

ARACRUZ CELLULOSE S A
Form 6-K
July 09, 2007

United States
Securities and Exchange Commission
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
of the
Securities Exchange Act of 1934

For the month of
July 2007

Aracruz Celulose S.A.

Aracruz Cellulose S.A.

(Translation of Registrant's name into English)

Av. Brigadeiro Faria Lima, 2,277 4th floor
São Paulo, SP 01452-000, Brazil
(Address of principal executive office)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

(Check One) Form 20-F Form 40-F

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1))

(Check One) Yes No

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(Check One) Yes No

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

(Check One) Yes No

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CFO's comments

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"In the second quarter, the sales volume showed a record level of 832,000 tons, 15% and 23% higher, respectively, than in the 2Q06 and the 1Q07. Net pulp prices showed 5% and 2% improvement in relation to the 2Q06 and the 1Q07. The combination of higher sales volume and higher prices led to a record net revenue of \$494 million.

At the end of May, a new price increase was announced, effective from June 1st, reflecting the favorable market conditions that are discussed in the next section of this document.

Production in the quarter totaled 763,000 tons, 4% and 3% lower than in the 2Q06 and the 1Q07, due to the impact of the annual maintenance downtime at Veracel (50% Aracruz) as occurred in the same period of last year and at plant "B" of the Barra do Riacho Unit, which last year was carried out in the third quarter. The 10-day maintenance downtime at plants "A" and "C" is scheduled for the 3Q07 and the company will take this opportunity to finalize the Barra do Riacho Unit's optimization project. At the Guaíba Unit, the downtime will occur in the 4Q07.

The optimization project at the Barra do Riacho Unit will improve the technology and performance of the pulp production process, introducing flexibility to adapt the pulp to different market requirements. These improvements have been made by modifying and/or replacing equipment at plants A, B and C, leading to a sustainable increase in nominal capacity of 200,000 tons/year. When full capacity is achieved, the optimization project should help to reduce the cash production cost by \$7/ton.

The cash production cost in the quarter was \$223/ton, 17% higher than in the 1Q07, mainly due to higher consumption of wood, chemicals and oil (resulting from a lower wood yield and the maintenance downtime at fiberline "B" and Veracel), coupled with a higher volume of wood purchased through the farmer partnership program and a stronger Brazilian currency. Although the company has been protecting the cash flow currency exposure, the results are not included in the operational figures, but have been recorded under financial income.

Looking ahead, the cash production cost should continue to be affected by a similar capacity under the 10-day maintenance downtime in the 3Q07, but in the 4Q07 this should ease. The wood volume purchased under the farmer partnership program is targeted to represent approximately 10% of total annual supply and in the first half of the year it was in line with this. However, on a quarterly basis the 1Q07 represented 7% of the wood supply while the 2Q07 represented around 15%. It is expected that wood coming from the farmer partnership will represent around 12% of the wood supply in the 3Q07 and reduce to approximately 6% in the 4Q07.

In the first half of the year, the cash flow protection provided a gain of \$55 million (1Q07: \$20 million and 2Q07: \$35 million), or \$17/ton when divided by the targeted full year production volume (3.15 million MT), thereby mitigating the impact of the Brazilian currency's appreciation against the dollar. We also increased the level of our cash flow currency protection during the quarter, to a \$550 million short position in dollars at the end of June'07 (\$400 million at the end of the 1Q07), representing 10 months of future exposure.

Other operating expenses were positively impacted, in the 2Q07, by the \$23.4 million reversal of an ICMS tax credit provision based on a sales contract signed at the end of June and already authorized by the state government. As for the remaining ICMS tax credit provision of approximately \$130 million (R\$260 million), the company cannot be sure when it will be realized, which means that every similar tax credit generated in the state of Espírito do Santo will continue to receive conservative treatment, being fully accrued as a loss. A similar accounting measure was adopted at Veracel in June regard to ICMS tax credits generated in the state of Bahia.

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During the quarter, income taxes were equivalent to 32% of the pre-tax profit (2Q06: -7% and 1Q07: 26%), largely affected by the impact of changes in the Brazilian exchange rate against the dollar on Brazilian GAAP figures, the basis for taxes in Brazil.

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Mainly as a result of the factors described above, our net income in the 2Q07 totaled \$122.5 million, or \$1.19 per ADR, up 16% and 23% on the 2Q06 and the 1Q07, respectively, while the adjusted EBITDA, amounting to US\$225.8 million, was a quarterly record.

Recently, Standard & Poor's upgraded Aracruz's long-term corporate credit ratings to "BBB", from "BBB-", with a stable outlook. Now, three important rating agencies have their Aracruz ratings at an equivalent level: Fitch and S&P at "BBB" and Moody's at "Baa2".

Isac Zagury - CFO

Global Pulp Market Update

The global economic expansion remains above trend, on track for a robust increase in 2007, although the pace is in fact moderating, which helps to contain inflationary pressures. This scenario has contributed to a healthy environment for the pulp and paper market in the second quarter.

Market conditions for printing and writing papers have been mixed in Europe. The environment for uncoated woodfree grades has allowed upward price movements since the beginning of the year. On the other hand, although coated woodfree producers are still reporting good order levels, they have not been able to translate these into higher prices. In North America, the cooling down of demand in the printing and writing sector has been partially offset by higher demand for tissue in the United States, which is believed to have grown by 2.2% in the second quarter. Paper and board demand in China continues robust, and is expected grow by 8.4% in 2007.

The scenario for market pulp demand continues positive, with shipments up till May surpassing 2006 levels on a year-to-date basis, according to the Pulp and Paper Products Council (PPPC) World-19 report. When broken down by grade, eucalyptus, with growth of 10%, or 390.000 tons, continues to show the best performance of all wood pulp grades, in terms of absolute numbers. This growth reflects the preference among producers of printing & writing and tissue papers for the quality characteristics of the eucalyptus fiber.

Net increase in market pulp grades 2006 vs 2007- (5 months)

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On the supply side, availability continues tight throughout the whole distribution chain. World market pulp producers' inventories had declined to 27 days of supply by the end of May. The last time inventories reached this level was in February 2003 and the average inventory level since then has been 33 days. Pulp prices, meanwhile, have consistently moved upwards. On the consumer side, world inventories have also reached a lower mark, of 1.6 million tons, compared to the historical average level of 2.0 million tons. In Europe, the largest market pulp consuming region, inventories were at 23 days of supply at the end of May, representing 23 days for softwood and 22 days for hardwood.

The current tightness of the market has been driven by factors that could still influence the market in the short run. Among these factors are: continued difficulties in the supply of pulp, due to wood shortages which could worsen as the Russians export taxes increase, attempts by some integrated producers to buy market pulp, and maintenance shutdowns or technical problems; the strength of the euro against the dollar and the recent re-strengthening of the Canadian dollar which impacts directly on the cost structure and labor strikes, mainly in Canada, which have recently upset delivery logistics and threatened the logging/sawmilling operations that usually supply wood chips for pulp production in the region.

All this provided the basis for a new round of market pulp increases in Europe, North America and Asia, in June, amounting to US\$ 20 on eucalyptus pulp.

Until the end of the year, even with the scaling up of pulp supply from Latin America, a favorable balance between supply and demand is expected for market pulp.

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Production and Sales **Aracruz pulp production**, without the 50% of Veracel, totaled 637,000 tons in the second quarter of 2007, compared to 653,000 tons in the 1Q07 and 674,000 tons in the 2Q06. There was a 10-day maintenance downtime at the Barra do Riacho Unit's fiberline "B" during the second quarter. The Barra do Riacho Unit's "A" and "C" mills are scheduled for a 10-day maintenance downtime in the third quarter of 2007, while downtime at the Guaíba Unit will be in the fourth quarter of 2007.

During the second quarter, **Veracel Celulose S.A.** (50% owned by Aracruz) produced 251,000 tons of pulp, of which 114,000 tons were sold to Aracruz. There was a 10-day maintenance downtime, started at end of March, during the 2Q07.

