockholders' Equity

The management intends to continue the policy of paying Dividends in advance, as Interest on Stockholders' Equity, within the year of reference, accordingly to its fiscal planning purposes and the limitations imposed by the article 9 of the Brazilian Law 9.249/95.

In the 2nd quarter of 2005, a total amount of R\$151.9 million was declared as Interest on Stockholders' Equity, as an anticipation of the annual dividend of the fiscal year 2005, being R\$81 million declared on April 19, R\$42.9 million on May 19 and R\$28 million on June 20. Also during the period, at the General Shareholders' Meeting in April, the payment of a further R\$150 million in dividends was approved for the fiscal year 2004.

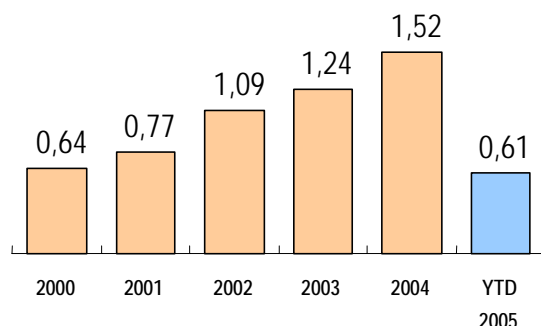
The following table sets forth the history of Dividends and Interest on Stockholders' Equity already declared:

Declaration Date	Fiscal Year of Reference	Dividends and Interest (1)	Ex-Date	Gross Amount (R\$ Thousand)	Gross Amount per ADR (US\$)	Initial Payment Date
Jun/20/2005	2005(*)	INTEREST (1)	Jun/28/2005	28,000	0.12	Jul/13/2005
May/19/2005	2005(*)	INTEREST (1)	May/25/2005	42,900	0.18	Jun/13/2005
Apr/29/2005	2004	DIVIDENDS	May/02/2005	150,000	0.60	May/09/2005
Apr/19/2005	2005(*)	INTEREST (1)	Apr/27/2005	81,000	0.32	May/13/2005
Dec/21/2004	2004 (*)	INTEREST (1)	Dec/29/2004	28,500	0.11	Jan/11/2005
Nov/16/2004	2004 (*)	INTEREST (1)	Nov/23/2004	32,000	0.12	Dec/10/2004
Oct/19/2004	2004 (*)	INTEREST (1)	Oct/27/2004	198,000	0.70	Nov/11/2004
Apr/29/2004	2003	DIVIDENDS	Apr/30/2004	360,000	1.24	May/14/2004
Apr/29/2003	2002	DIVIDENDS	May/07/2003	315,000	1.09	May/15/2003
Apr/30/2002	2001	DIVIDENDS	May/02/2002	180,000	0.77	May/13/2002
Mar/30/2001	2000	DIVIDENDS	Apr/02/2001	136,878	0.64	Apr/12/2001

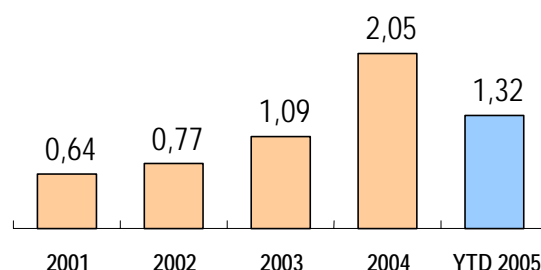
(1) Interest on Stockholders' Equity

(*) anticipation of dividends

Dividends/Interest distribution based on the Fiscal
(Gross amount US\$ / ADR)



Dividends and Interest based on the Payment Year
(Gross amount US\$ / ADR)



Share Buyback Program

On June 03, 2005 we engaged in another stock buy-back program, valid until June 2006, under which we are authorized to trade up to 15,000,000 preferred Class "B" shares, representing 3.35% of the preferred Class "B" shares in the market on that date, subject to the limitations set forth in the Brazilian Corporate Law and the CVM regulations. The purpose of the transaction is to maintain the shares in treasury, their subsequent sale and/or cancellation. We had still not bought any shares under this new program as at June 30, 2005.

