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## Suzano Papel e Celulose announces consolidated results for First Quarter 2005.

1Q 2005 Ebitda of R\$ 211.6 million

Slide / Audio webcast:

**In English:**  
20 April – 2 p.m. (New York)

Access: 1 973-935-2121 -  
Password: 5942670  
Replay: 1 973-341-3080 -  
Password: 5942670

**In Portuguese:**  
20 April – 5 p.m. (São Paulo time)

Access: +55 11 2101 1490 –  
Password: Suzano  
Replay: +55 11 2101 1490 –  
Password: Suzano

**São Paulo, 20 April 2005:** Suzano Papel e Celulose ("Suzano Papel e Celulose" or "the Company") – Bovespa ticker **SUZB5**, one of Latin America's largest integrated producers of pulp and paper, announces its consolidated results for the first quarter of 2005 (1Q05). The operational and financial figures in this release are the consolidated results, in Reais, according to the Brazilian Corporate Law accounting method. The information presented already contemplates the effects of the acquisition of the control of Ripasa S.A. Celulose e Papel ("Ripasa") in our Balance Sheet.

### Highlights:

- Increase in eucalyptus pulp prices, led by demand in the US and China.
- Acquisition of control of Ripasa, jointly with VCP.
- Retraction of domestic demand for papers reduced domestic market sales volume.
- The stronger Real affected margins.
- Sound performance of our equipment helped to reduce our cash cost of pulp.
  - Record production level of pulp and final products in March.

Em R\$ Mil

| Financial indicators  | 4Q04    | 1Q05    | 1Q04    |
|-----------------------|---------|---------|---------|
| Net Sales             | 658,141 | 580,321 | 633,716 |
| Net Income            | 136,295 | 90,983  | 115,915 |
| Ebitda*               | 224,196 | 211,566 | 252,932 |
| Net Income per share  | 0.4800  | 0.3205  | 0.4238  |
| Ebitda Margin         | 34.1%   | 36.5%   | 39.9%   |
| Net Debt / LTM Ebitda | 1.80    | 2.51    | 1.68    |

\* Ebitda = Operating profit plus financial expenses, net FX variation effects, depreciation, depletion and amortization.

\*\* LTM = Last twelve months.

## Brief Summary of Operations

Eucalyptus pulp prices increased in the quarter, led by growing demand in the external market. Pulp CIF Europe reached US\$600/ton in April, its highest level since March 2001. Meanwhile demand for papers in the domestic market declined by more than the usual seasonal movement in January and February, and began recovering in March. As a result, we directed sales to the export market, in a move which began to have more significant results at the end of the quarter.

Our results in this quarter reflect good operational performance by our equipment, with growing production levels and operational improvements as a consequence of the modernization projects and increase in capacity. We produced 334.5 thousand tons in the quarter, 17.15% more than in the 4Q04, and 5.5% more than in the 1Q04.

On March 31, 2005 we acquired control of Ripasa – jointly with VCP, in equal 50% shares. This acquisition was of 77.6% of Ripasa's voting stock and 46.06% of its total stock, for a disbursement of the equivalent in Reals of US\$549.15 million. Jointly, we have an option to buy a further 22.4% of the voting stock and 13.5% of the total stock, in up to six years, for US\$160.3 million (R\$ 433.3 million at the exchange rate of the date of the acquisition, indexed by Selic). Our balance sheet already includes this acquisition and our income statement will reflect its impact from the start of April.

Our selling and administrative expenses, which had increased in the previous quarter due to non-recurring expenses, returned to a sustainable level. We will continue to seek synergies and improvements to reduce our expenses and improve our margins.

## Our Business Environment

### Strong Real affected margins

The exchange rate of the Real against the dollar was very close to stable during the whole of 1Q05, closing the quarter at R\$ 2.67/US\$. The average FX rate in the quarter, R\$ 2.67/US\$, was 4.3% lower than in 4Q04. These rates have a negative impact on our margins, and mitigate the positive effects of the increase in pulp prices, without producing significant FX-related gains.

| Fx rate, R\$ / US\$ | 1Q05   | 4Q04   | 1Q04   | 2004   | 2003   |
|---------------------|--------|--------|--------|--------|--------|
| Start of period     | 2.6544 | 2.8586 | 2.8892 | 2.8892 | 3.5333 |
| End of period       | 2.6662 | 2.6544 | 2.9086 | 2.6544 | 2.8892 |
| Average             | 2.6650 | 2.7861 | 2.8993 | 2.9263 | 3.0775 |

Source: Brazilian Central Bank.

