

ARACRUZ CELLULOSE S A
Form 6-K
October 17, 2008

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
October 2008

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

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7))

(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

(If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b). 82-.)

Aracruz's liquidity has been severely affected by the lack of credit and increased risk in financi

CFO's COMMENTS

GLOBAL PULP MARKET UPDATE

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ECONOMIC & OPERATIONAL DATA

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P.2 p Aracruz has laid the cornerstone for Guaíba unit construction work, but due to the volatility of t

P.4 Company have decided to postpone the investment in this project for one year.

P.5

P.5 p Due to the extraordinary stress in the global financial markets, our target forward derivative cor

P.9 derivative instruments amounting to \$1 billion by the end of September. The cash impact of deriv

P.12 p The notional amount of target forward derivative transactions during the 3Q08, was \$360 millio

P.12 was \$340 million a month, with the strike at R\$1.76/US\$.

P.13

p A specialized consultant is concluding an internal audit to verify if the Company's internal polic

P.14

P.14 p Several measures have been taken to gradually decrease our exposure to derivative instrumen

P.15

p The Company's cash and cash equivalents at September 30th, excluding derivative instrumen

profile, including the 50% stake in Veracel, was 54 months on the same period.

p The credit provision for an income taxes of \$464 million in the 3Q08 helped to minimize the ne
which amounted to a loss of \$531 million, or \$5.16/ADR.

p Net pulp price increased by 2%, or \$13/ton, in the 3Q08.

p Due to the reduced economic activity, the Company decided to reschedule the downtime at Fil
\$287/ton, up 1.8% over the 2Q08, mainly due to provisions resulting from the rescheduling.

| Aracruz | Summary | Unit of Measure Measure | 3Q08 | 2Q08 | 3Q07 | 3Q08 vs. 2Q08 | 3Q08 vs. 3Q07 | YTD08 | YTD07 |
|---------|--|----------------------------|-----------|---------|---------|---------------------|---------------------|---------|---------|
| | Net revenue | \$ million | 480.9 | 538.4 | 455.5 | 11% | 6% | 1,503.5 | 1,450.0 |
| | Adjusted EBITDA (including Veracel) ¹ | \$ million | 189.1 | 225.0 | 210.4 | (16%) | (10%) | 630.3 | 600.0 |
| | Adjusted EBITDA margin (including Veracel) ¹ | percentage | 39% | 42% | 46% | (3p.p.) | (7p.p.) | 42% | 42% |
| | Income (loss) before taxes, minority interest and equity in the results of affiliated companies | \$ million | (1,046.0) | 212.8 | 174.2 | - | - | (705.0) | 500.0 |
| | Current income tax | \$ million | 3.4 | 12.8 | 12.7 | - | - | 27.2 | 27.2 |
| | Deferred income tax | \$ million | (467.4) | 107.0 | 49.5 | - | - | (358.8) | 100.0 |
| | Net Income (Loss) | \$ million | (545.9) | 71.3 | 105.3 | - | - | (357.7) | 300.0 |
| | Earnings (Loss) per ADR ³ | \$ per ADR | (5.30) | 0.69 | 1.02 | - | - | (3.47) | 1.00 |
| | Adjusted pulp sales volume ² | '000 tons | 679 | 773 | 753 | (12%) | (10%) | 2,182 | 2,100 |
| | Paper sales volume | '000 tons | 12 | 15 | 14 | (20%) | (14%) | 41 | 41 |
| | Pulp production volume (including Veracel) | '000 tons | 810 | 788 | 754 | 3% | 7% | 2,393 | 2,300 |
| | Total debt (including Veracel) | \$ million | 2,269.7 | 1,948.2 | 1,704.8 | 16% | 33% | - | - |
| | Net debt (including Veracel) | \$ million | 1,667.9 | 1,414.9 | 1,122.8 | 18% | 49% | - | - |

¹ See page 19 for discussion of non-GAAP measurements used in this press release. ² Aracruz sales plus 50% of Veracel's sales to non-affiliated parties (see breakdown on page 5). ³ ADR = American Depositary Receipts.

Aracruz Celulose S.A. (NYSE: ARA) presents its consolidated third quarter 2008 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 a 50% stake.

CFO's comments "Even though Aracruz's operations remain solid, since the Company is one of the world's lowest cash cost producers of market pulp, with an EBITDA margin above 40% in the last twelve months, the Company's liquidity has been severely affected by the scarcity of credit and increased risk in financial markets. This scenario has intensified over the last few weeks, as economic growth has slowed and uncertainty about the economic outlook has increased, leading to falling commodity demand and provoking deterioration on asset value.

Financial systems around the world are under extraordinary stress, and especially the credit and money markets. Reflecting this, the Brazilian currency started to significantly devalue, from the middle of September, which negatively affected the Company's financial results.

Since about 98% of the Company's revenues are linked to the US\$, and approximately 75% of its cash production cost, as well as around 15% of its total debt, is exposed to the local currency, a stronger real increases the Company's exposure. Since 2004, due to the scenario of a declining US\$, the Company has been adopting measures to protect its cash flow and balance sheet exposure to the local currency, taking short positions in US\$, which has generated a positive cash impact of \$ 290 million over this period, which helped to offset the negative impact of the US\$ against the Real. A consulting firm hired to analyze the Company's derivative operations examined these instruments and confirmed a negative fair value for such contracts of approximately \$1 billion, taking the base on September 30, 2008. In making this determination, the interest rate curve, the currency volatility and the exchange rate at closing all of which have been extraordinarily influenced by the recent extreme instability of the global financial markets were considered. The notional amount of target forward derivative transactions at the end of the 3Q08 was \$360 million a month. Considering an average term of 12 months, the average notional amount was \$340 million a month, with a strike at R\$1.76/US\$ (see Note 11 of the Condensed Consolidated Financial Information).

Aracruz Celulose S.A. maintain derivative contracts only with independent financial institutions, so there are no related parties, subsidiaries or affiliated Company as counterparties for such derivative instruments. (see the Derivative Transactions section).

A specialized consultant is concluding an internal audit to verify if the Company's internal policies were being complied with. The Company is analyzing its internal controls, in order to have better assessment of treasury operations.

The Company's net revenues over the last twelve months totaled \$2.1 billion. The exchange rate variations on exports will have an immediate cash effect, while in the case of the derivative operations, there is an initially accounting effect, while potential impact in disbursement, or receipt, may take place on the monthly contractual assessment or contractual maturity.

The Company's cash and cash equivalents position as at September 30, 2008 was approximately \$ 600 million, excluding derivative instruments, mostly in local currency instruments. The average gross debt maturity profile, including the 50% share in Veracel, was at 54 months on that same date. In order to improve the Company's liquidity, several measures have been taken to gradually decrease the Company's exposure to target forward derivative instruments and to protect the Company's cash position, while maintaining the normal course of its business over the coming months and preserving its the strong fundamentals, involving, among others, the ongoing the negotiations already started with banks and several other alternatives in order to preserve our cash position.

