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21 October at 8 a.m. (Brasília time)  
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## Suzano Papel e Celulose reports consolidated results for 3Q 2005

*Net Sales of R\$ 675.9 million, with sales volume of 357.5 tsd tons, 9.2% and 13.3% higher than 2Q05, respectively*

**São Paulo, October 19, 2005: Suzano Papel e Celulose** (Bovespa: SUZB5), one of the largest integrated producers of paper and pulp in Latin America, today announced its consolidated results for the third quarter of 2005 (3Q05). The operational and financial figures in this release are the consolidated results, in Reais, by the Brazilian Corporate Law accounting method. Except where specifically stated, the figures presented **do not include** the effect of the consolidation of 23.03% of **Ripasa S.A. Celulose e Papel**.

### Highlights:

- **Record output of 355,100 tons in the quarter: 145,000 tons of market pulp, 210,000 tons of paper.**
- **Board gives go ahead for the conclusion of negotiation and start of construction of new pulp line at Mucuri. Details are in a press release also out today.**
- **Production costs were affected by the learning curve on consumption of specific inputs in the Mucuri optimization, and maintenance shutdowns.**
- **Appreciation of the Real affected margins and net income.**

R\$ '000

Financial indicators	2Q05	3Q05	3Q04	3Q05 w/ Ripasa
Sales volume (tons)	315,645	357,496	338,571	395,766
Net Sales	619,142	675,888	707,460	756,303
Net Income	258,483	153,179	262,580	153,179
Ebitda	227,587	219,319	307,682	238,752
Net Income per share	0.9104	0.5395	0.9243	0.5395
Ebitda Margin	36.8%	32.4%	43.5%	31.6%
Net Debt / LTM Ebitda	2.20	2.33	1.63	2.38

\*Ebitda = Operating profit plus depreciation, depletion and amortization

\*\* LTM = Last 12 months. Except in the consolidated figures with Ripasa that considers the Ebitda of 2Q05 and 3Q05.

### Brief summary of the quarter

Our average pulp sale price in 3Q05 was unchanged from the previous quarter. At the beginning of July the market price the eucalyptus pulp (CIF Europe) reached US \$600/ton, which remained stable during the quarter, even during summer. This was result of stable demand for pulp and programmed stoppage reducing supply.

Due to seasonal factors, demand for papers in the domestic market increased from the previous quarter, making a discrete recovery in prices possible. Volumes sold were still less than in 3Q04.

Our output in the quarter was 355.1 thousand tons, a record in both pulp and paper, especially taking into account a six-day maintenance stoppage at Mucuri. In spite of this total stoppage at Mucuri, we saw an improvement in production costs.

On October 19 the Board authorized its executives to complete negotiations, considering pre-determined targets, for construction of its second pulp production line at its **Mucuri** unit in the South of Bahia, Brazil. This mill will initially have capacity to produce 1.0 million tons of market pulp per year.

The general shareholder meeting for the Ripasa restructuring was suspended following an injunction requested by two minority shareholders of Ripasa. Suzano and VCP are appealing at a higher court.

### The business environment

#### Appreciation of the Real affected margins

The Brazilian Real strengthened further against the dollar in 3Q05, closing the quarter at R\$ 2.22 / US\$, resulting in an average exchange rate for the quarter of R\$ 2.3448 / US\$ 5.5% lower than in 2205. The appreciation of the Real had a negative impact on our margins but had a positive impact on FX and monetary variations, and hence on net income.

Fx rate, R\$ / US\$	3Q05	2Q05	3Q04	2004	2003
Start of period	2.3504	2.6662	3.1075	2.8892	3.5333
End of period	2.2222	2.3504	2.8586	2.6544	2.8892
Average	2.3448	2.4822	2.9773	2.9263	3.0775

Source: Brazilian Central Bank.

#### Average pulp prices remain high in historic terms

Pulp prices in 3Q05 were practically unchanged from 2Q05. The only exception was Asia, with a fall of US\$30/ton. The reduction in Asia was due to pressure from consumers, mainly reflecting the low price of long fiber pulp in that market.

Another factor favoring the pulp market was the programmed maintenance stoppages at several producers, restraining supply.

Producers' pulp inventory levels in August were 36 days, one day more than in June, in spite of the context of relative stability.

In the European market the average price differential between uncoated papers (reels, CIF Northern Europe) and eucalyptus pulp in 3Q05 was only US\$150/ton, lower than the historic average of US\$250/ton. This was due to lower demand for paper during the summer month and the strengthening of the euro against the dollar, a factor restraining exports by European producers.

Total paper volumes sold were considerably better than in the third quarter of 2004. In the domestic market, the increase was due to seasonal factors, and in exports we were successful in placing the production volume that exceeded domestic demand. We expect this improvement also to have an impact on our sales in 4Q05, since the fourth quarter is the period for sales of paper raw materials for books and school supplies.