### Rise in pulp prices

Rising pulp prices in the world market were a key feature of 1Q05. CIF prices for pulp sold in Europe increased by around US\$60/ton, in the quarter, to US\$580/ton. The reasons for the increase in international prices are: (i) increased economic activity in the US, with higher consumption of paper and pulp; (ii) strong demand from Chinese producers; and (iii) the continuing strength of the euro against the dollar, resulting in increased dollar prices for pulp sold to Europe. At the beginning of April there was a further increase in the price of pulp, CIF Europe, to US\$600/ton.

World pulp producers' inventories – according to the PPPC (Pulp and Paper Products Council) were equal to 32 days' production at the end of February 2005 (the latest figure available), compared to 34 days' production at the end of January.

The difference between average prices of uncoated papers (reels, CIF Northern Europe) and eucalyptus pulp in 1Q05 was US\$268/ton during the first quarter of 2005, higher than historic average of US\$250/ton.

### Reduction of paper demand in Brazil

Demand for paper in the domestic market fell by more than the expected seasonal reduction in 1Q05. Average prices were stable over the period.

## Sales

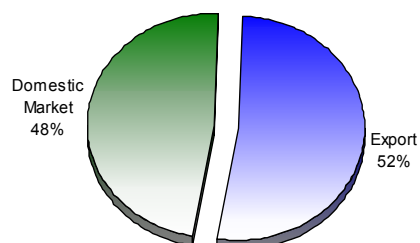
### Net Sales

*(In thousand R\$)*

|                                                                     | 4Q04           | 1Q05           | 1Q04           |
|---------------------------------------------------------------------|----------------|----------------|----------------|
| <b>Net Sales</b>                                                    | <b>658,141</b> | <b>580,321</b> | <b>633,716</b> |
| Cost of Sales                                                       | (375,189)      | (344,982)      | (354,924)      |
| <b>Gross Profit</b>                                                 | <b>282,952</b> | <b>235,339</b> | <b>278,792</b> |
| Selling Expenses                                                    | (51,727)       | (31,909)       | (31,790)       |
| General and Administrative expenses                                 | (73,241)       | (50,132)       | (46,297)       |
| Financial Expenses                                                  | (73,782)       | (58,305)       | (51,801)       |
| Financial Income                                                    | 19,305         | 27,713         | 31,322         |
| Equity Income in Subsidiaries and Affiliates                        | (38)           | (154)          | (136)          |
| Amortization of Goodwill                                            | -              | -              | (10,422)       |
| Other Operating Income                                              | 11,738         | 4,256          | 5,813          |
| <b>Operating Profit before Monetary and Exchange Rate Variation</b> | <b>115,207</b> | <b>126,808</b> | <b>175,481</b> |
| Net Monetary and Exchange Rate Variation on Assets                  | 75,511         | (6,901)        | (14,158)       |
| <b>Operating Profit</b>                                             | <b>190,718</b> | <b>119,907</b> | <b>161,323</b> |
| Non Operating Income                                                | 3,460          | 9,829          | 2,894          |
| Income and Social Contribution Taxes                                | (57,883)       | (38,753)       | (43,243)       |
| Minority Interest                                                   | -              | -              | (5,059)        |
| <b>Net Income for the Period</b>                                    | <b>136,295</b> | <b>90,983</b>  | <b>115,915</b> |

### Lower domestic demand and stronger Real reduced net sales.

Net sales in 1Q05 were positively affected by a 1% increase in average prices, and negatively affected by a fall of 9.3% in total volume sold, totaling R\$ 580.3 million, 8.4% lower than in 1Q04. In comparison with 4Q04, net sales were reduced by 11.8%, due to a reduction of 8.1% reduction in sales volume and of 4.0% in average prices. Exports provided 52.2% of net sales, compared to 43.8% in 4Q04, and 53.3% in 1Q04.

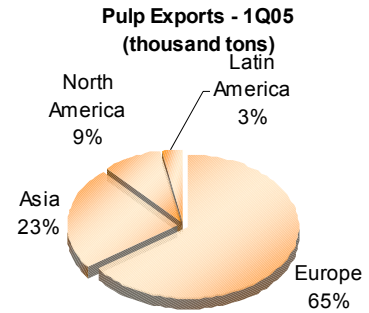
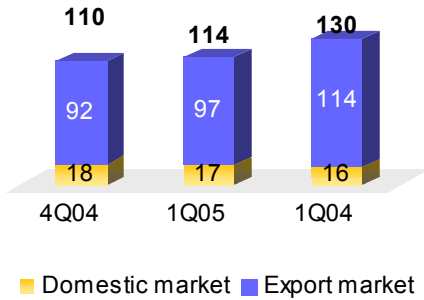