The local currency consolidated result, according to **Brazilian GAAP - Corporate Law**, was a net income of R\$492.9 million for the quarter. Aracruz has also publicly released the unconsolidated financial results in Brazil, which **under Brazilian Law** serve as the basis for the calculation of minimum dividends and income taxes. In the second quarter of 2005, Aracruz Celulose S.A. reported an unconsolidated net income of R\$320.5 million (R\$162.5 million, excluding equity results).

Results
According to
Brazilian GAAP

Additional Information

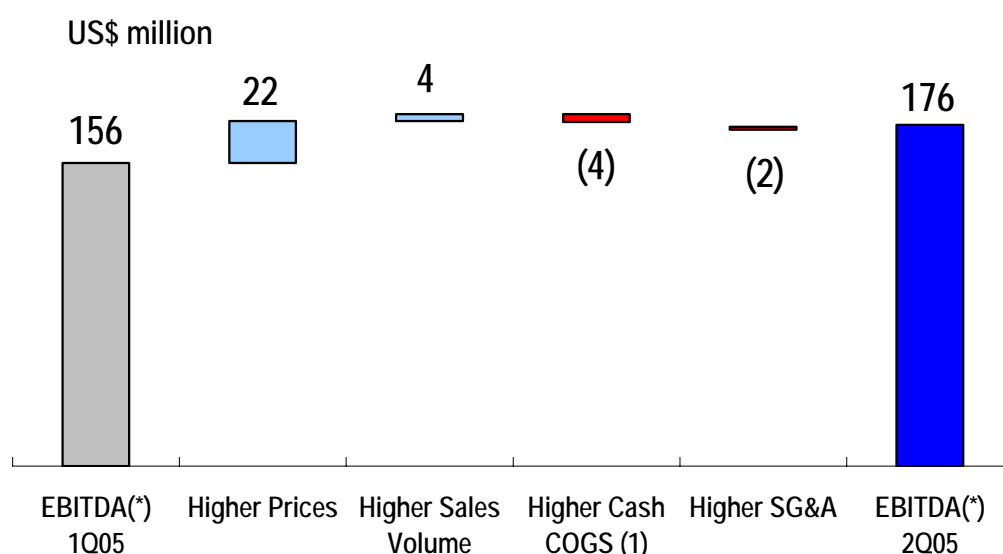
1. EBITDA calculation - change in methodology

Until the end of 2004, the EBITDA was calculated using the total amount of "depreciation, depletion and amortization" based on production. The methodology applied was liable to be affected by the difference between the production and sales volumes for a specific period.

In 2005, the EBITDA calculation reflects the amount of "depreciation, depletion and amortization" based on sales volume, in order to improve the quality of the information provided on a quarterly basis, given that in the full year figure these impacts have been minimized. As a result of change in criteria for the calculation, in 2004 we reclassified the EBITDA in order for it to be comparable to 2005. See below:

(US\$ million)	2Q 04		FY 2004	
	previous	new	previous	new
Operating income	94.6	94.6	356.7	356.7
Depreciation and depletion in the results:	51.5	47.8	206.9	206.1
Depreciation and depletion	51.5	51,5	206.9	206.9
Depreciation and depletion - Inventories movement	-	(3,7)	-	(0,8)
EBITDA	146.1	142,4	563.6	562.8
Non-cash charges	7.4	7.4	32.2	32.2
Adjusted EBITDA	153.5	149.8	595.8	595.0
Adjusted EBITDA margin - %	53%	51%	51%	51%

2. Adjusted EBITDA comparison 1Q05 vs. 2Q05 - US\$ million



(*) Adjusted for other non-cash items

(1) COGS = Cost of Goods Sold

In the second quarter, the increase in the adjusted EBITDA was mainly due to 7% higher net pulp prices, when compared with the previous quarter.