### Sales

**Net Sales**

	2Q05		3Q05		3Q04	
	R\$ tsd	Tons tsd	R\$ tsd	Tons tsd	R\$ tsd	Tons tsd
<b>Domestic Market</b>	<b>316,239</b>	<b>134.5</b>	<b>353,748</b>	<b>150.6</b>	<b>368,948</b>	<b>152.1</b>
Pulp	22,818	18.7	26,334	24.3	26,340	21.8
Coated P&W Paper	60,289	20.9	61,006	21.6	60,385	20.0
Paperboard	76,128	28.3	83,084	31.2	94,115	34.7
Uncoated P&W Paper	157,004	66.6	183,324	73.5	188,108	75.5
<b>Export Market</b>	<b>302,903</b>	<b>181.1</b>	<b>322,139</b>	<b>206.9</b>	<b>338,512</b>	<b>186.5</b>
Pulp	133,487	99.2	140,854	110.6	155,503	113.7
Coated P&W Paper	12,903	5.6	9,848	4.7	7,418	2.8
Paperboard	30,253	16.8	28,429	18.0	31,677	13.9
Uncoated P&W Paper	126,260	59.5	143,008	73.6	143,914	56.1
<b>Total</b>	<b>619,142</b>	<b>315.6</b>	<b>675,887</b>	<b>357.5</b>	<b>707,460</b>	<b>338.6</b>
Pulp	156,305	117.9	167,188	134.9	181,843	135.6
Coated P&W Paper	73,192	26.5	70,854	26.3	67,803	22.9
Paperboard	106,381	45.0	111,513	49.1	125,792	48.6
Uncoated P&W Paper	283,264	126.2	326,332	147.1	332,022	131.6

**Total Sales Volume: Higher volumes mitigated the effect of lower prices in Reais, and offset part of the effect of the stronger Real on exports.**

Total unit volumes sold in 3Q05 was 357.5 thousand tons, 5.6% higher than in 3Q04 – but with average prices 9.5% lower year-on-year. The resulting net income for the quarter was R\$ 675.9 million, 4.5% lower than in 3Q04.

In relation to 2Q05, total volume sold was 14.4% higher, with average prices 6.5% lower, resulting in revenue 7.0% higher.

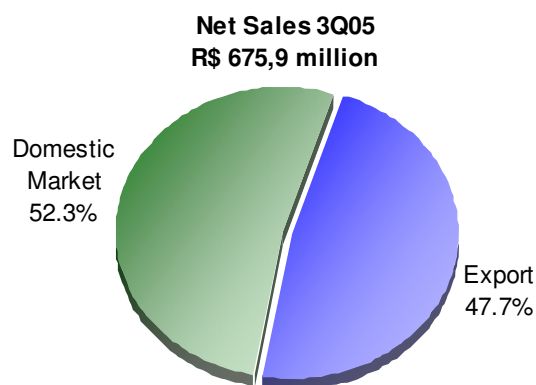
Exports provided 47.7% of sales revenue in the quarter, compared to 48.9% in 2Q05 and 47.8% in 3Q04.

**Pulp: Average export prices stable**

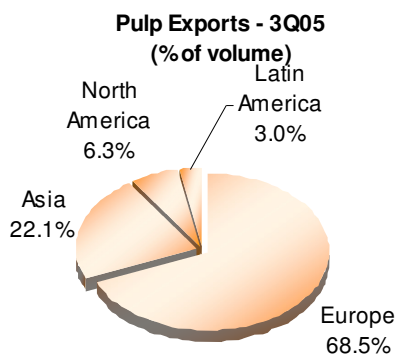
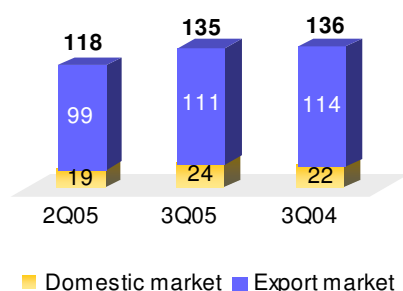
We sold 134.9 thousand tons of pulp in 3Q05, 0.5% less than in 3Q04, and 14.4% more than in 2Q05. Export sales provided 82.0% of our total sales volume in the quarter.

Our average pulp export price in the quarter was US\$543/ton, compared to US\$542/ton in 2Q05 and US\$459/ton into 3Q04. Although prices were stable in dollars, the appreciation of the Real against the dollar once again affected our sales figures in Reais, especially from exports.

Net sales revenue from pulp was R\$ 167.2 million in the quarter, 8.1% less than in 3Q04. This reflected prices 7.6% lower in Reais, of R\$ 1,239 per ton in 3Q05, and volume sold 0.5% lower. Sales revenue from pulp was 7.0% higher than in 2Q05, resulting from unit volume 14.4% higher and average prices in Reais 6.5% lower.