There is also a complete restructuring program in place, which includes, among other things:

- operating cost and expense reductions up to the end of 2009;
- postponement for one year of investments in the Guaíba II project;
- slowing down the land purchases and forest development for the Veracel II project;
- suspension of land purchases and forest development for the Minas Gerais project; and
- reduction of the distribution on dividends and interest on shareholders equity.

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The pulp production volume in the third quarter was 7% higher when compared to of the same period of 2007 and 3% higher compared to the 2Q08. The 10-day annual maintenance downtime at the Guaíba unit was successfully completed in the 3Q08. The Company decided to reschedule the annual maintenance downtime at Fiberlines "A" and "C", bringing it forward to the 4Q08.

As predicted in the 2Q08, Veracel's cash production cost was at normal levels during the quarter, as the problem with the turbo generator was solved. Pulp production volume at Veracel in the last twelve months totaled 1,097,000 tons.

As the Company has decided to reschedule the annual downtime of the Fiberlines "A" and "C", at the Barra do Riacho unit, and due to some lost production loss in the 1Q08, our production target for 2008 has been revised to 3.1 -3.2 million MT, compared to the 3.3 million MT predicted in the 1Q08. During the third quarter of 2008, the global economic slowdown and the seasonal paper production stoppages in Europe, led to reduced economic activity for the sector, with the pulp price decreasing in September, for all regions - for more information see the "Global Pulp Market Update" section. The sales volume in the 3Q08, at 679,000 tons, was 12% lower than in the 2Q08 and 10% below that of same period of last year.

The net pulp price for the 3Q08 increased by 2%, or \$13/ton, mainly due to lower provisions for performance rebates to long term customers, since sales volumes were lower than expected, as well as the effect of the late list price implementation on the net pulp price.

The cash production cost for the 3Q08, at \$287/ton, was 1.8% higher than that of the previous quarter, mainly due to the higher provision for the annual maintenance downtime at Barra do Riacho. Looking ahead, the cash production cost in US\$ terms tends to benefit from a more devaluated local currency, since about 75% of Aracruz's cash production cost is linked to the Real. The cash production cost of \$273/ton in September reflects the benefit of the US\$ appreciation of the US dollar. The adjusted EBITDA for the 3Q08 was \$ 189 million (39% margin), \$35.9 million below that of the previous quarter, mainly due to the lower sales volume, which is largely explained by the demand slowdown, and the higher cost of goods sold, on a per ton basis, largely due to the increase in pulp cash production and freight costs, partially offset by the higher net pulp price. On a year-to-date basis, the adjusted EBITDA totaled \$630 million, equivalent to a 42% margin.

The negative "fair value" of the derivative transactions will be recorded in the income statement under financial income (expenses). The negative accounting effect of derivative transactions in the quarter was the main reason for the tax credit provision of \$479 million, which reduces the impact of the derivative losses on net income.

Due to the factors described above, the net income for the third quarter showed a loss of \$546 million, or \$5,30/ADR. For the year to date, the net income shows a total loss of \$358 million, or \$3.47/ADR"

Valdir Roque - CFO

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Global pulp market update The world economy remain the key driver for the pulp and paper industry, although the correlation is not as strong as before. As major economies slow down rapidly, as a result of the financial crisis, limited credit availability and still high energy and commodity prices, many are close to or moving into a period of recession. The total impact on the pulp and paper industry is still uncertain and is hard to predict, but it is already being felt. Caution should prevail during this moment of uncertainty in the industry.

On the paper side, P&W and Containerboard are the grades suffering the most. P&W demand has fallen in line with the worldwide decline in consumer confidence, to levels below those of 2007 and 2006. Demand for Containerboard is weakening, as world trade decelerates. As paper inventories pile up, the need for market related downtime will continue. In Asia, the slowdown is also being felt, with China suffering the most, as internal consumption and exports decrease. The impact of an economic slowdown on tissue demand does not compare to that of other grades of paper, because of the special characteristic of tissue consumption, which has become part of the day-to-day life of consumers and is harder to dispense with it.

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As a consequence of these factors, demand for market pulp has increased at a more moderate rate. In the first eight months of 2008, global growth in chemical market pulp demand has declined to 2.7%. Among all grades, eucalyptus continues to show the strongest growth, at 16% on year-to-date basis, equivalent to 1,116,000 tons.

World Market Pulp Demand by Grade 2008 vs 2007 - August (year to date)

Aracruz commercial strategy is focused on eliminating as much risk as possible from our commercial transactions. The Company's target has always been those paper producers which demand high quality and uniform pulp, along with guaranteed supplies. The Company-customer relationship is strongly based on long-term contracts with paper producers that are leaders in their segments. Among the segments, Aracruz has always had a strong focus on tissue, which accounts for at least 50% of total sales, since BEKP has advantages over other fibers. Also competes in the P&W segment, as well as in Specialty Paper grades as in house R&D has improved the Company's BEKP pulp to the point where it is as competitive as any other.

The present market situation has unbalanced the supply and demand relationship in the short term. With the objective of re-establishing this equilibrium over the next few months, the Company has decided to introduce market related downtime equivalent to 64,000 tons at the end of October. It is expected that this attitude will be followed by other major players in the industry.

The current financial crisis has ushered in a new reality wherein the availability of funding will be more restricted. This will impose more discipline on investments all around the world, including the pulp and paper industry. With less credit available, many of the already announced projects may be postponed in the near future.

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Production and Sales

In the short term, the balance between supply and demand continues to be under pressure. It will take some time before adjustments on the pulp supply side, through market related downtime, maintenance downtime, and capacity closures in high cost regions, to compensate for the economic slowdown in the major paper consuming regions.

Aracruz pulp production, without the 50% of Veracel, totaled 670,000 tons in the third quarter of 2008, compared to 668,000 tons in the 2Q08 and 627,000 tons in the 3Q07. There was a 10-day maintenance downtime at the Guaíba unit in June, and the Company decided to bring the maintenance downtime at Fiberlines "A" and "C" forward to the fourth quarter - it was previously scheduled for the 1Q09.

During the third quarter, **Veracel Celulose S.A.** (50% owned by Aracruz) produced 281,000 tons of pulp, of which 113,000 tons were sold to Aracruz. Veracel's pulp production in the last twelve months totaled 1,097,000 tons, 22% above the plant's nominal capacity.

At the Guaíba unit, **paper production** in the quarter totaled 13,000 tons, consuming approximately 10,000 tons of the pulp produced. Paper inventories were at 1,000 tons at the end of September 2008, while **paper sales** in the third quarter of 2008 totaled 12,000 tons.