### Higher pulp prices in dollars compensated for the stronger Real

Pulp net sales were R\$ 148.1 million in 1Q05, 13.6% less than in 1Q04. This was primarily the result of a 12.7% reduction in volume sold, to 113.9 thousand tons, and a decrease of 1.1% in the average price of pulp in Reais, to R\$ 1,299.92 per ton in the quarter. The lower sales volume also reflects our rebuilding inventories, which at the end of 2004 were below appropriate operating levels for meeting our customers' needs. The reduction in average pulp prices in Reais reflects international prices 6.7% higher in dollars, mitigated by the appreciation of the Real.

Net sales revenue from pulp was 13.1% higher than in 4Q04, due to the 3.3% increase in unit volume sold, mainly in exports, and also due to increases in average prices of 9.4% in Reais and 15.8% in dollars.

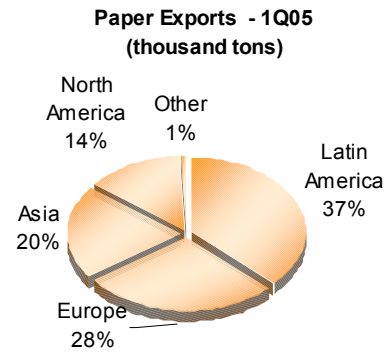
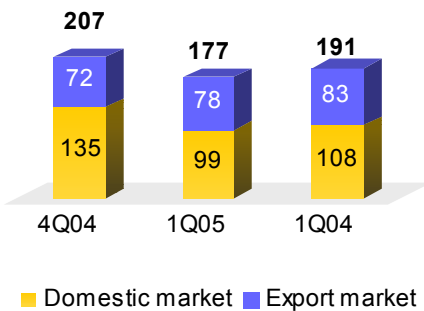
Pulp Sales volume (thousand tons)



**Reduction in domestic demand affected paper sales volume**

1Q05 total paper net sales were R\$ 432.2 million, 6.5% lower than in 1Q04. The negative effect of a 7.0% reduction in sales volume to 177.4 thousand tons in 1Q05, was partially offset by a 0.6% increase in the average price of papers, to R\$ 2,436.48/ton in 1Q05. Volume sold in the domestic market decreased by 8.0% to 99.4 thousand tons, in comparison to 108.0 thousand tons in 1Q04. Sales volume to the domestic market represented 56.0% of our total sales of paper, compared with 56.6% in 1Q04. As a result, export prices became closer to domestic prices, also influenced by the increasing strength of the Real.

Paper sales volume (thousand tons)



**Production & Costs**

**Production (thousand tons)**

|                    | 4Q04         | 1Q05         | 1Q04         |
|--------------------|--------------|--------------|--------------|
| <b>Production</b>  | <b>285.7</b> | <b>334.5</b> | <b>317.0</b> |
| Market Pulp        | 76.1         | 129.7        | 128.3        |
| Coated P&W Paper   | 20.6         | 21.6         | 21.8         |
| Paperboard         | 49.5         | 48.2         | 48.7         |
| Uncoated P&W Paper | 139.5        | 134.9        | 118.2        |

The increased production volume enabled us to rebuild inventories. Total production reached 334.5 thousand tons in 1Q05 – 204.8 thousand tons of papers and 129.7 thousand tons of market pulp and in March was a record month in terms of production of pulp and final products. A contributing factor in the increase in output was the good performance of our equipment during the Mucuri pulp plant learning curve period, and the absence of maintenance stoppages (in contrast to 4Q04).

### Cash production cost of market pulp was US\$ 177 per ton

At the Mucuri plant the cash production cost of market pulp, including the cost of standing wood, was R\$ 472/ton (US\$177/ton) in 1Q05, compared with R\$ 673/ ton (US\$241/ton) in 4Q04. This mainly reflects (i) the absence of maintenance stoppages and the start up of the optimization project at the Mucuri unit during 4Q04; and (ii) appreciation of the Real during the quarter. In comparison with 1Q04, the cash cost increased by US\$22 per ton, due to: (i) the learning curve in the pulp plant after the optimization project (which added annual production capacity of 60,000 tons); (ii) increase in chemical costs and (iii) Real appreciation.