At the Guaíba unit, **paper production** in the quarter totaled 14,000 tons, consuming approximately 12,000 tons of the pulp produced. Paper inventories were at 500 tons at the end of June 2007, while **paper sales** in the second quarter of 2007 totaled 15,000 tons.

Aracruz pulp sales totaled a record of 832,000 tons in the second quarter, with 692,000 tons of the pulp being produced internally, at the Barra do Riacho and Guaíba units, and 139,000 tons being supplied by Veracel and resold in the market by Aracruz, plus an additional 1,000 tons of direct sales by Veracel to unrelated parties (representing 50% of Veracel's total direct sales).

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At the end of June, **inventories** at Aracruz were at 421,000 tons, compared to 512,000 tons at the end of March 2007, representing 48 days of production. The inventory level at Veracel, at the end of June 2007, represented an additional 5 days of production for Aracruz.

Income Statement 2Q07

Total net operating revenue came to \$494.2 million, \$92.2 million higher than in the 2Q06 and \$98.8 million higher than in the 1Q07.

Net paper operating revenue in the quarter amounted to \$16.1 million, \$4.2 million and \$2.4 million higher, respectively, than in the same period of 2006 and in the 1Q07.

Net pulp operating revenue during the quarter amounted to \$474.8 million, compared to \$390.1 million in the same period last year. Revenue increased mainly as a result of the 15% higher sales volume and 5% higher net pulp prices. When compared to the 1Q07 revenue of \$378.5 million, the \$96.3 million increase was the result of the 23% higher sales volume and 2.0% higher net pulp prices.

The **total cost of sales** was \$313.0 million in the second quarter of 2007, compared to \$248.7 million in the same period of the previous year, mainly due to the 15% higher pulp sales volume and higher production cost at Aracruz. When compared to the total of \$240.4 million in the first quarter of 2007, the increase was mainly due to the 23% higher sales volume.

| Cost of goods sold breakdown | 2Q07 | 1Q07 | 2Q06 |
|---|-------|-------|-------|
| Pulp produced | 65.7% | 65.8% | 65.4% |
| Pulp purchased | 17.0% | 16.0% | 16.1% |
| Inland and ocean freight plus insurance | 13.5% | 14.0% | 15.3% |
| Paper produced | 3.2% | 3.5% | 3.2% |
| Port services | 0.6% | 0.7% | - |

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Note: "Pulp purchased" refers to pulp produced by Veracel, transferred to Aracruz and subsequently resold by Aracruz to the final customer.

The **Aracruz pulp production cost** in the quarter was \$314/ton, compared to \$264/ton in the same period of 2006. The combined **pulp cash production cost** of the Barra do Riacho and Guaíba units (net of depreciation and depletion) in the quarter was \$232/ton, compared to \$184/ton in the same period of 2006 and \$200/ton in the first quarter of 2007. When supplemented by Veracel's figures, the pulp cash production cost in the 2Q07 was \$223/ton (2Q06: \$178/ton and 1Q07: \$191/ton).

Note: The information provided in this paragraph does **not** include gains from transactions for cash flow currency protection.

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A detailed analysis of the cash production cost will be provided, including our portion of Veracel's figures, shown on a weighted average basis.

| Barra do Riacho and Guaíba Units , plus 50% of Veracel - 2Q07 vs. 1Q07 | US\$ per ton |
|--|---------------------|
| 1Q07 - Cash production cost | 191 |
| Brazilian currency appreciation against the US dollar | 9 |
| Wood cost - mainly related to higher volume from the farmer partnership program, which represented approximately 7% of consumption in the 1Q07 vs 15% in the 2Q07. | 8 |
| Higher consumption of raw material - mainly due to re-starting after maintenance downtime (UBR fiberline "B" and Veracel) and to a lower wood yield | 8 |
| Higher cost of raw materials | 4 |
| Other | 3 |
| 2Q07 - Cash production cost | 223 |

UBR = Barra do Riacho Unit

| Barra do Riacho and Guaíba Units , plus 50% of Veracel - 2Q07 vs. 2Q06 | US\$ per ton |
|---|---------------------|
| 2Q06 - Cash production cost | 178 |
| Brazilian currency appreciation against the US dollar | 16 |
| Higher consumption of raw material - mainly due to re-starting after maintenance downtime (mill "B" in 2006 this was done in the 3Q) | 8 |
| Wood cost - mainly related to higher volume from the farmer partnership program (approximately 7% of consumption in the 2Q06 vs 15% in the 2Q07) and greater distance to the mill | 13 |
| Higher cost of raw materials | 6 |
| Other | 2 |
| 2Q07 - Cash production cost | 223 |

| (US\$N per ton) | 1Q07 | 2Q07 |
|---|-------------|-------------|
| Barra do Riacho and Guaíba Units only - cash production cost | 200 | 232 |

Approximately 75% of the company's cash production cost is presently correlated to the local currency (real - R\$).

Sales and distribution expenses came to \$21,5 million, \$2.6 million and \$4.4 million higher than in the 2Q06 and the 1Q07, mainly due to higher sales volume, up 15% and 23% respectively. **Administrative expenses** came to \$15.5 million, \$4.3 million and \$5.1 million higher, respectively, than in the 2Q06 and the 1Q07, mainly due to a higher provision for long-term bonuses and the negative impact of the appreciation of the real against the dollar.

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The result for **other net operating expenses** in the quarter was a \$24 million credit compared with expenses of \$5.4 million and \$7.7 million, respectively, in the 2Q06 and 1Q07, mainly due to a \$23.4 million reversal of an ICMS tax credit provision based on a sales contract signed at the end of June and already authorized by the state government.

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The sum of the **financial and currency re-measurement results** in the quarter showed a net credit of \$43.8 million, compared to a net expense of \$17.7 million in the same period of last year and a net credit of \$23.6 million in the first quarter of 2007 (see table below).

| (US\$ million) | 2Q07 | 1Q07 | 2Q06 |
|--|---------------|---------------|---------------|
| Financial Expenses | 19.3 | 25.6 | 36.7 |
| Interest on financing | 21.0 | 20.2 | 20.6 |
| Currency swaps results (R\$ vs. US\$) | (8.2) | - | - |
| Interest on tax liabilities | 4.7 | 3.7 | 10.3 |
| Other | 1.8 | 1.7 | 5.8 |
| Financial Income | (62.9) | (49.9) | (21.1) |
| Interest on financial investment | (21.3) | (14.7) | (15.7) |
| BM&F - dollar future contract | (35.2) | (19.8) | (2.7) |
| BM&F - interest rate future contracts | (4.3) | (13.2) | - |
| Other | (2.1) | (2.2) | (2.7) |
| Currency re-measurement - (gain)/loss | (0.2) | 0.7 | 2.1 |
| Total | (43.8) | (23.6) | 17.7 |

The "**Interest on Financing**" results in the second quarter were \$0.8 million higher than those of the 1Q07, mainly due to a higher average debt balance and the impact of the Brazilian currency appreciation on interest expenses denominated in reais. There was an increase of \$0.4 million compared to the 2Q06, due to a higher average debt balance, partially offset by the lower interest rates.

The "**Financial Income**" in the quarter was \$13.0 million higher than in the 1Q07, mainly due to the even more favorable results of our cash flow currency protection transactions, which showed a gain of \$35 million in the 2Q07 (the 1Q07 showed a gain of \$20 million) and includes US\$ 6.1 million of non-recurring interest on short term investments of funds temporarily available for Portocel expansion partially offset by a lower average cash balance and reduced results on interest rate futures contracts (designed to change the interest rate on our investments from floating to fixed).

In comparison to the 2Q06, the financial income was up \$41.8 million, mainly due to the higher gain on our cash flow currency protection transactions (2Q07: \$35 million and 2Q06: \$3 million), to a gain of \$4.3 million with interest rates future contracts (design to change the interest rate on our investments from floating to fixed) and includes US\$ 6.1 million of non-recurring interest on short term investments of funds temporarily available for Portocel expansion, partially offset by the lower interest rates.

At the end of the quarter, **the cash flow currency protection strategy** was maintained, with a short position in dollars totaling \$550 million, representing approximately 10 months of cash flow exposure to the local currency (real - R\$).