Aracruz pulp sales totaled 679,000 tons in the third quarter, with 580,000 tons of the pulp being produced internally, at the Barra do Riacho and Guaíba units, and 98,000 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).

At the end of September, **inventories** at Aracruz stood at 533,000 tons, representing 58 days production, compared to 438,000 tons at the end of June 2008. The inventory level at Veracel, at the end September 2008, represented an additional 4 days of production for Aracruz. This total of 62 days is above the normal level due mainly to the global economic slowdown, the seasonal paper production stoppages Europe and the

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Olympic Games in China.

Income Statement **Total net operating revenue** reached \$480.9 million, \$25.4 million higher than in the 3Q07 and \$57. million lower than in the 2Q08.

3Q08 **Net paper operating revenue** in the quarter totaled \$14.5 million, \$0.9 million lower than in the same period of 2007 and \$4.0 million lower than in the 2Q08.

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Net pulp operating revenue during the quarter amounted to \$460.3 million, compared to \$437.0 million in the same period of last year. This revenue increased mainly as a result of 17% higher net pulp prices, partially offset by a 10% lower sales volume. When compared to the 2Q08 revenue, of \$514.4 million, the \$54.1 million decrease was the result of 12% lower sales volume, partially offset by the 2% higher net pulp prices.

The **total cost of sales** in the third quarter of 2008 was \$322.2 million, compared to \$290.9 million in the same period of the previous year, mainly due to an 24% higher cost of pulp sold, on a per ton basis, partially offset by a 10% lower pulp sales volume. When compared to the total of \$348.5 million in the second quarter of 2008, the decrease was mainly due to a lower sales volume (12%).

| Cost of goods sold breakdown | 3Q08 | 2Q08 | 3Q07 |
|--|-------|-------|-------|
| Pulp produced | 69.6% | 65.5% | 64.1% |
| Pulp purchased | 13.1% | 15.7% | 18.1% |
| Inland and ocean freight, plus insurance | 13.0% | 14.7% | 13.5% |
| Paper produced | 3.1% | 3.2% | 3.4% |
| Port services | 1.2% | 0.9% | 0.9% |

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

| (US\$ per ton) | 3Q08 | 2Q08 | 3Q07 |
|--|------------|------------|------------|
| Aracruz pulp production cost | 395 | 372 | 308 |
| Aracruz pulp cash production cost: | | | |
| Barra do Riacho and Guaíba units only | 304 | 289 | 228 |
| Barra do Riacho and Guaíba, plus 50% of Veracel | 287 | 282 | 219 |

Note: Does **not** include gains from transactions carried out for the purpose of cash flow currency protection.

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

| Barra do Riacho and Guaíba units, plus 50% of Veracel - 3Q08 vs. 2Q08 | US\$ per ton |
|--|--------------|
| 2Q08 - Cash production cost | 282 |
| Higher provision for annual maintenance downtime - Fiberlines "A" and "C" | 5 |
| Higher cost of raw materials - mainly chemicals and energy | 5 |
| Lower energy cost due to normalized operations at Veracel. | (3) |
| Higher dilution of fixed costs - partially offset by the annual downtime at Guaíba | (2) |
| Brazilian currency devaluation against the US dollar | (1) |
| Other | 1 |
| 3Q08 - Cash production cost | 287 |

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| Barra do Riacho and Guaíba units , plus 50% of Veracel - 3Q08 vs. 3Q07 | US\$ per ton |
|--|--------------|
| 3Q07 - Cash production cost | 219 |
| Brazilian currency appreciation against the US dollar | 28 |
| Higher cost of raw materials - mainly natural gas, BPF oil and chemicals | 20 |
| Higher wood cost mainly due to purchases from third parties | 12 |
| Higher consumption of raw materials | 5 |
| Other | 3 |
| 3Q08 - Cash production cost | 287 |

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

Sales and distribution expenses came to \$21.0 million, \$1.5 million higher than in the 3Q07, mainly due to the geographical sales mix and higher pulp loading expenses, partially offset by the 10% lower sales volume. The figure was down \$3.6 million compared to that of the 2Q08, mainly due to a 12% lower sales volume.

Administrative expenses came to \$20.3 million, compared to \$14.2 million and \$18.5 million in the 3Q07 and 2Q08, respectively. When compared to the 3Q07, there was the negative impact of the 13.6% appreciation of the real against the dollar (average exchange rate) and higher expenses with social demands, partially offset by the lower expenses with advertising. Compared to the 2Q08, there were higher expenses with social demands despite the positive impact of the 1% devaluation of the real against the dollar (average exchange rate) and the lower expenses relating advertising.

The **other net operating income (expenses)** result was an expense of \$52.6 million in the 3Q08, compared to net expense of \$5.0 million and \$3.4 million in the 2Q08 and the 3Q07, respectively, mainly due to the higher provision for losses on ICMS tax credits.

The sum of the **financial and currency re-measurement** results in the quarter showed an expense of \$1,111.0 million, compared to a net credit of \$46.7 million in the same period of last year and a net credit of \$71.0 million in the second quarter of 2008 (see table below).

| (US\$ million) | 3Q08 | 2Q08 | 3Q07 |
|--|----------------|----------------|---------------|
| Financial Expenses | 27.3 | 18.7 | (5.8) |
| Interest on financing | 23.8 | 21.9 | 21.8 |
| Interest on tax liabilities / other | 3.5 | (3.2) | (10.0) |
| PIS / Cofins | - | - | (17.6) |
| Financial Income | 1,097.7 | (100.8) | (36.6) |
| Interest on financial investments | (16.5) | (14.3) | (15.0) |
| BM&F (dollar), swap results and other | 1,116.5 | (84.1) | (19.8) |
| Other | (2.3) | (2.4) | (1.8) |
| Currency re-measurement - (gain)/loss | (14.0) | 11.1 | (4.3) |
| Total | 1,111.0 | (71.0) | (46.7) |

The "**Financial expenses**" in the 3Q08 registered a total of \$27.3 million, compared to net expenses of \$18.7 million and a net credit of \$5.8 million in the 2Q08 and 3Q07, respectively, since both periods had the benefit of partial reversals of interest on fiscal contingencies.

The "**Financial income**" in the quarter registered a net expense of \$1,097.7 million, compared to net incomes of \$100.8 million and \$36.6 million in the 2Q08 and 3Q07, respectively, mainly due to the

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loss on derivative transactions, which amounted to \$1,116.5 million in the 3Q08 (gains - 2Q08: \$84.1 million and 3Q07: \$19.8 million). - See details in the *Derivative transactions* section

The **equity result** showed a gain of \$31.8 million from Veracel (see the **Veracel Information** section for more details).