### Discussion of the Results

|                                                                     | <i>(In thousand R\$)</i> |                |                |
|---------------------------------------------------------------------|--------------------------|----------------|----------------|
|                                                                     | 4Q04                     | 1Q05           | 1Q04           |
| Net Sales                                                           | 658,141                  | 580,321        | 633,716        |
| Cost of Sales                                                       | (375,189)                | (344,982)      | (354,924)      |
| <b>Gross Profit</b>                                                 | <b>282,952</b>           | <b>235,339</b> | <b>278,792</b> |
| Selling Expenses                                                    | (51,727)                 | (31,909)       | (31,790)       |
| General and Administrative expenses                                 | (73,241)                 | (50,132)       | (46,297)       |
| Financial Expenses                                                  | (73,782)                 | (58,305)       | (51,801)       |
| Financial Income                                                    | 19,305                   | 27,713         | 31,322         |
| Equity Income in Subsidiaries and Affiliates                        | (38)                     | (154)          | (136)          |
| Amortization of Goodwill                                            | -                        | -              | (10,422)       |
| Other Operating Income                                              | 11,738                   | 4,256          | 5,813          |
| <b>Operating Profit before Monetary and Exchange Rate Variation</b> | <b>115,207</b>           | <b>126,808</b> | <b>175,481</b> |
| Net Monetary and Exchange Rate Variation on Assets                  | 75,511                   | (6,901)        | (14,158)       |
| <b>Operating Profit</b>                                             | <b>190,718</b>           | <b>119,907</b> | <b>161,323</b> |
| Non Operating Income                                                | 3,460                    | 9,829          | 2,894          |
| Income and Social Contribution Taxes                                | (57,883)                 | (38,753)       | (43,243)       |
| Minority Interest                                                   | -                        | -              | (5,059)        |
| <b>Net Income for the Period</b>                                    | <b>136,295</b>           | <b>90,983</b>  | <b>115,915</b> |

### 1Q05 net income R\$ 91.0 million.

Suzano's net income in 1Q05 was R\$ 91.0 million, 21.5% lower than in the same period of 2004 – and 33.2% lower than in 4Q04.

The main factors in the lower net income were lower sales volume, in both the domestic and external markets, and the appreciation of the Real, which resulted in a lower price for exports in Reais.

The following were some of the consequences:

- (1) Unit cost of sales, at R\$ 1,184.21, was 7.2% higher than in 1Q04, reflecting salary increases in 2004 and higher production costs. Gross margin was 3.4 percentage points lower than in 1Q04 and 2.4 percentage points lower than in 4Q04.
- (2) Net financial expenses (excluding monetary and FX variations), at R\$ 30.6 million, were 49.4% higher than in 1Q04, reflecting higher interest expenses and lower financial revenue – in part due to the lower average cash and deposits.

The following factors partially offset the above effects:

- (1) Administrative expenses were reduced to R\$ 50.1 million, which is 8.3% higher than in 1Q04, but 31.6% lower than in 4Q04, and is at a sustainable level. As well as the salary increase in 2004, administrative expenses in this quarter included the Company's first contributions to its new private pension plan – which started operating in this quarter – and a non-recurring disbursement of R\$ 1.9 million relating to the process of acquisition of Ripasa.
- (2) Selling expenses, at R\$ 31.9 million, were 0.4% more than in 1Q04, but 38.3% less than in 4Q04. The reduction in relation to 4Q04 reflects the reduction in domestic sales volume and the existence of non-recurring items in that quarter, including provision for doubtful accounts.

- (3) The net effect of monetary and FX variations was negative, at R\$ 6.9 million, due to the devaluation of only 0.4% in the Real in the quarter – the amount is 51.3% lower than its value in 1Q04 (when it was R\$ 14.2 million negative).

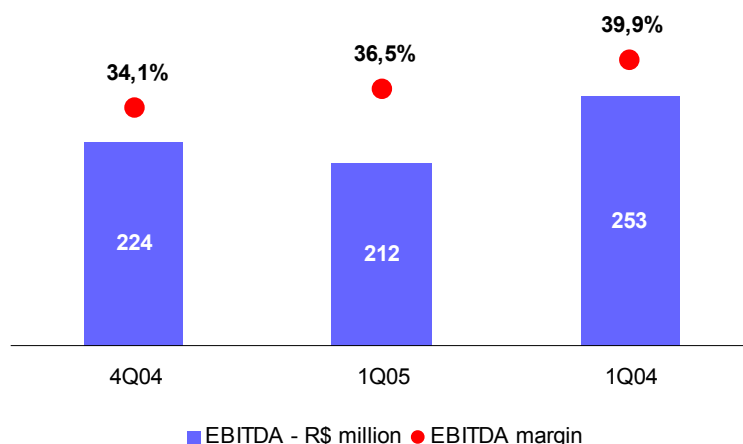
### Cash generation and Financial Indicators