The results of such positions have been recorded as financial income. These contracts do not qualify for hedge accounting under USGAAP.

The cash flow currency protection transaction results (dollar futures contracts) accumulated in 2007, showing a gain of \$55 million, would be equivalent to approximately \$17/ton, if divided by the 2007 production volume target of 3.15 million tons of pulp (including volumes from Veracel). *It is important to mention that this is not a guarantee of future performance.*

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The **equity result** showed a loss of \$16.1 million from Veracel (see the **Veracel Information** section for more details).

Income tax and social contribution accruals in the second quarter amounted to an expense of \$66.9 million, compared to a credit of \$6.7 million in the same period of 2006, mainly due to the impact of exchange rate volatility on the BRGAAP financial results (2Q07: +6.1% and 2Q06: +0.4%) and higher gains on cash flow currency protection transactions. Measured against an expense of \$37.1 million in the 1Q07, the \$29.8 million higher tax provision is explained basically by the increased impact of exchange rate volatility on the BRGAAP financial results.

Since 2005, the company has opted to make cash settlement of income tax and social contribution liabilities, arising from currency variations, in the period that the underlying assets/liabilities are settled, and not in the period that such tax liabilities arise. This allows the company to defer tax payments on currency variations reported in the Brazilian financial statements, denominated in reais (BR GAAP).

A statement of the deferred income tax, broken down to show the Brazilian GAAP currency variation impact, and current taxes, is provided below.

| (US\$ million) | 2Q07 | 1Q07 | 2Q06 |
|---|-------------|-------------|--------------|
| INCOME TAX & SOCIAL CONTRIBUTION | 66.9 | 37.1 | (6.7) |
| Deferred income tax | 54.1 | 16.1 | (8.9) |
| BR GAAP exchange rate impact | 37.1 | 21.4 | (5.5) |
| Other | 17.0 | (5.3) | (3.4) |
| Current income tax | 12.8 | 21.0 | 2.2 |

At the end of the second quarter, the net balance of deferred taxes payable, deriving from the BR GAAP exchange rate impact, amounted to \$130 million (1Q07: \$93 million). These should become payable in accordance with foreign debt repayments up to 2016, if not reversed by future BR GAAP foreign currency variations.

The company's **total debt** amounted to \$1,261.6 million at the end of June 2007, \$5.3 million higher than at the end of March 2007 and \$38.9 million lower than at the end of June 2006.

Debt and Cash Structure

| (US\$ million) | June 30, 2007 | March 31, 2007 | June 31, 2006 |
|---|------------------|-------------------|------------------|
| Short-term debt | 83.4 | 88.7 | 139.5 |
| Current portion of long-term debt | 74.2 | 69.7 | 121.1 |
| Short term debt instruments | - | 4.9 | 4.6 |
| Accrued financial charges | 9.2 | 14.1 | 13.8 |
| Long-term debt | 1,178.2 | 1,167.6 | 1,161.0 |
| Total debt | 1,261.6 | 1,256.3 | 1,300.5 |
| Cash, cash equivalent and short-term investments | (500.2) | (565.3) | (613.0) |
| NET DEBT OF ARACRUZ | 761.4 | 691.0 | 687.5 |
| 50% of Veracel's cash, cash equivalent and investments | (0.5) | - | (0.4) |
| 50% of Veracel's total debt | 343.9 | 343.4 | 428.3 |
| 50% OF VERACEL'S NET DEBT | 343.4 | 343.4 | 427.9 |
| NET DEBT INCLUDING 50% OF VERACEL | 1,104.8 | 1,034.4 | 1,115.4 |

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The local currency debt corresponds basically to long-term BNDES (Brazilian Development Bank) loans. The debt maturity profile, as at June 30, 2007, was as follows:

| (US\$ million) | Aracruz | | | | Aracruz + 50% of Veracel | | |
|----------------|-------------------|---------------------|----------------|-------------|--------------------------|----------------|-------------|
| | Local Currency | Foreign Currency | Total Debt | % | 50% of Veracel's debt | Total Debt | % |
| 2007 | 31.3 | 14.0 | 45.3 | 3.6% | 31.9 | 77.2 | 4.8% |
| 2008 | 61.6 | 14.3 | 76.0 | 6.0% | 57.2 | 133.2 | 8.3% |
| 2009 | 33.2 | 14.3 | 47.5 | 3.8% | 57.0 | 104.5 | 6.5% |
| 2010 | 5.0 | 10.2 | 15.1 | 1.2% | 54.0 | 69.1 | 4.3% |
| 2011 | 5.0 | 10.8 | 15.8 | 1.2% | 57.7 | 73.5 | 4.6% |
| 2012 | 3.9 | 171.2 | 175.1 | 13.9% | 56.4 | 231.5 | 14.4% |
| 2013 | 19.7 | 217.3 | 237.0 | 18.8% | 28.8 | 265.9 | 16.6% |
| 2014 onwards | 116.5 | 533.3 | 649.8 | 51.5% | 0.9 | 650.6 | 40.5% |
| Total | 276.2 | 985.4 | 1,261.6 | 100% | 343.9 | 1,605.5 | 100% |

With regard to the liquidity target, which aims for cash investments to equal at least twelve months of future debt amortization, at the end of June 2007 this ratio was at 3.8 times.

As Brazilian currency loans create a currency exposure for any company that uses the dollar as its functional currency, since the beginning of the year, a sum equivalent to US\$175 million has been swapped from reais into dollars, at a fixed interest rate of approximately 4.3% p.a.; the remaining balance sheet exposure, including our share of Veracel exposure, is partially offset by cash holdings in reais.

Also relating to liability management, the gross debt maturity profile, including our share in Veracel, had improved to 65 months at the end of June, from 59 months at the end of the 1Q07. By comparison, at the end of the 2Q06 it was 48 months.

| Debt structure (not including Veracel's figures) | Principal (US\$ million) | % of total | Average interest rate | Remaining average term (months) |
|---|-----------------------------|---------------|-----------------------------|------------------------------------|
| Floating rate (spread over Libor - % p.a.) | 884 | 71% | 0.72% | 82 |
| Trade Financing | 884 | 71% | 0.72% | 82 |
| Floating rate (% p.a.) | 314 | 25% | | 51 |
| BNDES - Local currency | 277 | 22% | TJLP ⁽²⁾ + 2.90% | 51 |
| BNDES - Foreign currency (currency basket) | 37 | 3% | ⁽¹⁾ +2.58% | 47 |
| Fixed rate (% p.a.) | 54 | 4% | | 48 |
| Export Credit Notes | 54 | 4% | 5.985% | 48 |
| Total | 1,252 | 100% | | 72 |

⁽¹⁾ BNDES's interest rate for foreign currency contracts; ⁽²⁾ Brazilian long-term interest rate.

Cash, cash equivalent and short-term investments, at the end of the quarter, totaled \$500.2 million, of which \$479.8 million was invested in Brazilian currency instruments and \$20.4 million was invested in US dollar time deposits. Of the total amount at the end of the quarter, 75% was invested locally and 25% was invested abroad.

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Net debt (total debt less cash holdings) amounted to \$761.4 million at the end of the quarter, \$70.3 million higher than at the end of the previous quarter, mainly due to \$150.9 million of capital expenditure, \$9.0 million of capital increase in affiliated companies and \$115.7 million of Interest on Stockholders' Equity & dividends, partially offset by positive operating cash generation.

EBITDA Analysis **Adjusted EBITDA comparison 2Q07 vs. 2Q06** *(not including results of cash flow currency protection)*

The second quarter 2007 adjusted EBITDA, including 50% of Veracel, totaled \$225.8 million, compared to \$195.5 million for the same period of last year. This was mainly a consequence of 5% higher net pulp prices and 15% higher pulp sales volume, partially offset by the negative impact of the higher cash production cost (see details on page 7), and resulted in an adjusted margin of 46% for the second quarter (49% in the 2Q06).