Income tax and social contribution accruals in the third quarter amounted to a credit that was \$583.9 million and \$ 526.2 million higher, respectively, than those of the 2Q08 and 3Q07, mainly due to the negative impact of the derivative losses and other effects of the Brazilian currency's devaluation against the US\$ on our debt in local currency (3Q08: +20.3%, 2Q08: -9.0%, 3Q07: -4.5%) .

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) | 3Q08 | 2Q08 | 3Q07 |
|---|----------------|--------------|-------------|
| INCOME TAX & SOCIAL CONTRIBUTION | (464.0) | 119.8 | 62.2 |
| Deferred income tax | (467.4) | 107.0 | 49.5 |
| BR GAAP exchange rate impact | (175.2) | 81.9 | 31.5 |
| Unrealized derivatives instruments | (145.1) | 9.1 | 7.5 |
| Tax loss carryforwards from operations | (98.3) | 13.9 | - |
| Other | (48.8) | 2.1 | 10.5 |
| Current income tax | 3.4 | 12.8 | 12.7 |

At the end of the third quarter, the net balance of deferred taxes payable, deriving from the BR GAAP exchange rate impact, amounted to \$106 million (2Q08: \$281 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 **net income (loss) for the period** was a loss of \$546 million, compared to a net income of \$71 million in the 2Q08 and \$105.3 million in the 3Q07.

ARACRUZ RESULTS - THIRD QUARTER 2008 9**Derivative****The reason for hedging****Transactions**

Ever since 2004, Brazil has seen its currency appreciate strongly against the US dollar. This has been negative for Aracruz, an exporter whose revenues are almost entirely linked to the dollar, whereas 15% of its debt and approximately 75% of its production costs are linked to the local currency (R\$). From May 21, 2004, when the exchange rate (PTAX) reached R\$ 3.2051/US\$, to August 1, 2008, when the exchange rate reached R\$ 1.5593/US\$, its lowest level during the period, the appreciation of the real was 106%, thus reducing the Company's competitiveness when measured by the cash production cost denominated in US\$ terms.

Back in 2004, in the face of the dollar's devaluation, the Company decided to take steps to protect the cash flow that was exposed to local currency fluctuations, which basically meant taking up short positions in dollars. This hedging against the appreciation of the real in relation to the dollar has generated an accumulated cash gain of \$ 290 million since 2004, which has reduced the negative impact of this appreciation on the Company's results.

Impact on the Financial Results:

The consulting firm engaged to analyze the operations using financial derivatives examined all the Company's contracts of this kind and came to a negative fair value of approximately \$1 billion, using the base date of September 30, 2008.

The notional amount of the target forward derivative transactions up to the end of the 3Q08 was \$360 million a month. When considering an average term of 12 months, the average notional amount was \$340 million a month, with the strike at R\$1.76/US\$. The notional amount of the Tied Transactions with Pre-payment Export Loans, up to the end of the 3Q08, was \$200 million a month. When considering an average term of 12 months, the average notional amount was \$180 million a month, with the strike at R\$1.90/US\$, at each monthly fixing date. (see Note 11 of the Condensed Consolidated Financial Information).

The table below shows the "fair value" and the notional amount of the derivative transactions:

| US\$ million | 3Q08 | | 2Q08 | |
|--|----------------------|----------------|--------------|------------|
| | Notional | Fair Value | Notional | Fair Value |
| US dollar future contracts: | | | | |
| Sell Target Forward | (360) ⁽¹⁾ | (884) | (220) | 16 |
| Pre-payment of Export Loans: Tied transactions | (200) ⁽¹⁾ | (134) | (50) | (4) |
| Subtotal | (560) | (1.018) | (270) | 13 |
| Non Deliverable Forward - NDF | (80) | (11) | (140) | 4 |
| Long position in US dollars - BM&F | 538 | - | - | - |
| Total | (102) | (1.029) | (410) | 16 |
| Interest SWAP contracts | | | | |
| TJLP vs US\$ | (173) | 2 | (357) | 59 |
| CDI vs US\$ | (52) | 3 | (62) | 12 |
| Total | (225) | 5 | (419) | 71 |

(1) Notional per month by the end of the 3Q08; (2) Notional per month by the end of the 2Q08

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Notwithstanding the determination of the accounting results (fair value), the cash effect of these financial derivative operations was positive \$20 million in the third quarter.

The Company's net revenues in the last twelve months totaled \$ 2.1 billion. The effect of the exchange rate variations on exports will have an immediate cash effect that could partially offset the negative impact of the monthly contractual settlements.

In the case of the derivative operations, there is an accounting effect, and cash disbursement or receipt, each month, will depend on the contractual settlement or maturity, meaning that positive or negative cash flow effects are spread out over the full term of the operation (twelve months on average).

The fair value of the derivative transactions will be recorded in the income statement under financial income (expenses). The accounting effect of derivative transactions for the quarter was the main reason for the tax credit provision of \$464 million, which helped to reduce the impact of the derivative losses on the net income.

The Company's Strategy:

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In order to increase the Company's liquidity, several measures have been taken to gradually decrease the Company's exposure to target forward derivative instruments and to protect the Company's cash position, maintaining the course of its business over the coming months and preserving its strong fundamentals. These involved, among other things, ongoing negotiations with banks and a considerable variety of alternatives

There is also a complete restructuring program in place, as described at the CFO's comment.

The Company's cash and cash equivalents position, at September 30, 2008, came to approximately \$ 600 million, not considering derivative instruments, most of which is in local currency instruments. The gross debt maturity profile, including our share in Veracel, was at 54 months on that same date.

Debt and Cash Structure

The Company's **total debt** amounted to \$1,995.3 million at the end of September 2008, \$377.0 million higher than at the end of June 2008 and \$630.5 million higher than at the end of September 2007.

| (US\$ million) | September | June 30, | September |
|---|----------------|----------------|----------------|
| | 30, 2008 | 2008 | 30, 2007 |
| Short-term debt | 256.7 | 109.7 | 95.7 |
| Current portion of long-term debt | 65.8 | 92.0 | 77.1 |
| Short term debt instruments | 171.1 | 6.3 | 5.5 |
| Accrued financial charges | 19.8 | 11.4 | 13.1 |
| Long-term debt | 1,738.6 | 1,508.6 | 1,269.1 |
| Total debt | 1,995.3 | 1,618.3 | 1,364.8 |
| Cash, cash equivalent and short-term investments | (597.0) | (531.9) | (581.6) |
| NET DEBT OF ARACRUZ | 1,398.3 | 1,086.4 | 783.2 |
| 50% of Veracel's cash, cash equivalent and investments | (4.7) | (1.4) | (0.4) |
| 50% of Veracel's total debt | 274.3 | 330.0 | 340.0 |
| 50% OF VERACEL'S NET DEBT | 269.6 | 328.6 | 339.6 |
| NET DEBT INCLUDING 50% OF VERACEL | 1,667.9 | 1,415.0 | 1,122.8 |