*(in thousand R\$)*

|                                                | 4Q04    | 1Q05    | 1Q04    | 4Q04X3Q04 | 4Q04X4Q03 |
|------------------------------------------------|---------|---------|---------|-----------|-----------|
| <b>EBIT</b>                                    | 169,722 | 157,554 | 206,518 | -23.7%    | -7.2%     |
| <b>Depreciation / Depletion / Amortization</b> | 54,474  | 54,012  | 46,414  | 16.4%     | -0.8%     |
| <b>EBITDA</b>                                  | 224,196 | 211,566 | 252,932 | -16.4%    | -5.6%     |
| <b>Gross Profit / Net Sales</b>                | 43.0%   | 40.6%   | 44.0%   | -3,4 p.p. | -2,4 p.p. |
| <b>EBITDA / Net Sales</b>                      | 34.1%   | 36.5%   | 39.9%   | -3,4 p.p. | -2,4 p.p. |
| <b>Net Debt / EBITDA (LTM)</b>                 | 1.56    | 2.51    | 1.68    | -         | -         |

### Strong Real and lower domestic demand impacted Ebitda

1Q05 Ebitda was R\$ 211.6 million (US\$ 79.3 million, converted at the average R\$/US\$ FX rate for the period), 16.4% lower in Reais than in 1Q04, and 9.1% lower in dollars. Ebitda margin (on net sales), at 36.5%, was 3.4 percentage points lower than in 1Q04 (39.9%).



### Lower capital expenditure

Our capital expenditure in 1Q05 totaled R\$ 69.5 million: R\$ 19.0 million was spent on the São Paulo units, R\$ 34.6 million on the Mucuri unit, and R\$ 15.7 million on the Capim Branco hydroelectric project. Of the total, (i) R\$ 8.5 million was invested in the forest base for expansion project; (ii) R\$ 14.4 million was invested in industrial modernizations, including R\$ 8.3 million in the optimization project; and (iii) R\$ 30.6 million expenditures was the total in current investments in the industrial and forestry areas.

### Acquisition of control of Ripasa

At the end of March 2005, Suzano acquired the control of Ripasa – jointly with VCP, in equal shares – through Ripasa Participações S.A. a special-purpose company in which each has 50%. The acquisition takes place in two stages:

- I. On March 31, 2005, 129,676,966 common shares and 41,050,819 preferred shares in Ripasa, representing 77.59% of the voting stock and 46.06% of the total capital, were acquired, for disbursement of the equivalent in Reais of US\$549.15 million; and
- II. 37,449,084 common shares and 12,388,719 preferred shares in Ripasa are the subject of a purchase option to be exercised within up to six years. These represent 22.41% of the voting stock



and 13.45% of the total stock. The purchase price is the equivalent in Reais of US\$ 160.30 million (R\$ 433.3 million on 31.03.2005, indexed by selic).

Within the shortest possible time, Suzano Papel e Celulose and VCP intend to publish details of a stockholding restructuring in Ripasa, to enable its minority stockholders to exchange their shares for shares in Suzano Papel e Celulose and VCP, in equal parts, based on the ratio between the economic values of the respective companies. After this stockholding migration, Suzano and VCP have plans under study for the next step, which would aim to obtain full advantage of the synergies, by transforming Ripasa into a production unit, operating in the form of a consortium of companies, under Sections 278 and 9 of Law 6404/76. Implementation of this requires approval by the competent tax authorities.

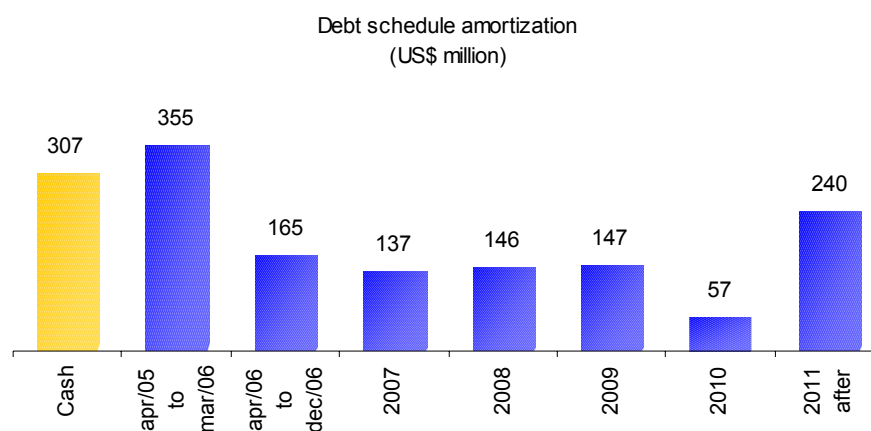
A premium of R\$ 502.4 million was recorded on the Ripasa purchase transaction. Ripasa's balance sheet was proportionally (23.03% of total capital) included in the Company's consolidated financial statements.