Adjusted EBITDA comparison 2Q07 vs. 1Q07 *(not including results of cash flow currency protection)*

When compared with the 1Q07 figure, the **second quarter 2007 adjusted EBITDA** of \$225.8 million, including 50% of Veracel, was up \$25.5 million. This was mainly due to a 23% higher pulp sales volume and higher pulp price (+2%), partially offset by the negative impact of the higher cash production cost (see details on page 7), by higher sales expenses (mainly resulting from the increased sales volume) and higher administrative expenses (mainly related to provision for long-term bonuses).

Adjusted EBITDA for the first half of 2007, including cash flow currency protection gains in proportion to the production volume, would be \$481.2 million, representing a 54% margin.

Capital Expenditure - **Realized** **Capital expenditure and investment** were as follows:

| Realized | (US\$ million) | 2Q07 | 1H07 |
|--|----------------|--------------|--------------|
| Silviculture | | 35.0 | 66.2 |
| On-going industrial investment | | 10.1 | 17.1 |
| Forest and land purchases | | 23.3 | 46.1 |
| Other forestry investments | | 11.0 | 15.4 |
| Barra do Riacho and Guaíba unit optimization | | 50.8 | 77.5 |
| Portocel - private port terminal | | 18.7 | 22.5 |
| Miscellaneous projects | | 2.0 | 4.6 |
| Total Capital Expenditure | | 150.9 | 249.4 |
| Aracruz capital increase in affiliated companies | | 9.0 | (1) 96.0 |
| Total Capital Expenditure and Investment | | 159.9 | 345.4 |
| <i>(1) mainly used to pay down debt.</i> | | | |

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Capital Expenditure - **Forecast** The forecast capital expenditure also shows 50% of Veracel's figures, as follows:

| Forecast | (US\$ million) | 2H07E | 2008E | 2009E | 2010E |
|---|----------------|------------|------------|------------|------------|
| · New land and forest development to support Guaíba Unit expansion | | 70 | 185 | 65 | 26 |
| · Barra do Riacho Unit optimization | | 71 | 10 | - | - |
| · Portocel - private port terminal | | 13 | 7 | - | - |
| · Regular investments (Barra do Riacho and Guaíba) - including silviculture, mill maintenance and corporate investments | | 72 | 140 | 140 | 140 |
| Sub-total - (Aracruz only) | | 226 | 342 | 205 | 166 |
| · 50% new land and forest development to support Veracel expansion | | 25 | 35 | 33 | 34 |
| · 50% of the regular investment to be made by Veracel (Aracruz's stake) | | 12 | 23 | 23 | 23 |
| Total - including Aracruz's stake in Veracel | | 263 | 400 | 261 | 223 |

Note: Forecast investments do not include the industrial capital expenditure on expansion projects, such as for Guaiba and Veracel, as they have not yet been formally approved by the Board of Directors.

**Veracel
Information**

Veracel **pulp production** totaled 251,000 tons in the second quarter of 2007. At the end of June, **inventory** stood at 75,000 tons of pulp. Planned maintenance downtime (10 days) at Veracel was initiated on March 26th and concluded on April 4th.

Veracel **pulp sales** totaled 239,000 tons in the second quarter, of which 114,000 tons went to Aracruz, 123,000 tons went to the other controlling shareholder and 2,000 tons went to unrelated parties.

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

| | Jun.30, | Mar.31, | Jun.30, | | Jun.30, | Mar.31, | Jun.30, |
|-------------------------|----------------|----------------|----------------|------------------------------|----------------|----------------|----------------|
| ASSETS | 2007 | 2007 | 2006 | LIABILITIES | 2007 | 2007 | 2006 |
| Current assets | 132.2 | 139.2 | 113.8 | Current liabilities | 153.7 | 142.4 | 124.1 |
| Cash investments | 1.0 | 0.1 | 0.8 | Short-term debt | 121.2 | 117.9 | 91.8 |
| Other current assets | 131.2 | 139.1 | 113.0 | Other accruals | 32.5 | 24.5 | 32.3 |
| Long term assets | 153.6 | 155.6 | 140.8 | Long-term liabilities | 576.8 | 578.4 | 783.5 |
| Other long term assets | 153.6 | 155.6 | 140.8 | Long-term debt | 566.6 | 569.0 | 764.8 |
| Permanent assets | 1,188.4 | 1,183.6 | 1,191.5 | Other long-term liabilities | 10.2 | 9.4 | 18.7 |
| | | | | Stockholders' equity | 743.7 | 757.6 | 538.5 |
| TOTAL | 1,474.2 | 1,478.4 | 1,446.1 | TOTAL | 1,474.2 | 1,478.4 | 1,446.1 |

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VERACEL'S TOTAL DEBT MATURITY, AS AT JUNE 30, 2007

| (US\$ million) | Local Currency | Foreign Currency | Total Debt | % |
|----------------|----------------|------------------|--------------|-------------|
| 2007 | 44.9 | 18.9 | 63.8 | 9.3% |
| 2008 | 79.3 | 35.1 | 114.4 | 16.6% |
| 2009 | 79.1 | 34.9 | 114.0 | 16.6% |
| 2010 | 73.2 | 34.8 | 108.0 | 15.7% |
| 2011 | 80.5 | 34.8 | 115.3 | 16.8% |
| 2012 | 82.2 | 30.7 | 112.9 | 16.4% |
| 2013 onwards | 41.9 | 17.5 | 59.4 | 8.6% |
| Total | 481.1 | 206.7 | 687.8 | 100% |

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 CELULOSE S.A. - STATEMENTS OF OPERATIONS (in millions of US dollars)

| Income statement | 2Q07 | 1Q07 | 2Q06 |
|-------------------------------|-------------|-------------|-------------|
| Gross operating income | 27.5 | 32.5 | 26.1 |
| Sales expenses | 3.5 | 3.5 | 3.1 |

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| | | | |
|---|---------------|---------------|--------------|
| Administrative expenses | 3.6 | 3.0 | 4.0 |
| Other, net | 18.2 | (0.5) | 0.9 |
| Operating income | 2.2 | 26.5 | 18.1 |
| Financial income | (0.3) | (0.1) | 0.1 |
| Financial expenses | 16.7 | 19.2 | 20.5 |
| Loss (gain) on currency re-measurement, net | 19.3 | 15.4 | 1.6 |
| Other, net | 2.8 | 0.4 | - |
| Income before income taxes | (36.3) | (8.4) | (4.1) |
| Income tax expense (benefit) | (4.4) | 4.4 | (3.0) |
| Net income | (31.9) | (12.8) | (1.1) |

ARACRUZ RESULTS - SECOND QUARTER 2007 13

VERACEL CELULOSE S.A. - STATEMENTS OF CASH FLOW (in millions of US dollars)

| Statement of cash flow | 2Q07 | 1Q07 | 2Q06 |
|---|---------------|---------------|---------------|
| Cash flow from operating activities | | | |
| Net income (loss) | (31.9) | (12.8) | (1.1) |
| Adjustments to reconcile net income to net cash provided by | | | |
| operating activities | 35.3 | 37.3 | 21.1 |
| (Increase) decrease in assets | 26.4 | (7.7) | (0.6) |
| Increase (decrease) in liabilities | 7.4 | (11.3) | 10.2 |
| Net cash provided by operating activities | 37.2 | 5.5 | 29.6 |
| Cash flow from investments | | | |
| Additions to property, plant and equipment | (27.5) | (15.4) | (29.7) |
| Other | 0.7 | 0.6 | - |
| Net cash (used in) investments | (26.8) | (14.8) | (29.7) |
| Cash flow from financing | | | |
| Short-term and long-term debt, net | (27.9) | (165.2) | - |
| Capital increase | 18.0 | 174.0 | - |
| Net cash provided by (used in) financing | (9.9) | 8.8 | - |
| Effects of exchange rate changes on cash and cash equivalents | 0.4 | 0.2 | 0.4 |
| Increase (decrease) in cash and cash equivalent | 0.9 | (0.3) | 0.3 |
| Cash and cash equivalent, beginning of period | 0.1 | 0.4 | 0.5 |
| Cash and cash equivalent, end of period | 1.0 | 0.1 | 0.8 |