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The local currency debt corresponds basically to long-term BNDES (Brazilian Development Bank) loans. The debt maturity profile, as of September 30, 2008, was as follows:

| (US\$ million) | Aracruz | | | | % | Aracruz + 50% of Veracel | | |
|----------------|--------------|----------------|----------------|---------------|--------------|--------------------------|-------------|----------------|
| | Local | Foreign | Total | 50% of | | Total Debt | % | |
| | Currency | Currency | Debt | | | | | Veracel's debt |
| 2008 | 17.5 | 163.6 | 181.1 | 9.1% | 15.6 | 196.7 | 8.7% | |
| 2009 | 44.6 | 40.1 | 84.7 | 4.2% | 57.8 | 142.5 | 6.3% | |
| 2010 | 16.8 | 11.5 | 28.3 | 1.4% | 54.9 | 83.2 | 3.6% | |
| 2011 | 16.8 | 62.2 | 79.0 | 4.0% | 58.5 | 137.5 | 6.1% | |
| 2012 | 15.7 | 88.6 | 104.3 | 5.2% | 57.3 | 161.6 | 7.1% | |
| 2013 | 31.8 | 527.0 | 558.8 | 28.0% | 29.3 | 588.1 | 25.9% | |
| 2014 | 89.2 | 413.4 | 502.6 | 25.2% | 0.9 | 503.5 | 22.2% | |
| 2015 onwards | 98.3 | 358.2 | 456.5 | 22.9% | - | 456.5 | 20.1% | |
| Total | 330.7 | 1,664.6 | 1,995.3 | 100.0% | 274.3 | 2,269.6 | 100% | |

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| Debt structure (not including Veracel's figures) | Principal (US\$ million) | % of total | | Average interest rate | Average remaining term (months) |
|---|-----------------------------|---------------|--------------------|--------------------------|------------------------------------|
| Floating rate (spread over Libor - % p.a.) | 1,389 | 70% | | 0.88% | 66 |
| Trade Financing | 1,389 | 70% | | 0.88% | 66 |
| Floating rate (% p.a.) | 364 | 19% | | | 55 |
| BNDES - Local currency | 324 | 17% | TJLP | (²) + 2.41% | 55 |
| BNDES - Foreign currency (currency basket) | 40 | 2% | (¹) + | 1.96% | 52 |
| Fixed rate (% p.a.) | 223 | 11% | | | 10 |
| Trade Finance | 166 | 8% | | 4.68% | 2 |
| Export Credit Notes | 52 | 3% | | 5.99% | 35 |
| Rural Credit | 5 | - | | 6.75% | 11 |
| Total | 1,976 | 100% | | | 58 |

(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 \$597.0 million, of which \$516.2 million were invested in Brazilian currency instruments and \$80.8 million were invested in US dollar instruments. Of the total amount at the end of the quarter, 84% were invested locally and 16% were invested abroad.

Net debt (total debt less cash holdings) amounted to \$1,398.3 million at the end of the quarter, \$311.9 million higher than at the end of the previous quarter, mainly due to \$291.1 million of capital expenditure, \$39.0 million of capital increase in affiliated companies, \$46.0 million in relation to the Boise Cascade do Brasil acquisition (net of cash received) and \$53.3 million of Interest on Stockholders Equity and dividends, partially offset by positive operational cash generation.

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EBITDA Analysis - **Adjusted EBITDA comparison 3Q08 vs. 3Q07** (not including the results of cash flow currency protection) The third quarter 2008 adjusted EBITDA, including 50% of Veracel, totaled \$189.1 million (39% margin), compared to \$210.4 million for the same period of last year, mainly as a consequence of the negative impact of a lower pulp sales volume (10%), and the 23% higher cash COGS/ton (mainly due to the Brazilian currency's appreciation against the dollar), partially offset by the higher average net pulp prices (17%).

- **Adjusted EBITDA comparison 3Q08 vs. 2Q08** (not including results of cash flow currency protection) The third quarter 2008 adjusted EBITDA of \$189.1 million (39% margin), including 50% of Veracel, was \$35.9 million lower compared to that of the 2Q08. This was mainly due to the lower pulp sales volume (12%) and higher cash COGS/ton (5%), partially offset by higher average net pulp prices (2%).

**Capital
Expenditure -
Realized**

Capital expenditure and investment were as follows:

| (US\$ million) | 3Q08 | YTD08 |
|--|--------------|--------------|
| Silviculture | 53.9 | 145.4 |
| On-going industrial investment | 21.8 | 40.9 |
| Forest and land purchases | 20.0 | 99.8 |
| Other forestry investments | 13.5 | 36.6 |
| Guaíba unit expansion project | 171.6 | 189.2 |
| Barra do Riacho unit optimization | 2.4 | 19.2 |
| Portocel - private port terminal | 0.2 | 18.1 |
| Miscellaneous projects | 7.7 | 11.9 |
| Total Capital Expenditure | 291.1 | 561.1 |
| Aracruz capital increase in affiliated companies | 39.0 | (1)77.3 |
| Company acquisition (net of cash received) | 46.0 | 46.0 |
| Total Capital Expenditure and Investment | 376.1 | 684.4 |

(1) mainly used to pay down debt .

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Capital Expenditure - Forecast

According to the current scenario, and as part of the Company's strategy to protect its cash position in the coming quarters, there has been a reduction of more than 50% in the planned investments for the next 15 months. The following table compares the capital expenditure forecast in the 2Q08 release with the updated information:

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| (US\$ million) | Release - 2Q08 | | | Release - 3Q08 (Actual) | | | Var 2Q08 vs 3Q08 |
|---|-------------------|--------------|--------------|-------------------------|------------|------------|---------------------|
| | 4Q08E (1) | 2009E (2) | (1) +(2) | 4Q08E (1) | 2009E (2) | (1) +(2) | |
| Guaíba expansion project - mill construction | 8 | 810 | 818 | 45 | 236 | 281 | (537) |
| Guaíba expansion project - logistic infrastructure | 13 | 57 | 70 | - | 15 | 15 | (55) |
| New land and forest development to support future expansion | 262 | 64 | 326 | 23 | - | 23 | (303) |
| Fiberline "A" revitalization | 21 | 76 | 97 | 10 | 31 | 41 | (56) |
| Portocel - private port terminal | 25 | - | 25 | 10 | - | 10 | (15) |
| Regular investment (Barra do Riacho and Guaíba) - including silviculture, mill maintenance and corporate investment | 29 | 200 | 229 | 49 | 155 | 204 | (25) |
| Other | 24 | - | 24 | 12 | - | 12 | (12) |
| Sub-total - (Aracruz only) | 382 | 1.207 | 1.589 | 149 | 437 | 586 | (1.003) |
| 50% new land and forest development to support Veracel expansion | 37 | 41 | 78 | 8 | 20 | 28 | (50) |
| 50% of the regular investment to be made by Veracel (Aracruz's stake) | 6 | 31 | 37 | 9 | 31 | 40 | 3 |
| Other (forest roads & equipment, new nurseries, etc.) | 21 | - | 21 | - | - | - | (21) |
| Total - including Aracruz's stake in Veracel | 446 | 1.279 | 1.725 | 166 | 488 | 654 | (1.071) |

Note: Forecast investments do not include the industrial capital expenditure on expansion projects, such as for Veracel II and the Minas Gerais project.