**Pulp Sales volume (thousand tons)**



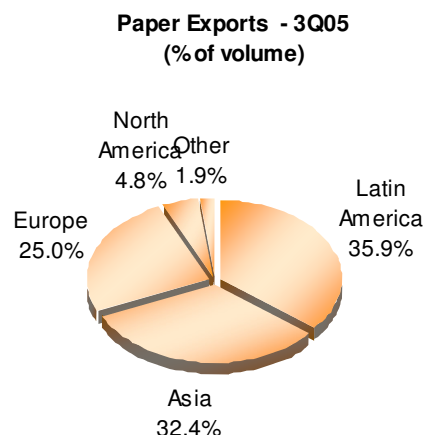
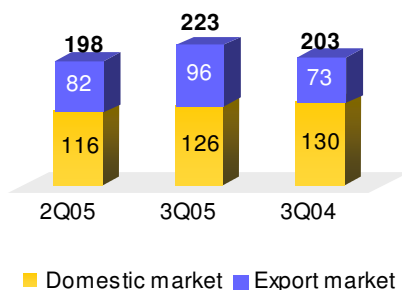
**Paper: Volumes higher than in 2Q; prices higher in the domestic market and lower in exports**

Paper volume sold in 3Q05 was 12.6% higher than in 2Q05, with prices 2.4% lower. The improvement shows the seasonal recovery of this market. Domestic market sales volume was 3.0% lower than in 3Q04, at 126.3 thousand tons. In the export market sales volume was 17.4% higher than in 2Q05 and 32.3% higher than in 3Q04. Domestic market paper sales in 3Q05 were 56.8% of total paper sales – compared with 64.1% in 3Q04.

The average price of papers in 3Q05 was R\$ 2,285 per ton, 11.7% lower than in 3Q04 – though only 2.4% lower than in 2Q05. Both comparisons were strongly impacted by the appreciation of the Real on export prices.

Total paper net revenue from papers in 3Q05 were R\$ 508.7 million, 3.2% lower than in 3Q04. The positive effect of the 9.6% increase in volume sold – to 222.6 thousand tons – in 3Q05 was entirely offset by the 11.7% reduction in average prices of papers in comparison with 3Q04. Net sales in 3Q05 was 9.9% higher than in 2Q05.

**Paper sales volume (thousand tons)**



**Production and costs**

**Production (thousand tons)**

	2Q05	3Q05	3Q04
<b>Production</b>	321.4	355.1	341.0
Market Pulp	119.8	145.1	134.4
Coated P&W Paper	20.8	21.0	22.7
Paperboard	46.3	47.3	48.1
Uncoated P&W Paper	134.5	141.7	135.8

In 3Q05 we produced 355.1 thousand tons of products: 210.0 thousand tons of papers and 145.1 thousand tons of market pulp. This volume is a quarterly record for the company, and indicates the excellent performance of the learning curve in the production of pulp at Mucuri – and also reflects higher general efficiency of the equipment. Another important factor in this increase in total production is the higher production of our recycled paper Reciclato, which consumes less virgin fiber. Production was also affected by the general maintenance stoppage of the Mucuri plant – initially scheduled for October.

**Market pulp cash production cost: R\$ 511 per ton in 3Q05.**

In 3Q05, cash production cost of market pulp produced at the Mucuri unit, which includes the cost of standing timber, was R\$ 511/ton (US\$217/ton). This compares with R\$ 548/ton (US\$220/ton) in 2Q05. The lower Reais figure reflects (i) increased efficiency of the equipment; and (ii) the appreciation of the Real in the period. These factors were partially offset by 6 – day programmed stoppage in September.

The average cost of depletion in 3Q05, including the amounts mentioned above, was R\$ 33/ton, equivalent to US \$ 14/ton.

Unit cost of products sold in 3Q05 was R\$ 1,198, 12.5% higher than in 3Q04. The change is due to the higher volume exported, and the sales mix. Unit cost was 3.1% higher than in 2Q05 – reflecting the same factors.

**The 3Q05 results**

**Suzano Papel e Celulose (considering the indirect holding of 23.03% in Ripasa by the equity method)<sup>(1)</sup>**  
(In thousand R\$)

	2Q05	3Q05	3Q04
Net Sales	619,142	675,888	707,460
Cost of Sales	(366,765)	(428,171)	(360,352)
<b>Gross Profit</b>	<b>252,377</b>	<b>247,717</b>	<b>347,108</b>
Selling Expenses	(35,956)	(35,859)	(36,644)
General and Administrative expenses	(45,223)	(50,300)	(58,429)
Financial Expenses	(71,867)	(62,198)	(70,307)
Financial Income	30,766	34,071	26,880
Equity Income in Subsidiaries and Affiliates	7,930	(11,281)	(40)
Other Operating Income	4,480	4,374	5,155
<b>Operating Profit before Monetary and Exchange Rate Variation</b>	<b>142,507</b>	<b>126,524</b>	<b>213,723</b>
Net Monetary and Exchange Rate Variation on Assets	198,297	72,425	128,655
<b>Operating Profit</b>	<b>340,804</b>	<b>198,949</b>	<b>342,378</b>
Non Operating Income	2,084	1,537	7,568
Income and Social Contribution Taxes	(84,405)	(47,307)	(87,366)
<b>Net Income for the Period</b>	<b>258,483</b>	<b>153,179</b>	<b>262,580</b>

<sup>(1)</sup> Includes R\$ 13.2 million in 3Q05 for the indirect holding of 23.03% in Ripasa.

**3Q05 net income of R\$ 153.2 million**

Suzano Papel e Celulose reported net income of R\$ 153.2 million for the third quarter of 2005, 41.7% less than in the third quarter of 2004, and 40.7% less than in the second quarter of 2005. The result of Ripasa is included in the equity income line.