Adjusted EBITDA of VERACEL (in millions of US dollars)

| (US\$ million) | 2Q07 | 1Q07 | 2Q06 |
|---|---------------|---------------|--------------|
| Net income (loss) | (31.9) | (12.8) | (1.1) |
| Financial income | (0.3) | (0.1) | 0.1 |
| Financial expenses | 16.7 | 19.2 | 20.5 |
| Income tax | (4.4) | 4.4 | (3.0) |
| Loss (gain) on currency re-measurement, net | 19.3 | 15.4 | 1.6 |
| Other | 2.8 | 0.4 | - |
| Operating income | 2.2 | 26.5 | 18.1 |

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| | | | |
|---|-------------|-------------|-------------|
| Depreciation and depletion in the results | 19.0 | 20.4 | 17.7 |
| EBITDA | 21.2 | 46.9 | 35.8 |
| Non-cash charges | 21.8 | (0.2) | 0.1 |
| Adjusted total EBITDA | 43.0 | 46.7 | 35.9 |

Veracel's capital expenditure was as follows:

| (US\$ million) | 2Q07 | 1H07 |
|----------------------------------|-------------|-------------|
| Silviculture | 12.4 | 19.8 |
| Land purchases | 7.6 | 10.1 |
| On-going industrial investment | 7.5 | 13.0 |
| Total Capital Expenditure | 27.5 | 42.9 |

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Veracel's capital expenditure forecast:

| (US\$ million) | 2H07E | 2008E | 2009E | 2010E |
|--|-----------|------------|------------|------------|
| · New land and forest development to support Veracel expansion | 50 | 70 | 66 | 68 |
| · Regular investments | 24 | 46 | 46 | 46 |
| Total | 74 | 116 | 112 | 114 |

Veracel, located in the state of Bahia (Brazil), 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 June 30, 2006 to June 30, 2007, Aracruz's ADR price increased by 26%, from \$52.42 to \$66.24. In the same period, the Dow Jones Industrial Average index increased by 20% and the S&P Paper and Forest index increased by 24%.

| Stock information | | June 30, 2007 |
|------------------------------------|------------------------------|-----------------------------|
| Total number of shares outstanding | | 1,030,587,806 |
| | Common shares | 454,907,585 |
| | Preferred shares | 575,680,221 |
| ADR Ratio | | 1 ADR = 10 preferred shares |
| Market capitalization | | \$6.8 billion |
| Average daily trading volume | 2007 YTD (Bovespa and NYSE)* | \$33.4 million |

*Source: Bloomberg

Results The local currency consolidated result, according to **Brazilian GAAP - the accounting principles adopted in Brazil**, was a net income of R\$318.5 million for the quarter. Aracruz has publicly released the unconsolidated financial results in Brazil, which **under Brazilian GAAP** serve as the basis for the calculation of minimum dividends and income taxes. In the second quarter of 2007, Aracruz Celulose S.A. reported an unconsolidated net income of R\$309.6 million (net income of R\$254.2 million, excluding equity results).

According to Brazilian GAAP

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**Dividends/
Interest on**

In the 1st half of 2007, a total amount of R\$144 million was declared as Interest on Stockholders Equity, in anticipation of the annual dividend for the fiscal year 2007, with R\$77 million declared on June 19th and R\$67 million on March 21st. Also, during the period, the payment of a further R\$167 million in dividends for the fiscal year 2006 was approved at the General Stockholders' Meeting in April.

**Stockholders'
Equity**

Exercising the powers granted by the company's Board of Directors, in accordance with the decision taken at meeting held on March 21st, the Executive Board intends, in principle, to declare Interest on Stockholders Equity on a quarterly basis. The potential amount that could still be declared, up to the end of December 2006, is governed by article 9 of Law n° 9,249/95.

| Declaration Date | Fiscal Year of Reference | Dividends and ISE (1) | Ex-Date | Gross Amount (R\$ thousand) | Gross Amount per ADR (US\$) | Initial Payment Date on ADRs |
|---------------------|-----------------------------|--------------------------|---------------|--------------------------------|--------------------------------|---------------------------------|
| Jun. 19, 2007 | 2007(*) | INTEREST(1) | Jun. 27, 2007 | 77,000 | 0.41 | Jul. 18, 2007 |
| Apr. 24, 2007 | 2006 | DIVIDENDS | Apr. 25, 2007 | 167,000 | 0.83 | May. 16, 2007 |
| Mar.21, 2007 | 2007(*) | INTEREST(1) | Mar. 28, 2007 | 67,000 | 0.33 | Apr. 24, 2007 |
| Dec. 22, 2006 | 2006(*) | INTEREST(1) | Dec. 27, 2006 | 75,000 | 0.35 | Jan. 19, 2007 |
| Sep. 19, 2006 | 2006(*) | INTEREST(1) | Sep. 27, 2006 | 80,000 | 0.38 | Oct. 17, 2006 |
| Jun. 20, 2006 | 2006(*) | INTEREST(1) | Jun. 28, 2006 | 74,000 | 0.33 | Jul. 20, 2006 |
| Apr. 28, 2006 | 2005 | DIVIDENDS | May 3, 2006 | 150,000 | 0.72 | May 11, 2006 |
| Mar. 23, 2006 | 2006(*) | INTEREST(1) | Mar. 30, 2006 | 89,000 | 0.42 | Apr. 20, 2006 |
| Dec. 20, 2005 | 2005(*) | INTEREST(1) | Dec. 28, 2005 | 168,800 | 0.72 | Jan. 13, 2006 |
| 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 2, 2005 | 150,000 | 0.60 | May 9, 2005 |
| Apr. 19, 2005 | 2005(*) | INTEREST(1) | Apr. 27, 2005 | 81,000 | 0.31 | 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 | 0.69 | Nov. 11, 2004 |
| Apr. 29, 2004 | 2003 | DIVIDENDS | Apr. 30, 2004 | 360,000 | 1.24 | May14, 2004 |
| Apr. 29, 2003 | 2002 | DIVIDENDS | May 7, 2003 | 315,000 | 1.09 | May 15, 2003 |
| Apr. 30, 2002 | 2001 | DIVIDENDS | May 2, 2002 | 180,000 | 0.77 | May 13, 2002 |
| Mar. 30, 2001 | 2000 | DIVIDENDS | Apr. 2, 2001 | 136,878 | 0.64 | Apr. 12, 2001 |

(1) Interest on Stockholders' Equity

(*) advance payment of dividends

ARACRUZ RESULTS - SECOND QUARTER 2007 16**Additional****S&P's upgrades Aracruz to BBB for its global foreign and local currency rating****Information**

On May 30th, Standard & Poor's Rating Services raised its long-term corporate credit ratings for Aracruz to "BBB", from "BBB-", with a stable outlook.

According to the press release issued by the rating agency, "The rating action reflects the company's long-standing track record of financial performance and creditworthiness, coupled with the reduced country risks".

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It also says that they have considered, "the favorable long-term industry trends for Brazilian forest product companies, which affect positively Aracruz's business and are in line with the company's plans to expand the Guaiba and Veracel mills".

Moreover, Moody's has also recently raised Aracruz's rating from Baa3 to Baa2, on the global and local currency scales, and from Aa1.br to Aaa.br, on a national scale.

Aracruz celebrates 15th anniversary of its listing on the NYSE

Isac Zagury, marked the fifteenth anniversary of the initial launching of Aracruz's level 3 American Depositary Receipts (ADRs) on the New York Stock Exchange (NYSE) by participating in the NYSE's traditional Closing Bell ceremony on May 30.

Aracruz was the first Brazilian company to launch level 3 ADRs on the NYSE, back in 1992, and the shares have been traded in the world's largest stock market for 15 years now.

Mr Zagury said, "The trading of our shares on the NYSE has generated increased value for our shareholders. Our listing abroad has been a watershed for the company. It has given us improved access to a much larger, more liquid, highly geared and demanding professional market."

Over these last 15 years we have been consolidating a reputation for transparency, credibility and consistency, all of which are today clearly recognized by the market as distinguishing features of the company.