Stock

From September 30, 2007 to September 30, 2008, Aracruz's ADR price decreased by 50%, from \$73.59 to \$36.71. Over the same period, the Dow Jones Industrial Average index declined by 21% and the S&P Paper and Forest index fell by 22%.

Performance

Stock information

September 30, 2008

| | |
|---|-----------------------------|
| 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 | \$3.8 billion |
| Average daily trading volume 1H08 (Bovespa and NYSE)* | \$47 million |

*Source: Reuters

ARACRUZ RESULTS - THIRD QUARTER 2008 14

Results According to Brazilian GAAP The local currency consolidated result, according to **Brazilian GAAP - the accounting principles adopted in Brazil**, was a loss of R\$1,642.4 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 third quarter of 2008, Aracruz Celulose S.A. reported an unconsolidated loss of R\$1,569.8 million (loss of R\$1,022.8 million, excluding equity results).

Dividends/ Interest on Stockholders' Equity Up to the end of the third quarter of 2008, a total amount of R\$155 million has been declared as Interest on Stockholders' Equity, in anticipation of the annual dividend for the fiscal year 2008, with R\$70 million declared on March 18th and R\$85 million on June 20th.

Equity In the light of the events described in the material information releases of September 25 and October 2, 2008, and the present domestic and international scenario, and acting in the best interests of the Company and its stockholders, the Executive Board has decided to cancel the credit and payment of Interest on Stockholders' Equity (ISE) to the sum of R\$ 84,000,000 (eighty-four million reais), declared in a market announcement on September 19, 2008, the payment of which was scheduled to be made as from October 15, 2008.

Growth Plans For more information on historical dividend distribution, please access the following link: http://www.aracruz.com.br/show_inv.do?act=stcNews&menu=true&orig=fin&id=746&lastRoot=230&lang=2#2
In the face of the worsening crisis in the global financial markets, with the consequent restriction and increasing cost of lines of credit and other financing and slowing down of the world's leading economies, Aracruz has decided to adjust to the new scenario the expansion projects it had planned for the next few years, as follows:

1. postponement for one year of investments in the Guaíba II project.
2. slowing down the land purchases and forest development for the Veracel II project.
3. suspension of land purchases and forest development for the Minas Gerais project.

With these measures, the Company expects to reduce its expenditures on investments by \$ 868 million up to the end of 2009, in comparison with the amounts forecast in the 2Q08 release (Capex forecast on page 13).

Aracruz is determined to resume all its capacity expansion projects as soon as the financial crisis subsides and the macroeconomic scenario and world pulp demand, particularly, stabilize, in order to maintain its leadership among the world's producers of market hardwood pulp, with one of the industry's lowest production cash costs.

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Additional Information **Valdir Roque was nominated as Chief Financial and Investor Relations Officer**
Aracruz Celulose announced on October, 10th the nomination of Valdir Roque as Chief Financial Officer and Investor Relations Officer of the Company. An economist with a postgraduate degree in business administration and financial management specializations from the Stanford Business School in the U.S. and the IMD in Switzerland, Mr. Roque was CFO and IR officer for Votorantim Celulose e Papel (VCP) since 1994, having previously worked for companies such as Monsanto do Brasil, General Electric and Ford. Mr. Roque substitutes Isac Zagury.

Fitch and S&P downgraded Aracruz' ratings

Amid the systemic crisis in the international financial market, Moodys, S&P and Fitch, known as international risk classification agencies, announced on October 15th, October 10th and October 9th,

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respectively, it had downgraded the foreign currency rating for Aracruz Celulose, due to the announcement of the negative "fair value" of derivative operations disclosed by the Company to the market on October 2nd.

↳ Standard & Poor's downgraded Aracruz' foreign currency corporate credit rating from 'BBB' to 'BBB-', investment grade, with CreditWatch Negative.

↳ Moody's Investors Service has downgraded the issuer ratings of Aracruz to Baa3 from Baa2 on its global scale, investment grade, under review for possible further downgrade.

↳ Fitch downgraded Aracruz' foreign currency Issuer Default Rating (IDR) from 'BBB' to 'BB+'

Aquisition of Arapar's stake in Aracruz has been postponed

Votorantim Celulose e Papel S.A. disclosed to the public on October 3rd that the steps towards closing the transaction for the acquisition of ARACRUZ's shares held by Arapar S.A. ("Arapar") were still being implemented and that the closing date of the transaction, previously scheduled to occur on October 6th, 2008, had been postponed.

For the 4th consecutive year, Aracruz is in the Dow Jones Sustainability Index DJSI

Aracruz has been included, for the fourth consecutive year in a row, in the select rank of companies in the Dow Jones Sustainability Index (DJSI World) 2008/2009. The Company is the leader in the Forestry and Paper Resources category, selected from 14 forestry companies worldwide. Of these, only two are included in this year's list.