The lower net income mainly reflected the appreciation of the Real during 3Q05, providing a lower impact via exchange-rate variations, and due to lower gross margin as explained before.

Other factors we highlight in the comparison with 3Q04:

- (1) Lower administrative expenses, compensating the costs of putting in place the private pension plan (which started in January), and non-recurring expenses in the process of acquisition of Ripasa.
- (2) Lower selling expenses, mainly due to the increased strength of the Real against the dollar, compensating the higher volume exported.
- (3) Lower income tax and Social Contribution, due to lower taxable profit for calculation of both.

**Consolidated data including Ripasa**

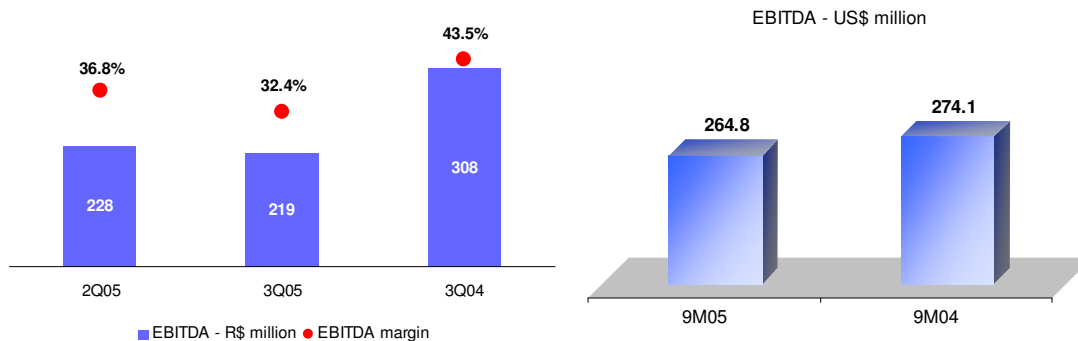
Taking into account the holding in Ripasa, the consolidated net sales of Suzano Papel e Celulose in 3Q05 was R\$ 756.3 million, resulting in gross profit of R\$ 268.2 million (gross margin of 35.5%) and net income of R\$ 153.8 million.

**Cash flow and financial indicators**

	<i>(in thousand R\$)</i>					
	2Q05	3Q05	3Q04	3Q05 w/ Ripasa	3Q05 x 3Q04	3Q05 x 2Q05
<b>EBIT</b>	175,678	165,932	257,190	173,013	-35.5%	-5.5%
<b>Depreciation / Depletion / Amortization</b>	51,909	53,387	50,492	65,739	5.7%	2.8%
<b>EBITDA</b>	227,587	219,319	307,682	238,752	-28.7%	-3.6%
<b>Gross Profit / Net Sales</b>	40.8%	36.7%	49.1%	35.5%	-12,4 p.p.	-4,1 p.p.
<b>EBITDA / Net Sales</b>	36.8%	32.4%	43.5%	31.6%	-11,1 p.p.	-4,4 p.p.
<b>Net Debt / EBITDA (LTM)</b>	2.20	2.33	1.63	2.38	-	-

**EBITDA: US\$ 94 million**

Ebitda in 3Q05 was R\$ 219.3 million (US\$93.7 million, at the average exchange rate for the period), 28.7% lower in Reais than in 3Q04, but 3.6% lower than in 2Q05. Ebitda margin (on net sales) was 11.1 percentage points lower, at 32.4%, than the Ebitda margin of 43.5% in 3Q04 mainly reflecting the 21.2% appreciation of the real when comparing to the same period of 2004. In US dollars, Ebitda was 2.0% higher than in 2Q05.


**Consolidated data including Ripasa**

Consolidated Ebitda of Suzano Papel e Celulose was R\$ 238.8 million, or US\$102.0 million, resulting in Ebitda margin (on net sales) of 31.6%.

**Operational capex R\$ 102,4 million in 3Q05**

Suzano invested a total of R\$ 102.4 million in 3Q05, of which R\$ 30.5 million was invested in the São Paulo unit and R\$ 48.9 million in the Mucuri unit. R\$ 23.0 million was invested in the Capim Branco hydroelectric power plant project. Of the total, (i) R\$ 15.9 million was invested in forestry for the expansion project; (ii) R\$ 8.4 million in industrial modernization, of which R\$ 2.9 million in the optimization of the Mucuri pulp plant, and (iii) R\$ 54.3 million was current investment in the industrial and forestry areas.