Note: In the main body of the text (p.1 - 16), 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 at the São Paulo Stock Exchange (BOVESPA), at the Latin America Securities Market (Latibex), in Madrid - Spain, and at 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 RESULTS - SECOND QUARTER 2007 17

ARACRUZ CELULOSE S.A. CONSOLIDATED STATEMENTS OF OPERATIONS

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

| | Jun.30, 2007 | Mar.31, 2007 | Jun.30, 2006 | Six-mon Jun.30, 2006 |
|---|----------------|----------------|----------------|-------------------------|
| Operating revenues | 564,177 | 455,697 | 455,170 | 1,019,877 |
| Domestic | 32,359 | 29,076 | 16,842 | 61,437 |
| Export | 531,818 | 426,621 | 438,328 | 958,440 |
| Sales taxes and other deductions | 69,973 | 60,287 | 53,154 | 130,266 |
| Net operating revenue | 494,204 | 395,410 | 402,016 | 889,611 |
| Pulp | 474,808 | 378,486 | 390,143 | 853,297 |
| Paper | 16,077 | 13,711 | 11,873 | 29,784 |
| Other | 3,319 | 3,213 | | 6,533 |
| Operating costs and expenses | 326,027 | 275,599 | 284,266 | 601,622 |
| Cost of sales | 312,988 | 240,374 | 248,668 | 553,360 |
| Pulp | 300,921 | 230,148 | 240,672 | 531,067 |
| Cost of sales relating to pulp production and purchases | 258,654 | 196,603 | 202,604 | 455,257 |
| Inland freight, ocean freight, insurance and other | 42,267 | 33,545 | 38,068 | 75,810 |
| Paper | 10,175 | 8,563 | 7,996 | 18,737 |

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| | | | | |
|--|-----------------|-----------------|----------------|---------------|
| Other | 1,892 | 1,663 | | 3,55 |
| Selling | 21,502 | 17,076 | 18,908 | 38,57 |
| Administrative | 15,549 | 10,414 | 11,259 | 25,96 |
| Other, net | (24,012) | 7,735 | 5,431 | (16,27 |
| Operating income | 168,177 | 119,811 | 117,750 | 287,98 |
| Non-operating (income) expenses | (43,824) | (23,588) | 17,623 | (67,41 |
| Financial income | (62,898) | (49,890) | (21,117) | (112,78 |
| Financial expenses | 19,303 | 25,601 | 36,672 | 44,90 |
| Interest on financing | 20,951 | 20,173 | 20,637 | 41,12 |
| Other | (1,648) | 5,428 | 16,035 | 3,78 |
| (Gain) loss on currency re-measurement, net | (226) | 701 | 2,067 | 47 |
| Other, net | (3) | | 1 | (|
| Income before income taxes, minority interest and equity in the results of affiliated companies | 212,001 | 143,399 | 100,127 | 355,40 |
| Income taxes | 66,930 | 37,091 | (6,650) | 104,02 |
| Current | 12,840 | 20,952 | 2,277 | 33,79 |
| Deferred | 54,090 | 16,139 | (8,927) | 70,22 |
| Minority interest | 6,434 | 462 | 200 | 6,89 |
| Equity results of affiliated companies | 16,096 | 6,324 | 649 | 22,42 |
| Net income for the period | 122,541 | 99,522 | 105,928 | 222,06 |
| Depreciation and depletion in the results: | 57,651 | 48,951 | 53,153 | 106,60 |
| Pulp production cost | 51,857 | 52,866 | 54,226 | 104,72 |
| Forests and other | (981) | (1,421) | (240) | (2,40 |
| Other operating costs and expenses | 1,278 | 1,269 | 1,404 | 2,54 |
| Sub-total | 52,154 | 52,714 | 55,390 | 104,86 |
| Inventory movement | 5,497 | (3,763) | (2,237) | 1,73 |
| EBITDA(*) | 225,828 | 168,762 | 170,903 | 394,59 |
| EBITDA (adjusted for other non-cash items) (*) | 204,353 | 176,979 | 177,522 | 381,33 |

(*) does not include 50% of Veracel's EBITDA

ARACRUZ RESULTS - SECOND QUARTER 2007 18

ARACRUZ CELULOSE S.A. CONSOLIDATED BALANCE SHEETS
(in thousands of US dollars)

| | Jun.30, 2007 | Mar.31, 2007 | Jun.30, 2006 | | Jun.30, 2007 | Mar.31, 2007 | Jun. 2006 |
|---|------------------|------------------|------------------|--------------------------------------|-----------------|-----------------|--------------|
| ASSETS | | | | LIABILITIES | | | |
| Current assets | 1,165,636 | 1,164,457 | 1,178,390 | Current Liabilities | 286,895 | 270,512 | 327 |
| Cash and cash equivalents | 97,478 | 85,626 | 135,535 | Suppliers | 96,654 | 93,985 | 71 |
| Short-term investments | 399,744 | 476,820 | 474,984 | Payroll and related charges | 23,904 | 14,187 | 18 |
| Accounts receivable, net | 309,197 | 252,868 | 234,480 | Income and other taxes | 40,118 | 34,944 | 47 |
| Inventories, net | 213,965 | 231,308 | 204,151 | Current portion of long-term debt | | | |
| Deferred income tax | 15,070 | 17,134 | 14,805 | Related party | 71,493 | 67,909 | 64 |
| Recoverable income and other taxes | 120,632 | 92,056 | 107,129 | Other | 2,711 | 1,854 | 56 |
| Prepaid expenses and other | | | | Short-term debt - export financing | | | |
| current assets | 9,550 | 8,645 | 7,306 | and other | | 4,877 | 4 |
| Property, plant and equipment, net | 2,294,815 | 2,196,663 | 2,078,132 | Accrued financial charges | 9,227 | 14,118 | 13 |
| | | | | Accrued dividends - Interest payable | | | |
| Investment in affiliated company | 398,316 | 405,412 | 295,905 | on stockholders equity | 41,807 | 34,242 | 35 |

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| | | | | | | | |
|------------------------------|------------------|------------------|------------------|---------------------------------------|------------------|------------------|--------------|
| Goodwill | 192,035 | 192,035 | 192,035 | Other current liabilities | 981 | 4,396 | 15 |
| Other assets | 155,594 | 134,794 | 102,958 | Long-term liabilities | 1,642,245 | 1,551,836 | 1,514 |
| Long-term investments | 3,051 | 2,821 | 2,524 | Long-term debt | | | |
| Advances to suppliers | 88,820 | 85,773 | 71,424 | Related party | 242,695 | 242,611 | 189 |
| Deposits for tax assessments | 30,143 | 28,242 | 22,334 | Other | 935,520 | 924,946 | 971 |
| | | | | Litigations, contingencies and | | | |
| Recoverable taxes | 32,584 | 16,962 | 4,442 | | | | |
| | | | | Commitments | 116,451 | 107,234 | 104 |
| | | | | Liabilities associated with | | | |
| Other | 996 | 996 | 2,234 | | | | |
| | | | | unrecognized tax benefits | 85,697 | 75,557 | 86 |
| | | | | Interest and penalties on liabilities | | | |
| | | | | associated with unrecognized tax | | | |
| | | | | | 58,494 | 52,426 | 52 |
| | | | | benefits | | | |
| | | | | Deferred income tax | 165,943 | 113,927 | 76 |
| | | | | Suppliers | 3,260 | 3,020 | 9 |
| | | | | Other long-term liabilities | 34,185 | 32,115 | 25 |
| | | | | Minority interest | 7,771 | 1,337 | |
| | | | | Stockholders' equity | 2,269,485 | 2,269,676 | 2,004 |
| TOTAL | 4,206,396 | 4,093,361 | 3,847,420 | TOTAL | 4,206,396 | 4,093,361 | 3,847 |