Note: In the main body of the text (p.1 - 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 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 - THIRD QUARTER 2008 16

ARACRUZ CELULOSE S.A. CONSOLIDATED STATEMENTS OF OPERATIONS

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

| | Three-month period ended | | | Nine-month period ended | |
|---|--------------------------|----------------|----------------|-------------------------|------------------|
| | Sep.30, 2008 | Jun.30, 2008 | Sep.30, 2007 | Sep.30, 2008 | Sep.30, 2007 |
| Operating revenues | 537,688 | 605,143 | 518,234 | 1,692,955 | 1,538,100 |
| Domestic | 38,304 | 42,534 | 33,283 | 120,691 | 94,710 |
| Export | 499,384 | 562,609 | 484,951 | 1,572,264 | 1,443,390 |
| Sales taxes and other deductions | 56,768 | 66,697 | 62,729 | 189,428 | 192,980 |
| Net operating revenue | 480,920 | 538,446 | 455,505 | 1,503,527 | 1,345,120 |
| Pulp | 460,289 | 514,448 | 437,010 | 1,438,048 | 1,290,300 |
| Paper | 14,479 | 18,531 | 15,382 | 48,426 | 45,170 |
| Port services | 6,152 | 5,467 | 3,113 | 17,053 | 9,650 |
| Operating costs and expenses | 415,977 | 396,698 | 328,020 | 1,175,434 | 929,640 |

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| | | | | | |
|---|--------------------|-----------------|-----------------|------------------|-----------------|
| Cost of sales | 322,152 | 348,525 | 290,925 | 989,188 | 844,28 |
| Pulp | 308,550 | 334,012 | 278,389 | 948,462 | 809,45 |
| Cost of sales relating to pulp production and purchases | 266,565 | 282,804 | 239,267 | 812,015 | 694,52 |
| Inland freight, ocean freight, insurance and other | 41,985 | 51,208 | 39,122 | 136,447 | 114,93 |
| Paper | 9,857 | 11,230 | 9,994 | 30,582 | 28,73 |
| Port services | 3,745 | 3,283 | 2,542 | 10,144 | 6,09 |
| Selling | 20,984 | 24,628 | 19,527 | 67,172 | 58,10 |
| Administrative | 20,288 | 18,500 | 14,209 | 52,278 | 40,17 |
| Other, net | 52,553 | 5,045 | 3,359 | 66,796 | (12,91) |
| Operating income | 64,943 | 141,748 | 127,485 | 328,093 | 415,47 |
| Non-operating (income) expenses | 1,110,950 | (71,024) | (46,720) | 1,033,099 | (114,13) |
| Financial income | (18,773) | (16,675) | (17,386) | (51,154) | (57,65) |
| Financial expenses | 27,326 | 18,695 | (2,379) | 67,309 | 48,19 |
| Interest on financing | 23,788 | 21,948 | 21,797 | 67,668 | 62,92 |
| Other | 3,538 | (3,253) | (24,176) | (359) | (14,72) |
| Results of derivative transactions, net | 1,116,441 | (84,147) | (22,658) | 1,019,186 | (100,84) |
| (Gain) loss on currency re-measurement, net | (14,044) | 11,103 | (4,268) | (2,242) | (3,79) |
| Other, net | | | (29) | | (3) |
| Income (loss) before income taxes, minority interest and equity in the results of affiliated companies | (1,046,007) | 212,772 | 174,205 | (705,006) | 529,60 |
| Income taxes | (464,058) | 119,842 | 62,185 | (331,585) | 166,20 |
| Current | 3,364 | 12,803 | 12,671 | 27,225 | 46,46 |
| Deferred | (467,422) | 107,039 | 49,514 | (358,810) | 119,74 |
| Minority interest | (4,214) | 3,644 | 2,220 | 3,494 | 9,11 |
| Equity results of affiliated companies | (31,835) | 18,022 | 4,455 | (19,171) | 26,87 |
| Net income (loss) for the period | (545,900) | 71,264 | 105,345 | (357,744) | 327,40 |
| Depreciation and depletion in the results: | 53,878 | 56,360 | 51,953 | 166,005 | 158,55 |
| Pulp production cost | 61,017 | 55,327 | 50,525 | 174,569 | 155,24 |
| Forests and other | 2,098 | (1,132) | 2,515 | (872) | 11 |
| Other operating costs and expenses | 1,413 | 1,275 | 1,603 | 4,023 | 4,15 |
| Sub-total | 64,528 | 55,470 | 54,643 | 177,720 | 159,51 |
| Inventory movement | (10,650) | 890 | (2,690) | (11,715) | (95) |
| EBITDA(*) | 118,821 | 198,108 | 179,438 | 494,098 | 574,02 |
| EBITDA (adjusted for other non-cash items) (*) | 171,248 | 206,683 | 185,518 | 567,221 | 566,85 |

) does not include 50% of Veracel's EBITDA

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

| ASSETS | Sep.30, | Jun.30, | Sep.30, | LIABILITIES | Sep.30, | Jun.30, | Sep.30, |
|---------------------------|------------------|------------------|------------------|-----------------------------------|------------------|----------------|----------------|
| | 2008 | 2008 | 2007 | | 2008 | 2008 | 2008 |
| Current assets | 1,456,750 | 1,389,275 | 1,248,296 | Current Liabilities | 1,511,276 | 398,395 | 338,848 |
| Cash and cash equivalents | 164,666 | 33,934 | 85,929 | Suppliers | 124,534 | 159,789 | 121,458 |
| Short-term investments | 429,075 | 494,128 | 492,448 | Payroll and related charges | 33,528 | 31,208 | 32,145 |
| Derivative instruments | 21,837 | 31,204 | | Income and other taxes | 45,393 | 38,848 | 41,145 |
| Accounts receivable, net | 301,888 | 372,716 | 282,439 | Current portion of long-term debt | | | |
| Inventories, net | 340,096 | 276,248 | 227,998 | Related party | 58,708 | 83,514 | 74,145 |
| Deferred income tax | 34,434 | 12,977 | 15,017 | Other | 7,094 | 8,530 | 2,996 |

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| | | | | | | | |
|---|------------------|------------------|------------------|---------------------------------------|------------------|------------------|--------------|
| | | | | Short-term debt - export financing | | | |
| Recoverable income and other taxes | 141,875 | 144,287 | 120,916 | | | | |
| | | | | and other | 171,106 | 6,279 | 5 |
| Prepaid expenses and other | | | | | | | |
| | | | | Accrued financial charges | 19,747 | 11,387 | 13 |
| current assets | 22,879 | 23,781 | 23,549 | | | | |
| Property, plant and equipment, net | 2,942,155 | 2,672,808 | 2,426,281 | Derivative instruments | 1,047,226 | | |
| | | | | Accrued dividends - Interest payable | | | |
| Investment in affiliated Company | 511,817 | 440,980 | 401,711 | | | | |
| | | | | on stockholders' equity | 1,162 | 54,749 | 43 |
| Goodwill | 192,035 | 192,035 | 192,035 | Other current liabilities | 2,778 | 4,091 | 4 |
| Other assets | 273,259 | 302,629 | 185,503 | Long-term liabilities | 2,030,262 | 2,214,740 | 1,770 |
| Derivative instruments | 1,467 | 59,031 | | Long-term debt | | | |
| Unrealized gain from currency | | | | | | | |
| | | | | Related party | 304,913 | 365,765 | 306 |
| interest rate swaps | | | 17,095 | | | | |
| Advances to suppliers | 115,674 | 111,659 | 92,563 | Other | 1,433,746 | 1,146,425 | 962 |
| | | | | Litigations, contingencies and | | | |
| Accounts receivable | 20,604 | 26,003 | 20,691 | Commitments | 124,789 | 148,376 | 83 |
| | | | | Liabilities associated with | | | |
| Deposits for tax assessments | 22,408 | 27,493 | 31,939 | unrecognized tax benefits | 74,244 | 90,797 | 93 |
| | | | | Interest and penalties on liabilities | | | |
| Deferred income tax | 87,755 | | | associated with unrecognized tax | | | |
| | | | | benefits | 48,024 | 54,683 | 64 |
| Recoverable taxes | 20,909 | 73,422 | 18,996 | Deferred income tax | | 358,156 | 215 |
| Other | 4,442 | 5,021 | 4,219 | Suppliers | | | 3 |
| | | | | Other long-term liabilities | 44,546 | 50,538 | 41 |
| | | | | Minority interest | 15,891 | 20,105 | 9 |
| | | | | Stockholders' equity | 1,818,587 | 2,364,487 | 2,335 |
| TOTAL | 5,376,016 | 4,997,727 | 4,453,826 | TOTAL | 5,376,016 | 4,997,727 | 4,453 |