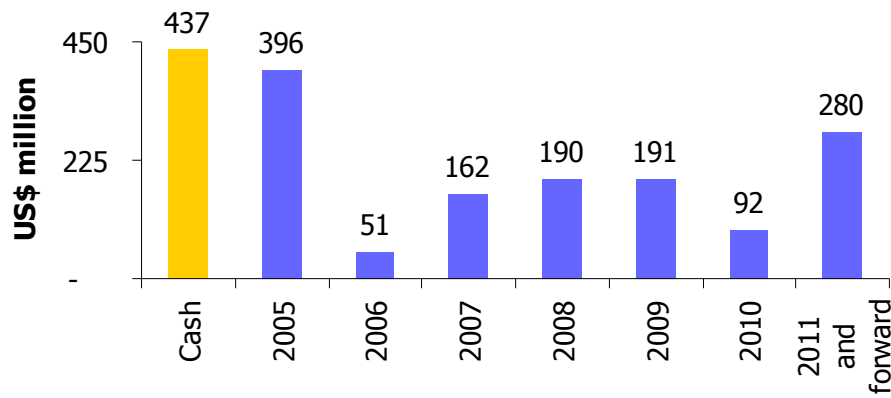
**Net debt: US\$ 925.2 million**

Net debt at September 30, 2005 was R\$ 2.056 million, or US\$925.2 million, compared with R\$ 2.137 million or US\$ 909.2 million on June 30, 2005. The reduction of total indebtedness in Reais is related to the appreciation of the Real against the dollar in the quarter. Net debt / Ebitda for the last 12 months – to the end of September – was 2.33, compared with 2.20 at the end of June 2005.

**Consolidated data including Ripasa**

Net debt at end September 2005 was R\$ 2.189 million, or US\$ 985.3 million. Consolidated ratio of Net debt / Ebitda including 2Q05 and 3Q05 Ripasa's Ebitda was 2.38x.

## Schedule of amortization



### Corporate Information

**Suzano Papel e Celulose** is one of the largest integrated producers of paper and eucalyptus pulp in Latin America, with pulp production capacity of 1.1 million tons/year and paper production capacity of 820 thousand tons/year. It offers a broad range of pulp and paper products to the Brazilian and international markets, and has leadership positions in key segments of the Brazilian markets. It has four principal product lines: (i) eucalyptus pulp; (ii) uncoated woodfree printing and writing paper; (iii) coated woodfree printing and writing paper; and (iv) paperboard. Suzano Papel e Celulose has 50% of the controlling interest in **Ripasa S.A Celulose e Papel** ("Ripasa"), which produces pulp, printing and writing paper, specialty papers, paperboard and cardboards. Ripasa reported net sales of R\$ 1.4 billion in 2004 from sales of 612,000 tons of products. It has four industrial units in São Paulo State and forest areas totaling 86,400 hectares.

### Forward-looking statements

*Certain statements in this document may constitute forward-looking statements – projections or statements about future expectations. Such statements are subject to known and unknown risks and uncertainties, which could cause such expectations not to materialize or actual results to differ materially from those set forth in the forward-looking statements. These risks include: changes in future demand for the Company's products, changes in the factors which affect domestic and international prices of the products, changes in the cost structure, changes in seasonal market patterns, changes in prices charged by competitors, exchange rate variations, or changes in the Brazilian political or economic scenario, or in emerging and international markets in general.*

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--- *Eight pages of tables follow.* ---



**Attachments**

Data on volume, average price in Reais and US\$, and the calculation of Ebitda have not been revised by our independent auditors.

**Consolidated Balance Sheets without Ripisa**
**(in thousand R\$)**

	Sep 30, 2005	Dec 31, 2004	Sep 30, 2005	Dec 31, 2004
<b>Current Assets</b>				
Cash and Cash Equivalent	971,123	1,086,220		
Trade Accounts Receivable	581,319	560,260		
Other Accounts Receivable	16,326	12,314		
Inventories	445,621	405,995		
Recoverable Taxes	26,558	30,885		
Deferred Income And Social Contribution Taxes	50,864	106,075		
Prepaid Expenses	7,332	5,286		
	<b>2,099,143</b>	<b>2,207,035</b>		
<b>Non Current Assets</b>				
Related Parties	18	11		
Recoverable Taxes	18,926	25,532		
Deferred Income And Social Contribution Taxes	115,795	137,853		
Advances To Suppliers	105,085	81,001		
Judicialdeposits	28,662	29,308		
Other Accounts Receivable	22,198	24,025		
	<b>290,684</b>	<b>297,730</b>		
<b>Permanent Assets</b>				
Investments	763,440	25,796		
Property, Plant And Equipment	3,563,489	3,459,870		
Deferred Charges	1,168	1,418		
	<b>4,328,097</b>	<b>3,487,084</b>		
<b>Total Assets</b>	<b>6,717,924</b>	<b>5,991,849</b>		
<b>Current Liabilities</b>				
Trade Accounts Payable			117,425	133,730
Loans And Financing			879,825	789,680
Debentures			22,910	24,784
Accrued Salaries and Payroll Taxes			56,792	52,207
Taxes Payable Other than on Income			15,709	16,220
Income and Social Contribution Taxes			4,825	2,897
Deferred Income and Social Contribution Taxes			-	-
Dividends Payable			331	81,836
Other Accounts Payable			50,802	67,251
Related Parties			610	504
			<b>1,149,229</b>	<b>1,169,109</b>
<b>Non Current Liabilities</b>				
Loans and Financing			1,670,713	1,412,330
Debentures			453,712	475,384
Accounts Payable			18,090	29,538
Deferred Income and Social Contribution Taxes			15,727	13,147
Provision For Contingencies			159,520	146,080
			<b>2,317,762</b>	<b>2,076,479</b>
<b>Shareholder's Equity</b>				
Share Capital			1,479,990	1,477,963
Capital Reserves			342,685	342,685
Profit Reserves			940,693	940,693
Treasury Shares			(15,080)	(15,080)
Accumulated Profit			502,645	-
			<b>3,250,933</b>	<b>2,746,261</b>
<b>Total Liabilities</b>			<b>6,717,924</b>	<b>5,991,849</b>