EBITDA is adjusted for other non-cash items as shown below:

(US\$ million)	2Q05	1Q05
Net income	56.4	70.4
Financial income	(46.0)	(23.1)
Financial expenses	44.5	29.9
Income tax	48.0	21.7
Equity in results of affiliated companies	30.2	1.0
Loss (gain) on currency remeasurement, net	(19.9)	1.4
Other	(0.1)	-
Operating income	113.1	101.3
Depreciation and depletion in the results:	50.9	47.6
Depreciation and depletion	52.8	50.2
Depreciation and depletion - Inventories movement	(1.9)	(2.6)
EBITDA	164.0	148.9
Non-cash charges	11.5	7.0
Provision for labor indemnity	0.7	0.4
Provision for loss on ICMS credits	6.4	6.4
Provision for a tax contingency	3.6	0.2
Fixed asset write-offs	0.4	-
Loss on the sale of obsolete spare parts	0.4	-
Adjusted EBITDA	175.5	155.9
Adjusted EBITDA margin - %	54%	53%

3. Sarbanes & Oxley (SOX) Requirements

Aracruz is subject to the regulations of the Sarbanes-Oxley Law, which lays down principles for corporate governance and for controls over the activities of companies whose shares are listed on the New York stock exchange (NYSE).

In 2003, the company engaged the services of independent auditors to make an assessment of its internal controls, which were pronounced reliable. The existing Audit Committee was adapted to the applicable regulations under this law, and the Control Self Assessment mechanism, whereby the company's most important internal controls will be managed, is undergoing refinement. The company expects to be in compliance with the 404 section, one year ahead of the December 2006 'SOX' requirements deadline.

4. Non-audit services

In accordance with the Governance Policy of Aracruz Celulose, during the first half of 2005, the following professional services other than external audit have been contracted from Deloitte Touche Tomatsu Auditores Independentes:

- Self- Assessment control "compliance";
- 2004 Income Tax Return review.

Total fees of such other professional services amounts to R\$80,000 (US\$35,000) and represents 16% of the total Independent Audit services fees.

These professional services rendered by Deloitte Touche Tomatsu were analyzed and approved by the Audit Committee of Aracruz Celulose. The Audit Committee concluded that there is no conflict of interest, loss of interest or objectivity by the Independents Auditors in the acceptance of these professional services.

Note: In the main body of the text (p.2 - 15), amounts are in US\$ unless otherwise specified.

Aracruz Celulose S.A., with operations in the Brazilian states of Espírito Santo, Bahia, Minas Gerais and Rio Grande do Sul, is the world's largest producer of bleached eucalyptus Kraft pulp. All of the high-quality hardwood pulp and lumber supplied by the company is produced exclusively from planted eucalyptus forests. The Aracruz pulp is used to manufacture a wide range of consumer and value-added products, including premium tissue and top quality printing and specialty papers. The lumber, produced at a high-tech sawmill located in the extreme-south of the state of Bahia, is sold to the furniture and interior design industries in Brazil and abroad, under the brand name Lyptus. Aracruz is listed on the São Paulo Stock Exchange (BOVESPA), on the Latin America Securities Market (Latibex), in Madrid - Spain, and on the New York Stock Exchange (NYSE) under the ADR level III program (ticker symbol ARA). Each ADR represents 10 underlying class B preferred shares.

ARACRUZ CELULOSE S.A. – CONSOLIDATED STATEMENTS OF OPERATIONS

(Expressed in thousands of US dollars, except for per-share amounts)

(unaudited)