### Net debt at 31 March includes funds raised to buy control of Ripasa

Our net debt on March 31, 2005 was R\$ 2.3726 billion (US\$889.9 million), which compares with R\$ 1.616 billion (US\$608.8 million) on December 30, 2004, excluding the proportional consolidation of Ripasa's net debt, due to the participation of 23.03% in its total capital. The increase in net debt reflects the funding transactions to finance the purchase of Ripasa. At the end of March net debt / trailing 12-month Ebitda was 2.38, compared with 1.56 at the end of December 2004.

Considering the inclusion of the 23.03% of Ripasa's net debt, our total consolidated debt reached R\$ 2,504.4 million and the net debt / trailing 12-month Ebitda was 2.51. This indicator does not include 23.03% of Ripasa's Ebitda, prior to the acquisition.

### Debt amortization timetable



## 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 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 indirectly 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 revenue 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.*

## Contacts

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--- Six 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**

(in thousand R\$)

|                                               | Mar 31, 2005     | Dec 31, 2004     |                                               | Mar 31, 2005     | Dec 31, 2004     |
|-----------------------------------------------|------------------|------------------|-----------------------------------------------|------------------|------------------|
| <b>Current Assets</b>                         |                  |                  | <b>Current Liabilities</b>                    |                  |                  |
| Cash and Cash Equivalent                      | 819,312          | 1,086,220        | Trade Accounts Payable                        | 140,685          | 133,730          |
| Trade Accounts Receivable                     | 585,489          | 560,260          | Loans And Financing                           | 946,201          | 789,680          |
| Other Accounts Receivable                     | 21,366           | 12,314           | Debentures                                    | 36,483           | 24,784           |
| Inventories                                   | 495,209          | 405,995          | Accrued Salaries and Payroll Taxes            | 46,054           | 52,207           |
| Recoverable Taxes                             | 37,917           | 30,885           | Taxes Payable Other than on Income            | 17,453           | 16,220           |
| Deferred Income And Social Contribution Taxes | 100,148          | 106,075          | Income and Social Contribution Taxes          | 3,846            | 2,897            |
| Prepaid Expenses                              | 2,515            | 5,286            | Deferred Income and Social Contribution Taxes | 2,729            | -                |
|                                               | <u>2,061,956</u> | <u>2,207,035</u> | Dividends Payable                             | 30,710           | 81,836           |
|                                               |                  |                  | Other Accounts Payable                        | 61,683           | 67,251           |
|                                               |                  |                  | Related Parties                               | 541              | 504              |
|                                               |                  |                  |                                               | <u>1,286,385</u> | <u>1,169,109</u> |
| <b>Non Current Assets</b>                     |                  |                  | <b>Non Current Liabilities</b>                |                  |                  |
| Related Parties                               | 18               | 11               | Loans and Financing                           | 1,859,327        | 1,412,330        |
| Recoverable Taxes                             | 25,401           | 25,532           | Debentures                                    | 481,749          | 475,384          |
| Deferred Income And Social Contribution Taxes | 138,526          | 137,853          | Accounts Payable                              | 33,011           | 29,538           |
| Advances To Suppliers                         | 87,669           | 81,001           | Deferred Income and Social Contribution Taxes | 19,999           | 13,147           |
| Judicialdeposits                              | 41,086           | 29,308           | Provision For Contingencies                   | 187,417          | 146,080          |
| Other Accounts Receivable                     | 27,212           | 24,025           |                                               |                  | -                |
|                                               | <u>319,912</u>   | <u>297,730</u>   |                                               | <u>2,581,503</u> | <u>2,076,479</u> |
| <b>Permanent Assets</b>                       |                  |                  | <b>Shareholder's Equity</b>                   |                  |                  |
| Investments                                   | 528,256          | 25,796           | Share Capital                                 | 1,477,963        | 1,477,963        |
| Property, Plant And Equipment                 | 3,790,212        | 3,459,870        | Capital Reserves                              | 342,685          | 342,685          |
| Deferred Charges                              | 4,796            | 1,418            | Profit Reserves                               | 940,693          | 940,693          |
|                                               | <u>4,323,264</u> | <u>3,487,084</u> | Treasury Shares                               | (15,080)         | (15,080)         |
|                                               |                  |                  | Accumulated Profit                            | 90,983           | -                |
|                                               |                  |                  |                                               | <u>2,837,244</u> | <u>2,746,261</u> |
| <b>Total Assets</b>                           | <u>6,705,132</u> | <u>5,991,849</u> | <b>Total Liabilities</b>                      | <u>6,705,132</u> | <u>5,991,849</u> |