**Income Statements without Ripasa**

(in thousand R\$)

	2Q05	3Q05	3Q04	3Q05X2Q05	3Q05X3Q04
<b>NET SALES</b>	<b>619,142</b>	<b>675,888</b>	<b>707,460</b>	<b>9.2%</b>	<b>-4.5%</b>
COST OF SALES	(366,765)	(428,171)	(360,352)	16.7%	18.8%
<b>GROSS PROFIT</b>	<b>252,377</b>	<b>247,717</b>	<b>347,108</b>	<b>-1.8%</b>	<b>-28.6%</b>
SELLING EXPENSES	(35,956)	(35,859)	(36,644)	-0.3%	-2.1%
GENERAL AND ADMINISTRATIVE EXPENSES	(45,223)	(50,300)	(58,429)	11.2%	-13.9%
FINANCIAL EXPENSES	(71,867)	(62,198)	(70,307)	-13.5%	-11.5%
FINANCIAL INCOME	30,766	34,071	26,880	10.7%	26.8%
EQUITY INCOME IN SUBSIDIARIES AND AFFILIATES	7,930	(11,281)	(40)	-242.3%	28102.5%
OTHER OPERATING INCOME	4,480	4,374	5,155	-2.4%	-15.2%
<b>OPERATING PROFIT BEFORE MONETARY AND EXCHANGE</b>	<b>142,507</b>	<b>126,524</b>	<b>213,723</b>	<b>-11.2%</b>	<b>-40.8%</b>
NET MONETARY AND EXCHANGE RATE VARIATION ON ASSETS	198,297	72,425	128,655	-63.5%	-43.7%
<b>OPERATING PROFIT</b>	<b>340,804</b>	<b>198,949</b>	<b>342,378</b>	<b>-41.6%</b>	<b>-41.9%</b>
NONOPERATING INCOME	2,084	1,537	7,568	-26.2%	-79.7%
<b>NET INCOME BEFORE INCOME AND SOCIAL CONTRIBUTION TAX</b>	<b>342,888</b>	<b>200,486</b>	<b>349,946</b>	<b>-41.5%</b>	<b>-42.7%</b>
INCOME AND SOCIAL CONTRIBUTION TAXES	(84,405)	(47,307)	(87,366)	-44.0%	-45.9%
<b>NET INCOME FOR THE PERIOD</b>	<b>258,483</b>	<b>153,179</b>	<b>262,580</b>	<b>-40.7%</b>	<b>-41.7%</b>

**Statement of Cash Flow without Ripasa**

(in thousand of R\$)

	sep/05	sep/04
<b>Cash flows from operating activities</b>		
<b>Net income for the year</b>	502,645	466,664
Adjustements to reconcile net income to cash generated from operating activities		
Depreciation, depletion and amortization	159,308	145,956
Result on sale of property, plant and equipment	(14,354)	(30,991)
Equity interest in subsidiaries and affiliates	3,505	248
Deferred income and social contribution taxes	79,849	(31,697)
Interest, exchange and monetary variation of noncurrent assets and liabilities	(403,049)	(14,649)
Increase in provisions	13,439	19,797
Changes in assets and liabilities		
(Reduction) Increase in accounts receivable and other receivable	(21,059)	(156,704)
(Reduction) Increase in other current and non-current assets	(56,369)	(38,314)
Increase (reduction) in other current liabilities	(39,328)	68,894
<b>Net cash from operating activities</b>	<b>224,587</b>	<b>429,204</b>
<b>Cash flows from investing activities</b>		
Acquisition of investments	(742,553)	(4,130)
Acquisition of property, plant and equipment	(273,048)	(509,181)
Increase of deferred charges	(15)	(246)
Elimination of minority interest	-	(115,606)
Income tax incentive	-	6,182
Receipt from sale of property, plant and equipment	24,572	63,432
<b>Net cash used in investing activities</b>	<b>(991,044)</b>	<b>(559,549)</b>
<b>Cash flows from financing activities</b>		
Capital contribution	2,027	1,669
Setup of special good will reserve on downstream merger	-	108,723
Equity increase from elimination of minority interest	-	115,606
Profit on intercompany fixed assets dispolsal non longer eliminated take over	-	53,862
Acquisition of its own shares due to the downstream merger	-	(1,741)
Dividends paid	(81,505)	(169,695)
Loans received	1,312,737	1,529,310
Payment of loans	(608,938)	(1,503,824)
<b>Net cash from financing activities</b>	<b>624,321</b>	<b>133,910</b>
<b>Effects of exchange rate variation on cash and cash equivalents</b>	<b>27,039</b>	<b>-</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(115,097)</b>	<b>3,565</b>
Beginning of year	1,086,220	1,332,451
End of year	971,123	1,336,016

**Loans and Financing without Ripasa**

(in thousand R\$)