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

| | Three-month period ended | | | Six-month period ended | |
|---|--------------------------|--------------|--------------|------------------------|--------------|
| | Jun.30, 2007 | Mar.31, 2007 | Jun.30, 2006 | Jun.30, 2007 | Jun.30, 2006 |
| Cash flows from operating activities | | | | | |
| Net income for the period | 122,541 | 99,522 | 105,928 | 222,063 | 185,000 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | | |
| Depreciation and depletion | 52,154 | 52,714 | 55,390 | 104,868 | 107,000 |
| Equity results of affiliated company | 16,096 | 6,324 | 650 | 22,420 | 18,000 |
| Deferred income tax | 54,090 | 16,139 | (8,927) | 70,229 | 19,000 |
| Loss (gain) on currency re-measurement | (226) | 701 | 2,067 | 475 | (6,000) |
| Loss (gain) on sale of equipment | 604 | 132 | 43 | 736 | |
| Decrease (increase) in operating assets | | | | | |
| Accounts receivable, net | (57,329) | 29,721 | 6,016 | (27,608) | 13,000 |
| Inventories, net | 17,343 | (28,604) | (18,804) | (11,261) | (30,000) |
| Interest receivable on short-term investments | 4,100 | (17,154) | 23,917 | (13,054) | 19,000 |
| Recoverable taxes | (37,714) | 19,461 | (3,481) | (18,253) | (11,000) |
| Other | (826) | (439) | 2,717 | (1,265) | 1,000 |
| Increase (decrease) in operating liabilities | | | | | |
| Suppliers | 1,120 | (2,832) | (11,954) | (1,712) | (16,000) |
| Payroll and related charges | 9,204 | (11,625) | 4,723 | (2,421) | (1,000) |
| Litigation, contingencies and liabilities associated with unrecognized tax benefits | 12,969 | (16) | 6,298 | 12,953 | 34,000 |
| Accrued financial charges | (4,989) | (3,824) | 5,190 | (8,813) | 6,000 |

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| | | | | | |
|---|---------------|---------------|----------------|---------------|------------|
| Other | 2,650 | 3,858 | 7,948 | 6,508 | 16 |
| Net cash provided by operating activities | 191,787 | 164,078 | 177,721 | 355,865 | 356 |
| Cash flows from investing activities | | | | | |
| Short-term investments | 102,931 | 88,818 | (32,792) | 191,749 | 72 |
| Proceeds from sale of equipment | 1 | 200 | 18 | 201 | |
| Investments in affiliate | (9,000) | (87,000) | | (96,000) | |
| Additions to property, plant and equipment | (150,892) | (98,516) | (66,201) | (249,408) | (117) |
| Net cash provided by (used in) investing activities | (56,960) | (96,498) | (98,975) | (153,458) | (44) |
| Cash flows from financing activities | | | | | |
| Net short-term debt borrowings/(repayments) , net | (2,055) | 2,395 | 3,624 | 340 | (75) |
| Long-term debt | | | | | |
| Issuance | 213,803 | 18,307 | 209,000 | 232,110 | 559 |
| Repayments | (219,206) | (16,405) | (77,703) | (235,611) | (511) |
| Dividends and interest on stockholders equity paid out | (115,678) | (34,839) | (114,208) | (150,517) | (180) |
| Net cash used in financing activities | (123,136) | (30,542) | 20,713 | (153,678) | (208) |
| Effect of exchange rate variations on cash and cash equivalents | 161 | 174 | (1,178) | 335 | (1) |
| Increase (decrease) in cash and cash equivalents | 11,852 | 37,212 | 98,281 | 49,064 | 101 |
| Cash and cash equivalents, beginning of the period | 85,626 | 48,414 | 37,254 | 48,414 | 34 |
| Cash and cash equivalents, end of the period | 97,478 | 85,626 | 135,535 | 97,478 | 135 |

ARACRUZ RESULTS - SECOND QUARTER 2007 20

Reconciliation of Operating Results

| Brazilian GAAP v US GAAP (US\$ million) | 2Q2007 | 1st Half 2007 |
|--|--------------|---------------|
| Net Income - Parent Company (Brazilian GAAP) | 160.8 | 304.9 |
| Realized (Unrealized) profits from subsidiaries | 4.6 | 4.8 |
| Net Income - Consolidated (Brazilian GAAP) | 165.4 | 309.7 |
| Depreciation, depletion and asset write-offs | 10.7 | 11.2 |
| Income tax provision - Fas 109 | (4.9) | (9.4) |
| Equity results of affiliated company | (11.7) | (21.9) |
| Reversal of goodwill amortization | 15.5 | 29.2 |
| Foreign-exchange variation | (58.6) | (102.8) |
| Portocel project capitalized financial income | 6.1 | 6.1 |
| Net Income - Consolidated (US GAAP) | 122.5 | 222.1 |
| Exchange rate at the end of June/2007 (US\$1.0000 = R\$1.9262) | | |

NON-GAAP INFORMATION - DISCLOSURE AND RECONCILIATION TO GAAP NUMBERS

The company believes that, in addition to the reported GAAP financial figures, the inclusion and discussion of certain financial statistics, such as Adjusted EBITDA, cash production cost and net debt, will allow the management, investors, and analysts to compare and fully evaluate the unaudited consolidated results of its operations.

"Cash production cost"

Cash production cost expresses the company's production costs adjusted for non-cash items, such as depreciation and amortization. Cash production cost is not a financial measure under U.S. GAAP, does not represent cash flow for the periods indicated and should not be considered as an indicator of operating performance or as a substitute for cash flow as a measure of liquidity. Cash production cost does not have a standardized definition and our cash production cost calculation may not be comparable to the cash production cost of other companies. Even though cash production cost does not provide a measure of operating cash flow in accordance with U.S. GAAP, the company uses cash production cost as an approximation of actual

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production cost for the period. Moreover, the company understands that certain investors and financial analysts use cash production cost as an indicator of operating performance.

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| | 2Q07 | | US\$ | US\$ | 1Q07 | | US\$ | 2Q06 | | US\$ | | |
|---|--------------|--------------|------------|--------------|--------------|------------|--------------|--------------|------------|------|---------|-----------|
| | US\$ | Volume | | | US\$ | US\$ | | Volume | US\$ | | US\$ | Volume |
| | million | '000 tons | | | per ton | million | | '000 tons | per ton | | million | '000 tons |
| Cost of sales | 258.7 | 831.4 | | 196.6 | 673.7 | | 202.6 | 720.1 | | | | |
| Pulp inventories at the beginning of the period | (158.3) | (512.5) | | (129.5) | (423.1) | | (122.6) | (408.9) | | | | |
| Pulp purchased | (43.9) | (114.2) | | (45.4) | (122.1) | | (41.3) | (115.2) | | | | |
| Pulp for paper production | 3.5 | 11.9 | | 3.0 | 11.8 | | 2.9 | 11.5 | | | | |
| Other | 1.1 | | | 0.2 | | | (2.4) | - | | | | |
| Pulp inventories at the end of the period | 139.0 | 421.1 | | 158.3 | 512.5 | | 139.1 | 466.7 | | | | |
| Pulp production cost | 200.1 | 637.7 | 314 | 183.2 | 652.8 | 281 | 178.3 | 674.2 | 264 | | | |
| Depreciation and depletion in the production cost | (51.8) | - | (82) | (52.9) | - | (81) | (54.2) | - | (80) | | | |
| Cash production cost | 148.3 | 637.7 | 232 | 130.3 | 652.8 | 200 | 124.1 | 674.2 | 184 | | | |
| Cash production cost - Veracel | 22.1 | 125.7 | | 19.6 | 130.7 | | 16.9 | 119.1 | | | | |
| Combined cash production cost | 170.4 | 763.4 | 223 | 149.9 | 783.5 | 191 | 141.0 | 793.3 | 178 | | | |
| "Net debt" | | | | | | | | | | | | |

Net debt reflects the company's total debt minus cash, cash equivalents and short-term investments. Net debt is not a financial measure under U.S. GAAP, does not represent cash flows for the periods indicated and should not be considered as a substitute for cash flow as a measure of liquidity or as an indicator of ability to fund operations. Net debt does not have a standardized definition and our net debt calculation may not be comparable to the net debt of other companies. Even though net debt does not provide a measure of cash flow in accordance with U.S. GAAP, the company uses net debt as an accurate measure of financial leverage, since the company keeps cash in excess of its working capital requirement. Furthermore, the company understands that certain investors and financial analysts use net debt as an indicator of financial leverage and liquidity.