Income Statements

(in thousand R\$)

|                                                             | 4Q04           | 1Q05             | 1Q04             | 1Q05X4Q04       | 1Q05X1Q04     |
|-------------------------------------------------------------|----------------|------------------|------------------|-----------------|---------------|
| <b>NET SALES</b>                                            | <b>658,141</b> | <b>580,321</b>   | <b>633,716</b>   | <b>-11.8%</b> 0 | <b>-8.4%</b>  |
| COST OF SALES                                               | (375,189)      | (344,982)        | (354,924)        | -8.1% 0         | -2.8%         |
| <b>GROSS PROFIT</b>                                         | <b>282,952</b> | <b>235,339</b>   | <b>278,792</b>   | <b>-16.8%</b> 0 | <b>-15.6%</b> |
| SELLING EXPENSES                                            | (51,727)       | (31,909)         | (31,790)         | -38.3% 0        | 0.4%          |
| GENERAL AND ADMINISTRATIVE EXPENSES                         | (73,241)       | (50,132)         | (46,297)         | -31.6% 0        | 8.3%          |
| FINANCIAL EXPENSES                                          | (73,782)       | (58,305)         | (51,801)         | -21.0% 0        | 12.6%         |
| FINANCIAL INCOME                                            | 19,305         | 27,713           | 31,322           | 43.6% 0         | -11.5%        |
| EQUITY INCOME IN SUBSIDIARIES AND AFFILIATES                | (38)           | (154)            | (136)            | 305.3% 0        | 13.2%         |
| AMORTIZATION OF GOODWILL                                    | -              | -                | (10,422)         | 0.0% 0          | -100.0%       |
| OTHER OPERATING INCOME                                      | 11,738         | 4,256            | 5,813            | -63.7% 0        | -26.8%        |
| <b>OPERATING PROFIT BEFORE MONETARY AND EXCHANGE</b>        | <b>115,207</b> | <b>126,808</b>   | <b>175,481</b>   | <b>10.1%</b> 0  | <b>-27.7%</b> |
| NET MONETARY AND EXCHANGE RATE VARIATION ON ASSETS          | 75,511         | (6,901) 0        | (14,158)         | -109.1% 0       | -51.3%        |
| <b>OPERATING PROFIT</b>                                     | <b>190,718</b> | <b>119,907</b> 0 | <b>161,323</b> 0 | <b>-37.1%</b> 0 | <b>-25.7%</b> |
| NONOPERATING INCOME                                         | 3,460          | 9,829            | 2,894            | 184.1% 0        | 239.6%        |
| <b>NET INCOME BEFORE INCOME AND SOCIAL CONTRIBUTION TAX</b> | <b>194,178</b> | <b>129,736</b>   | <b>164,217</b>   | <b>-33.2%</b> 0 | <b>-21.0%</b> |
| INCOME AND SOCIAL CONTRIBUTION TAXES                        | (57,883)       | (38,753)         | (43,243)         | -33.0% 0        | -10.4%        |
| <b>NET INCOME BEFORE MINORITY INTEREST</b>                  | <b>136,295</b> | <b>90,983</b>    | <b>120,974</b>   | <b>-33.2%</b> 0 | <b>-24.8%</b> |
| MINORITY INTEREST                                           | -              | -                | (5,059)          | 0.0% 0          | 0.0%          |
| <b>NET INCOME FOR THE PERIOD</b>                            | <b>136,295</b> | <b>90,983</b>    | <b>115,915</b>   | <b>-33.2%</b> 0 | <b>-21.5%</b> |