ARACRUZ RESULTS - THIRD QUARTER 2008 18

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

| | Three-month period ended | | | Nine-month period ended | |
|---|--------------------------|--------------|--------------|-------------------------|--------------|
| | Sep.30, 2008 | Jun.30, 2008 | Sep.30, 2007 | Sep.30, 2008 | Sep.30, 2007 |
| Cash flows from operating activities | | | | | |
| Net income for the period | (545,900) | 71,264 | 105,345 | (357,744) | 327,408 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | | |
| Depreciation and depletion | 64,528 | 55,470 | 54,643 | 177,720 | 159,511 |
| Equity results of affiliated Company | (31,835) | 18,022 | 4,455 | (19,171) | 26,875 |
| Deferred income tax | (467,422) | 107,039 | 49,514 | (358,810) | 119,743 |

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| | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|
| Derivative instruments | 1,112,012 | (50,149) | (17,095) | 1,055,326 | (17,095) |
| Loss (gain) on currency re-measurement | (14,044) | 11,103 | (4,268) | (2,242) | (3,793) |
| Loss (gain) on sale of equipment | 1,317 | (1,550) | (87) | (1,267) | 649 |
| Decrease (increase) in operating assets | | | | | |
| Accounts receivable, net | 60,336 | (45,132) | 5,193 | 47,744 | (22,415) |
| Inventories, net | (60,914) | (28,966) | (14,033) | (112,162) | (25,294) |
| Interest receivable on short-term investments | (25,376) | (8,503) | (5,349) | (50,031) | (18,403) |
| Recoverable taxes | 24,398 | (13,420) | 19,130 | 31,492 | 877 |
| Other | 1,671 | (2,486) | (14,125) | (5,100) | (15,390) |
| Increase (decrease) in operating liabilities | | | | | |
| Suppliers | (27,325) | 21,638 | 23,350 | 6,038 | 21,638 |
| Payroll and related charges | 5,278 | 5,251 | 7,536 | 1,024 | 5,115 |
| Litigation, contingencies and liabilities associated with unrecognized tax benefits | 18,000 | (16,624) | (24,140) | (6,303) | (11,187) |
| Accrued financial charges | 8,946 | 4,321 | 3,754 | 10,836 | (5,059) |
| Other | (7,147) | 2,458 | 6,488 | 4,597 | 12,996 |
| Net cash provided by operating activities | 116,523 | 129,736 | 200,311 | 421,947 | 556,176 |
| Cash flows from investing activities | | | | | |
| Short-term investments | 6,864 | 39,834 | (60,132) | 29,364 | 131,617 |
| Proceeds from sale of equipment | 215 | 1,741 | 143 | 2,990 | 344 |
| Investments in affiliate | (39,000) | (25,600) | (7,850) | (77,250) | (103,850) |
| Company acquisition (net of cash received) | (45,992) | | | (45,992) | |
| Additions to property, plant and equipment | (291,129) | (172,140) | (186,154) | (561,134) | (435,562) |
| Net cash provided by (used in) investing activities | (369,042) | (156,165) | (253,993) | (652,022) | (407,451) |
| Cash flows from financing activities | | | | | |
| Net short-term debt borrowings/(repayments) , net | 155,627 | 2,851 | 7,712 | 159,527 | 8,052 |
| Long-term debt | | | | | |
| Issuance | 300,000 | 193,730 | 90,546 | 499,888 | 322,656 |
| Repayments | (20,050) | (20,065) | (17,941) | (59,814) | (253,552) |
| Dividends and interest on stockholders equity paid out | (53,290) | (160,373) | (40,510) | (258,508) | (191,027) |
| Net cash used in financing activities | 382,287 | 16,143 | 39,807 | 341,093 | (113,871) |
| Effect of exchange rate variations on cash and cash equivalents | 964 | (352) | 2,326 | 327 | 2,661 |
| Increase (decrease) in cash and cash equivalents | 130,732 | (10,638) | (11,549) | 111,345 | 37,515 |
| Cash and cash equivalents, beginning of the period | 33,934 | 44,572 | 97,478 | 53,321 | 48,414 |
| Cash and cash equivalents, end of the period | 164,666 | 33,934 | 85,929 | 164,666 | 85,929 |

ARACRUZ RESULTS - THIRD QUARTER 2008 19

Veracel Information Veracel **pulp production** totaled 281,000 tons in the third quarter of 2008. At the end of September, **inventory** stood at 82,000 tons of pulp.

Veracel **pulp sales** totaled 239,000 tons in the third quarter, of which 113,000 tons went to Aracruz, 125,000 tons went to the other controlling shareholder and 1,000 tons went to unrelated parties.

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

| | Sep.30, | Jun.30, | Sep.30, | | Sep.30, | Jun.30, | Sep.30, |
|-----------------------|--------------|--------------|--------------|----------------------------|--------------|--------------|--------------|
| ASSETS | 2008 | 2008 | 2007 | LIABILITIES | 2008 | 2008 | 2007 |
| Current assets | 147.5 | 131.5 | 116.5 | Current liabilities | 153.0 | 178.3 | 156.5 |
| Cash investments | 9.5 | 2.8 | 0.8 | Short-term debt | 119.2 | 137.2 | 124.3 |

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| | | | | | | | |
|-------------------------|--------------|--------------|--------------|------------------------------|--------------|--------------|--------------|
| Other current | | | | | | | |
| assets | 138.0 | 128.7 | 115.7 | Other accruals | 33.8 | 41.1 | 32.2 |
| Long term assets | 156.1 | 167.3 | 160.2 | Long-term liabilities | 436.1 | 530.7 | 570.0 |
| Other long term | | | | | | | |