	Index	Interest	Sep 2005	Jun 2005
<u>For acquisition of equipment</u>				
BNDES - Finem	TJLP (1) (2)	9.81%	542,095	560,671
BNDES - Finem	Basket of currencies (1) (2)	10.03%	103,335	111,440
BNDES - Finame	TJLP (1) (2)	9.77%	34,425	37,394
BNDES - Automático	TJLP (1) (2)	8.71%	3,156	3,691
Finep		6.00%	1,641	1,617
<u>Working capital</u>				
Exporting financing	US\$	5.26%	1,776,283	1,907,100
FMO	US\$	8.66%	22,028	29,512
Importation financing	US\$	3.82%	58,436	62,331
Others	US\$	4.50%	9,139	9,677
			<u>2,550,538</u>	<u>2,723,433</u>
Current liabilities			879,825	860,099
Noncurrent liabilities			<u>1,670,713</u>	<u>1,863,334</u>
The long term portion of loans and financing mature as follows				
2006 (october to december)			114,286	273,702
2007			360,984	375,528
2008			421,144	436,164
2009			424,353	437,132
2010			204,405	205,410
2011 and forward			<u>145,541</u>	<u>135,398</u>
			<u>1,670,713</u>	<u>1,863,334</u>

- (1) Capitalization of amounts by which TJLP (Long-term interest rates, published by the Brazilian Central Bank) exceeds 6%;
- (2) Financing guaranteed by mortgages on plant, rural real estate and forests, and chattel mortgages on the goods financed.

**Consolidated Balance Sheets with Ripasa**

(in thousand R\$)

	30/09/2005	31/12/2004	30/09/2005	31/12/2004
<b>Current Assets</b>			<b>Current Liabilities</b>	
Cash and Cash Equivalent	994,886	1,086,220	Trade Accounts Payable	136,848
Trade Accounts Receivable	638,060	560,260	Loans And Financing	926,311
Other Accounts Receivable	22,845	12,314	Debentures	22,910
Inventories	485,223	405,995	Accrued Salaries and Payroll Taxes	62,380
Recoverable Taxes	32,571	30,885	Taxes Payable Other than on Income	19,426
Deferred Income And Social Contribution Taxes	51,228	106,075	Income and Social Contribution Taxes	6,868
Prepaid Expenses	7,332	5,286	Deferred taxes payable ans contributions	3,495
			Dividends Payable	351
			Other Accounts Payable	57,357
			Related Parties	610
	<b>2,232,145</b>	<b>2,207,035</b>		
				<b>1,236,556</b>
				<b>1,169,109</b>
<b>Non Current Assets</b>			<b>Non Current Liabilities</b>	
Related Parties	18	11	Loans and Financing	1,781,104
Recoverable Taxes	23,971	25,532	Debentures	453,712
Deferred Income And Social Contribution Taxes	138,622	137,853	Accounts Payable	21,209
Advances To Suppliers	105,085	81,001	Deferred Income and Social Contribution Taxes	25,220
Judicialdeposits	40,379	29,308	Provision For Contingencies	196,907
Other Accounts Receivable	26,631	24,025		
	<b>334,706</b>	<b>297,730</b>		<b>2,478,152</b>
				<b>2,076,479</b>
<b>Permanent Assets</b>			<b>Shareholder's Equity</b>	
Investments	502,327	25,796	Share Capital	1,479,990
Property, Plant And Equipment	3,892,148	3,459,870	Capital Reserves	342,685
Deferred Charges	4,315	1,418	Profit Reserves	940,693
			Treasury Shares	(15,080)
			Accumulated Profit	502,645
	<b>4,398,790</b>	<b>3,487,084</b>		
				<b>3,250,933</b>
				<b>2,746,261</b>
<b>Total Assets</b>	<b>6,965,641</b>	<b>5,991,849</b>	<b>Total Liabilities</b>	<b>6,965,641</b>
				<b>5,991,849</b>