**Statement of Cash Flow**

(in thousand of R\$)

|                                                                                 | Mar 2005         | Dec 2004         |
|---------------------------------------------------------------------------------|------------------|------------------|
| <b>Cash flows from operating activities</b>                                     |                  |                  |
| <b>Net income for the year</b>                                                  | 90,983           | 115,915          |
| Adjustments to reconcile net income to cash generated from operating activities |                  |                  |
| Depreciation, depletion and amortization                                        | 54,012           | 46,414           |
| Result on sale of property, plant and equipment                                 | (8,950)          | (3,897)          |
| Equity interest in subsidiaries and affiliates                                  | 154              | 136              |
| Amortization of goodwill                                                        | -                | 10,422           |
| Minority interests                                                              | -                | 5,059            |
| Deferred income and social contribution taxes                                   | 20,326           | 14,925           |
| Interest, exchange and monetary variation of noncurrent assets and liabilities  |                  | (2,161)          |
| Increase in provisions                                                          | 5,570            | 2,839            |
| Changes in assets and liabilities                                               |                  |                  |
| (Reduction) Increase in accounts receivable and other receivable                | 20,342           | (30,070)         |
| (Reduction) Increase in other current and non-current assets                    | (48,263)         | 3,206            |
| Increase (reduction) in other current liabilities                               | (39,926)         | (45,429)         |
| <b>Net cash from operating activities</b>                                       | <u>122,008</u>   | <u>117,359</u>   |
| <b>Cash flows from investing activities</b>                                     |                  |                  |
| Acquisition of investments                                                      | (742,124)        | (1,036)          |
| Acquisition of property, plant and equipment                                    | (69,466)         | (136,483)        |
| Increase of deferred charges                                                    | -                | (1,599)          |
| Receipt from sale of property, plant and equipment                              | 12,637           | 12,678           |
| <b>Net cash used in investing activities</b>                                    | <u>(798,953)</u> | <u>(126,440)</u> |
| <b>Cash flows from financing activities</b>                                     |                  |                  |
| Dividends paid                                                                  | (51,755)         | -                |
| Loans received                                                                  | 690,618          | 233,200          |
| Loans paid to controlling shareholders                                          | -                | -                |
| Payment of loans                                                                | (251,593)        | (358,268)        |
| <b>Net cash from financing activities</b>                                       | <u>387,270</u>   | <u>(125,068)</u> |
| Effects of exchange rate variation on cash and cash equivalents                 | (687)            | 1,176            |
| Net effect of Ripasa's acquisition                                              | 23,454           | -                |
| <b>Increase (decrease) in cash and cash equivalents</b>                         | <u>(266,908)</u> | <u>(132,973)</u> |
| Beginning of year                                                               | 1,086,220        | 1,332,451        |
| End of year                                                                     | 819,312          | 1,199,478        |

**Loans and Financing**

(in thousand R\$)

|                                                                 | Index                        | Interest | Mar 2005         | Dec 2004         |
|-----------------------------------------------------------------|------------------------------|----------|------------------|------------------|
| <u>For acquisition of equipment</u>                             |                              |          |                  |                  |
| BNDES - Finem                                                   | TJLP (1) (2)                 | 9.96%    | 461,858          | 467,487          |
| BNDES - Finem                                                   | Basket of currencies (1) (2) | 10.81%   | 103,782          | 100,767          |
| BNDES - Finame                                                  | TJLP (1) (2)                 | 9.60%    | 37,499           | 36,197           |
| BNDES - Automático                                              | TJLP (1) (2)                 | 8.80%    | 60,021           | 4,752            |
| BNDES - Crédito Rural                                           | -                            | 8.75%    | 1,988            | 3,517            |
| <u>Working capital</u>                                          |                              |          |                  |                  |
| Exporting financing                                             | US\$                         | 5.47%    | 2,005,509        | 1,456,760        |
| FMO                                                             | US\$                         | 8.68%    | 20,096           | 36,001           |
| Importation financing                                           | TJLP                         | 4.04%    | 5,600            | -                |
| Importation financing                                           | US\$                         | 3.05%    | 98,737           | 86,298           |
| Others                                                          | US\$                         | 4.50%    | 10,438           | 10,231           |
|                                                                 |                              |          | <u>2,805,528</u> | <u>2,202,010</u> |
| Current liabilities                                             |                              |          | 946,201          | 789,680          |
| Noncurrent liabilities                                          |                              |          | <u>1,859,327</u> | <u>1,412,330</u> |
| The long-term portion of loans and financing mature as follows: |                              |          |                  |                  |
| 2006 (april to december)                                        |                              |          | 440,738          | 534,643          |
| 2007                                                            |                              |          | 366,223          | 308,022          |
| 2008                                                            |                              |          | 388,044          | 203,651          |
| 2009                                                            |                              |          | 391,245          | 151,811          |
| 2010                                                            |                              |          | 152,015          | 98,177           |
| 2011 and forward                                                |                              |          | <u>121,062</u>   | 116,026          |
|                                                                 |                              |          | <u>1,859,327</u> | <u>1,412,330</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.