"Adjusted EBITDA, including 50% of Veracel"

The inclusion of **adjusted EBITDA** information is to provide a measure for assessing our ability to generate cash from our operations. Adjusted EBITDA is equal to operating income adjusted for depreciation and depletion and non-cash charges. In managing our business, we rely on adjusted EBITDA as a means of assessing our operating performance. Because adjusted EBITDA excludes interest, income taxes, depreciation, currency re-measurement, equity equivalence, depletion and amortization, it provides an indicator of general economic performance that is not affected by debt restructuring, fluctuations in interest rates or effective tax rates, or levels of depreciation and amortization. We also adjust for non-cash items, to emphasize our current ability to generate cash from our operations. Accordingly, we believe that this type of measurement is useful for comparing general operating performance from period to period and making certain related management decisions. We also calculate adjusted EBITDA in connection with our credit ratios. We believe that adjusted EBITDA enhances the understanding of our financial performance and our ability to meet principal and interest obligations with respect to our indebtedness, as well as to fund capital expenditure and working capital requirements. Adjusted EBITDA is not a measure of financial performance under U.S. GAAP. Adjusted EBITDA should not be considered in isolation, or as a substitute for net income, as a measure of operating performance, as a substitute for cash flows from operations or as a measure of liquidity. Adjusted EBITDA has material limitations that impair its value as a measure of a company's overall profitability, since it does not address certain ongoing costs of our business that could significantly affect profitability, such as financial expenses and income taxes, depreciation or capital expenditure and related charges. An adjusted EBITDA calculation is expressly permitted by the Brazilian regulators with respect to disclosures published in Brazil.

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| (US\$ million) | 2Q2007 | 1Q2007 | 2Q2006 | 1st Half 2007 | 1st Half 2006 |
|---|---------------|--------------|--------------|---------------|---------------|
| Net income | 122.5 | 99.5 | 105.9 | 222.1 | 185.1 |
| Financial income | (62.9) | (49.9) | (21.1) | (112.8) | (107.1) |
| Financial expenses | 19.3 | 25.6 | 36.7 | 44.9 | 80.8 |
| Income tax | 66.9 | 37.1 | (6.7) | 104.0 | 56.7 |
| Equity in results of affiliated companies | 16.1 | 6.3 | 0.7 | 22.4 | 18.0 |
| Loss (gain) on currency re-measurement, net | (0.2) | 0.7 | 2.1 | 0.5 | (6.5) |
| Other | 6.5 | 0.5 | 0.2 | 6.9 | 0.2 |
| Operating income | 168.2 | 119.8 | 117.8 | 288.0 | 227.2 |
| Depreciation and depletion in the results: | 57.6 | 49.0 | 53.1 | 106.6 | 106.9 |
| Depreciation and depletion | 52.1 | 52.7 | 55.3 | 104.9 | 107.7 |
| Depreciation and depletion - inventory movement | 5.5 | (3.7) | (2.2) | 1.7 | (0.8) |
| EBITDA | 225.8 | 168.8 | 170.9 | 394.6 | 334.1 |
| Non-cash charges | (21.5) | 8.2 | 6.6 | (13.3) | 11.6 |
| Provision for labor indemnity | 1.3 | 1.1 | 0.5 | 2.4 | 0.7 |
| Provision (reversal) for loss on ICMS credits | (25.4) | 6.7 | 5.8 | (18.7) | 10.7 |
| Provision for a tax contingency | - | 0.3 | - | 0.3 | - |
| Fixed asset write-offs | 0.6 | 0.1 | - | 0.7 | (0.1) |
| Loss on the sale of obsolete spare parts | - | - | 0.1 | - | 0.1 |
| Discount on tax credit sales | 2.0 | - | 0.2 | 2.0 | 0.2 |
| Adjusted Aracruz EBITDA | 204.3 | 177.0 | 177.5 | 381.3 | 345.7 |
| 50% of Veracel Adjusted EBITDA | 21.5 | 23.3 | 18.0 | 44.9 | 36.1 |
| Adjusted total EBITDA | 225.8 | 200.3 | 195.5 | 426.2 | 381.8 |
| Adjusted EBITDA margin - % | 46 % | 51% | 49% | 48% | 48% |

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| Economic and operational data | Eucalyptus pulp international list prices, by region (US\$/t) | | | | | | | | | |
|-------------------------------|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Sep.06 | Oct.06 | Nov.06 | Dec.06 | Jan.07 | Feb.07 | Mar.07 | Apr.07 | May.07 | Jun.07 |
| North America | 695 | 695 | 715 | 715 | 715 | 715 | 715 | 715 | 715 | 735 |
| Europe | 660 | 660 | 680 | 680 | 680 | 680 | 680 | 680 | 680 | 700 |
| Asia | 630 | 630 | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 |

| Pulp sales distribution, by region | 2Q07 | 1Q07 | 2Q06 | 2Q07 vs. 1Q07 | 2Q07 vs. 2Q06 | LTM |
|------------------------------------|------|------|------|---------------|---------------|-----|
| Europe | 40% | 41% | 42% | (1 p.p.) | (2 p.p.) | 39% |
| North America | 34% | 33% | 33% | 1 p.p. | 1 p.p. | 34% |
| Asia | 24% | 24% | 23% | - | 1 p.p. | 25% |
| Brazil | 2% | 2% | 2% | - | - | 2% |

| Exchange Rate | | | | | | | 2Q07 | 2Q07 | 1Q07 | 2Q06 |
|----------------|--------|--------|--------|--------|--------|--------|----------|----------|----------|----------|
| | 2Q07 | 1Q07 | 4Q06 | 3Q06 | 2Q06 | 1Q06 | vs. 2Q06 | vs. 1Q07 | vs. 4Q06 | vs. 1Q06 |
| (R\$ / US\$) | | | | | | | | | | |
| Closing | 1.9262 | 2.0504 | 2.1380 | 2.1742 | 2.1643 | 2.1724 | (11.0%) | (6.1%) | (4.1%) | (0.4%) |
| Average | 1.9818 | 2.1085 | 2.1520 | 2.1709 | 2.1879 | 2.1974 | (9.4%) | (6.0%) | (2.0%) | (0.4%) |

Source: - Brazilian Central Bank (PTAX800).

Cash flow currency protection results

| | 2Q07 YTD | 1Q07 YTD | FY06 | 3Q06 YTD | 2Q06 YTD |
|-------------------------------|----------|----------|------|----------|----------|
| Nominal (US\$ million) | 55 | 20 | 86 | 73 | 65 |
| US\$ / t (*) | 17 | 6 | 28 | 24 | 22 |

(*) based on annual production volume

| Credit ratios, including 50% of Veracel's figures | 2Q07 | 1Q07 | 4Q06 | 3Q06 | 2Q06 | 1Q06 | 4Q05 | 3Q05 | 2Q05 |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Net Debt / Adjusted EBITDA (LTM) | 1.29x | 1.25x | 1.33x | 1.42x | 1.52x | 1.51x | 1.67x | 1.75x | 1.81x |
| Total Debt / Adjusted EBITDA (LTM) | 1.87x | 1.93x | 2.05x | 2.21x | 2.35x | 2.21x | 2.48x | 2.71x | 2.73x |
| <u>Total Debt / Total Capital (gross debt plus equity)</u> | <u>41%</u> | <u>41%</u> | <u>43%</u> | <u>45%</u> | <u>46%</u> | <u>44%</u> | <u>46%</u> | <u>49%</u> | <u>49%</u> |
| Net debt / Total Capital (net debt plus equity) | 33% | 31% | 33% | 34% | 36% | 35% | 37% | 38% | 39% |
| Cash / Short Term Debt | 3.76x | 4.28x | 4.37x | 4.30x | 3.71x | 3.44x | 1.87x | 1.91x | 2.08x |
| Total debt average maturity (months) | 65 | 59 | 60 | 58 | 48 | 48 | 40 | 29 | 37 |

LTM = last twelve months

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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 not be possible to realize. 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, due to a variety of 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.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: July 6, 2007

ARACRUZ CELULOSE S.A.

By: /s/ Carlos Augusto Lira Aguiar

Name: Carlos Augusto Lira Aguiar

Title: Chief Executive Officer