**Income Statements with Ripasa**
**(in thousand R\$)**

	2Q05	3Q05	3Q04	3Q05X2Q05	3Q05X3Q04
<b>NET SALES</b>	<b>693,538</b>	<b>756,303</b>	<b>707,460</b>	<b>9.0%</b>	<b>6.9%</b>
COST OF SALES	(421,716)	(488,087)	(360,352)	15.7%	35.4%
<b>GROSS PROFIT</b>	<b>271,822</b>	<b>268,216</b>	<b>347,108</b>	<b>-1.3%</b>	<b>-22.7%</b>
SELLING EXPENSES	(43,494)	(42,811)	(36,644)	-1.6%	16.8%
GENERAL AND ADMINISTRATIVE EXPENSES	(50,394)	(56,192)	(58,429)	11.5%	-3.8%
FINANCIAL EXPENSES	(75,573)	(66,809)	(70,307)	-11.6%	-5.0%
FINANCIAL INCOME	32,974	35,808	26,880	8.6%	33.2%
EQUITY INCOME IN SUBSIDIARIES AND AFFILIATES	(87)	84	(40)	-196.6%	-310.0%
AMORTIZATION OF GOODWILL	-	(25,118)	-	0.0%	-
OTHER OPERATING INCOME	3,986	3,800	5,155	-4.7%	-26.3%
<b>OPERATING PROFIT BEFORE MONETARY AND EXCHANGE</b>	<b>139,234</b>	<b>116,978</b>	<b>213,723</b>	<b>-16.0%</b>	<b>-45.3%</b>
NET MONETARY AND EXCHANGE RATE VARIATION ON ASSETS	207,204	77,218	128,655	-62.7%	-40.0%
<b>OPERATING PROFIT</b>	<b>346,438</b>	<b>194,196</b>	<b>342,378</b>	<b>-43.9%</b>	<b>-43.3%</b>
NONOPERATING INCOME	1,985	1,180	7,568	-40.6%	-84.4%
<b>NET INCOME BEFORE INCOME AND SOCIAL CONTRIBUTION TAX</b>	<b>348,423</b>	<b>195,376</b>	<b>349,946</b>	<b>-43.9%</b>	<b>-44.2%</b>
INCOME AND SOCIAL CONTRIBUTION TAXES	(89,940)	(42,197)	(87,366)	-53.1%	-51.7%
<b>NET INCOME FOR THE PERIOD</b>	<b>258,483</b>	<b>153,179</b>	<b>262,580</b>	<b>-40.7%</b>	<b>-41.7%</b>

**Statement of Cash Flow with Ripasa**

(in thousand of R\$)

	set/05	set/04
<b>Cash flows from operating activities</b>		
<b>Net income for the year</b>	502,645	466,664
Adjustments to reconcile net income to cash generated from operating activities		
Depreciation, depletion and amortization	183,778	145,956
Result on sale of property, plant and equipment	(13,845)	(30,991)
Equity interest in subsidiaries and affiliates	157	248
Amortization of goodwill	25,118	-
Deferred income and social contribution taxes	75,148	(31,697)
Interest, exchange and monetary variation of noncurrent assets and liabilities	(414,987)	(14,649)
Increase in provisions	15,351	19,797
Changes in assets and liabilities		
(Reduction) Increase in accounts receivable and other receivable	(77,800)	(156,704)
(Reduction) Increase in other current and non-current assets	(143,702)	(38,314)
Increase (reduction) in other current liabilities	45,821	68,894
<b>Net cash from operating activities</b>	<b>197,684</b>	<b>429,204</b>
<b>Cash flows from investing activities</b>		
Acquisition of investments	(503,201)	(4,130)
Acquisition of property, plant and equipment	(625,837)	(509,181)
Increase of deferred charges	(4,116)	(246)
Elimination of minority interest	-	(115,606)
Income tax incentive	-	6,182
Receipt from sale of property, plant and equipment	24,572	63,432
<b>Net cash used in investing activities</b>	<b>(1,108,582)</b>	<b>(559,549)</b>
<b>Cash flows from financing activities</b>		
Capital contribution	2,027	1,669
Setup of special good will reserve on downstream merger	-	108,723
Equity increase from elimination of minority interest	-	115,606
Profit on intercompany fixed assets disposal non longer eliminated take over	-	53,862
Acquisition of its own shares due to the downstream merger	-	(1,741)
Dividends paid	(82,114)	(169,695)
Loans received	1,514,068	1,529,310
Payment of loans	(641,456)	(1,503,824)
<b>Net cash from financing activities</b>	<b>792,525</b>	<b>133,910</b>
Effects of exchange rate variation on cash and cash equivalents	27,039	-
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(91,334)</b>	<b>3,565</b>
Beginning of year	1,086,220	1,332,451
End of year	994,886	1,336,016

**Loans and Financing with Ripasa**

(in thousand R\$)

	Index	Interest	Sep 2005	Jun 2005
<u>For acquisition of equipment</u>				
BNDES - Finem	TJLP (1) (2)	9.81%	542,095	560,671
BNDES - Finem	cesta de moedas (1) (2)	10.03%	103,335	111,440
BNDES - Finame	TJLP (1) (2)	9.77%	34,425	37,394
BNDES - Automático	TJLP (1) (2)	8.71%	52,065	55,686
FINEP		6.00%	1,641	1,617
<u>Working capital</u>				
Exporting financing	US\$	5.26%	1,866,634	1,975,433
FMO	US\$	8.66%	22,028	29,512
Importation financing	TJLP	4.04%	-	5,550
Importation financing	US\$	3.82%	75,854	80,541
Others	US\$	4.50%	9,338	9,904
			<u>2,707,415</u>	<u>2,867,748</u>
Current liabilities			926,311	908,346
Noncurrent liabilities			<u>1,781,104</u>	<u>1,959,402</u>
The long term portion of loans and financing mature as follows				
2006 (october to december)			118,472	294,531
2007			385,997	401,293
2008			456,223	459,042
2009			448,334	454,393
2010			216,964	210,033
2011 and forward			<u>155,114</u>	<u>140,110</u>
			<u>1,781,104</u>	<u>1,959,402</u>

- (1) Capitalization of amounts by which TJLP (Long-term interest rates, published by the Brazilian Central Bank) exceeds 6%;
- (2) Financing guaranteed by mortgages on plant, rural real estate and forests, and chattel mortgages on the goods financed.