	Three-month period ended - June 30,		Six-month period ended - June 30,	
	2005	2004	2005	2004
Operating revenue	372,451	330,024	712,267	612,606
Domestic	14,537	15,392	27,833	27,789
Export	357,914	314,632	684,434	584,817
Sales taxes and other deductions	47,442	38,786	90,439	66,155
Net operating revenue	325,009	291,238	621,828	546,451
Pulp	314,048	280,442	599,729	524,620
Paper	10,960	8,719	22,050	17,183
Sawn wood	1	2,077	49	4,648
Operating costs and expenses	211,923	196,680	407,423	375,693
Cost of sales	178,505	168,625	346,917	325,460
Pulp	171,557	160,048	332,918	308,210
Cost of sales related to production	146,081	133,995	281,828	259,184
Inland freight, ocean freight and insurance	25,476	26,053	51,090	49,026
Paper	6,948	5,477	13,952	11,169
Sawn wood		3,100	47	6,081
Selling	15,429	12,721	30,227	24,424
Administrative	6,981	8,364	13,936	15,631
Other, net	11,008	6,970	16,343	10,178
Operating income	113,086	94,558	214,405	170,758
Non-operating (income) expenses	8,743	11,802	17,954	31,098
Financial income	(46,052)	(7,007)	(69,165)	(17,678)
Financial expenses	44,545	29,045	74,477	57,343
Interest on financing	24,956	22,937	48,998	45,390
Other	19,589	6,108	25,479	11,953
(Gain) loss on currency re-measurement, net	(19,875)	(8,216)	(18,433)	(8,480)
Equity results of affiliated company	30,237	(1,995)	31,226	(77)
Other, net	(112)	(25)	(151)	(10)
Income before income taxes	104,343	82,756	196,451	139,660
Income taxes	47,989	(5,541)	69,740	4,179
Current	53,208	(2,536)	81,865	5,061
Deferred	(5,219)	(3,005)	(12,125)	(882)
Net income for the period	56,354	88,297	126,711	135,481
Depreciation and depletion in the results:	50,924	47,865	98,495	91,928
Pulp production cost	51,519	48,836	101,817	95,864
Forests and other acquisitions	1	694	(1,493)	2,234
Other operating costs and expenses	1,331	2,024	2,674	4,075
Sub-total	52,851	51,554	102,998	102,173
Inventories movement	(1,927)	(3,689)	(4,503)	(10,245)
EBITDA	164,010	142,423	312,900	262,686
EBITDA (adjusted for other non-cash items)	175,522	149,781	331,421	276,742

ARACRUZ CELULOSE S.A. – CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of US dollars)

ASSETS	June 30, 2005	Dec.31, 2004	LIABILITIES	June 30, 2005	Dec.31, 2004
Current assets	1,031,744	833,113	Current Liabilities	426,403	274,806
Cash and cash equivalents	72,279	36,474	Suppliers	46,452	52,869
Short-term investments	515,268	412,110	Payroll and related charges	14,939	15,486
Accounts receivable	207,858	208,336	Income and other taxes	54,215	42,123
Inventories, net	153,811	126,220	Current portion of long-term debt		
Deferred income tax, net	12,926	9,853	Related party	58,014	51,567
Recoverable income and other taxes	62,205	36,984	Other	166,477	89,706
			Short-term debt - export financing and other	52,362	3,767
Other current assets	7,397	3,136	Accrued financial charges	8,633	7,894
Property, plant and equipment, net	2,082,381	2,133,896	Interest on stockholders' equity payable	11,783	10,433
Investment in affiliated company	268,164	273,890	Other accruals	13,528	961
Goodwill	207,050	207,050	Long-term liabilities	1,428,403	1,440,265
Other assets	87,296	81,709	Long-term debt		
Long-term investments	1,808	1,601	Related party	171,328	178,588
Advances to suppliers	58,370	50,685	Other	964,957	1,044,140
Deposits for tax assessments	19,753	17,369	Deferred income tax, net	41,586	50,645
Recoverable income and other taxes	2,381	6,675	Tax assessment and litigation contingencies	215,331	130,846
Other	4,984	5,379	Suppliers	11,668	14,118
			Other	23,533	21,928
			Minority interest	324	300
			Stockholders' equity	1,821,505	1,814,287
TOTAL	3,676,635	3,529,658	TOTAL	3,676,635	3,529,658

ARACRUZ CELULOSE S.A. – CONSOLIDATED STATEMENTS OF CASH FLOW
 (Expressed in thousands of US dollars)

	Three-month period ended - June 30,		Six-month period ended - June 30,	
	2005	2004	2005	2004
Cash flows from operating activities				
Net income for the period	56,354	88,297	126,711	135,481
Adjustments to reconcile net income to net cash provide by operating activities:				
Depreciation and depletion	52,851	51,554	102,998	102,173
Equity results of affiliated company	30,237	(1,995)	31,226	(77)
Deferred income tax	(5,219)	(3,005)	(12,125)	(882)
Loss (gain) on currency re-measurement	(19,875)	(8,216)	(18,433)	(8,480)
Loss (gain) on sale of equipment	376	336	354	232
Decrease (increase) in operating assets				
Accounts receivable, net	(8,987)	3,678	(6,894)	43,040
Inventories, net	(14,585)	(3,572)	(27,591)	(19,043)
Interest on short-term investments	(28,569)	(5,061)	(42,300)	(13,195)
Recoverable income taxes	(25,450)	(7,297)	(15,589)	(5,315)
Other	(1,499)	(123)	(3,874)	(2,661)
Increase (decrease) in operating liabilities				
Suppliers	(4,927)	(18,813)	(9,156)	(37,470)
Payroll and related charges	4,353	(2,393)	(834)	(5,435)
Tax assessment and litigation contingencies	68,174	5,784	73,127	(4,388)
Accrued finance charges	(867)	(634)	729	1,003
Other	6,110	1,931	12,151	3,871
Net cash provided by operating activities	108,477	100,471	210,500	188,854
Cash flows from investing activities				
Short-term investments	6,633	(29,776)	(2,770)	(29,776)
Proceeds from sale of equipment	59	467	81	585
Investments in affiliate	(19,500)	(30,000)	(25,500)	(45,000)
Additions to property, plant and equipment	(27,414)	(21,520)	(51,800)	(38,348)
Net cash used in investing activities	(40,222)	(80,829)	(79,989)	(112,539)
Cash flows from financing activities				
Short-term debt, net	54,046	(18,291)	55,673	(114,934)
Long-term debt				
Issuance		185,510	25,000	307,488
Repayments	(28,589)	(70,739)	(57,692)	(155,895)
Dividends and interest on stockholders' equity paid	(111,959)	(115,892)	(121,411)	(115,892)
Net cash used in financing activities	(86,502)	(19,412)	(98,430)	(79,233)
Effects of exchange rate changes on cash and cash equivalents	5,384	3,609	3,724	3,760
Increase (decrease) in cash and cash equivalents	(12,863)	3,839	35,805	842
Cash and cash equivalents, beginning of period	85,142	63,287	36,474	66,284
Cash and cash equivalents, end of period	72,279	67,126	72,279	67,126

Reconciliation of Results of Operation

Brazilian Corporate Law v US GAAP (US\$ million)	2Q 2005	1H 2005
Net Income Parent Company (Brazilian Corporate Law)	205.5	298.6
Realized (Unrealized) profits from subsidiaries	4.2	(3.5)
Net Income Consolidated (Brazilian Corporate Law)	209.7	295.1
Depreciation, depletion and asset write-offs	(7.5)	(22.3)
Income tax provision - Fas 109	(5.8)	(7.7)
Equity results of affiliated company	(29.3)	(28.5)
Amortization of goodwill	19.3	24.8
Foreign-exchange variation	(130.0)	(134.7)
Net Income Consolidated - (US GAAP)	56.4	126.7
Exchange rate at the end of June (US\$1,0000 = R\$2.3504)		

Non-GAAP information Reconciliation

	2Q05			1Q05			2Q04		
	US\$ million	Volume 000/ tons	US\$ per ton	US\$ million	Volume 000/ tons	US\$ per ton	US\$ million	Volume 000/ tons	US\$ per ton
Cost of sales	146.1	608.0	240	135.7	592.3	229	134.0	579.3	231
Pulp inventories Beginning of the period	(82.7)	(334.8)	247	(70.1)	(277.8)	252	(88.8)	(350.5)	253
Pulp of Veracel	(3.0)	(7.0)	432	-	-	-	-	-	-
Pulp for Paper production	2.4	11.3	220	2.3	11.3	205	1.9	10.3	190
Other	(1.0)	-	-	(0.3)	-	-	(1.5)	-	-
Pulp inventories on end of the period	96.3	371.0	259	82.7	334.8	247	95.3	392.2	243
Pulp production Cost	158.1	648.5	244	150.3	660.6	228	140.9	631.3	223
Depreciation and depletion in the production cost	(51.5)	-	(80)	(50.3)	-	(77)	(48.8)	-	(77)
Cash production cost	106.6	648.5	164	100.0	660.6	151	92.1	631.3	146

This press release contains statements which constitute forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and that may be incapable of being realized. Prospective investors are cautioned that any such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those in the forward-looking statements, as a result of various factors. The company does not undertake, and specifically disclaims any obligation to update any forward-looking statements, which speak only for the date they are made.