



ARACRUZ



deeply rooted assets

# Aracruz Expansion Projects

June/2008

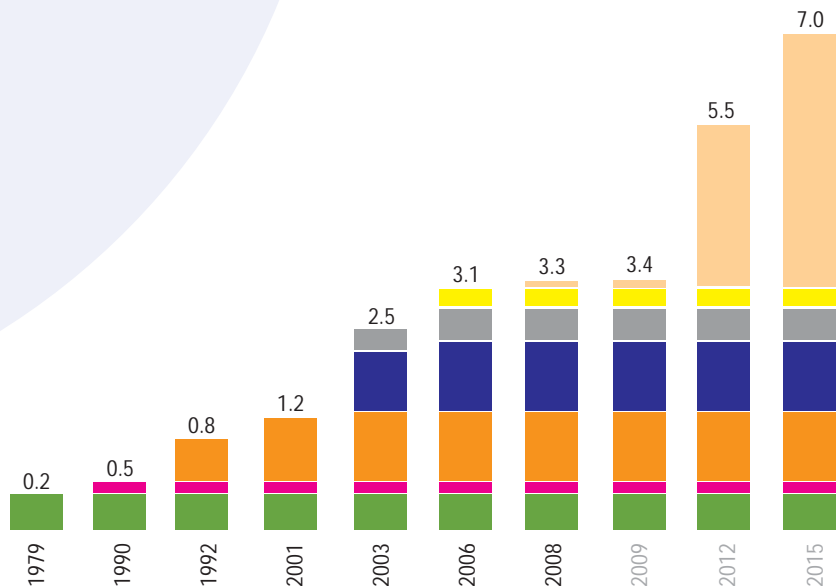
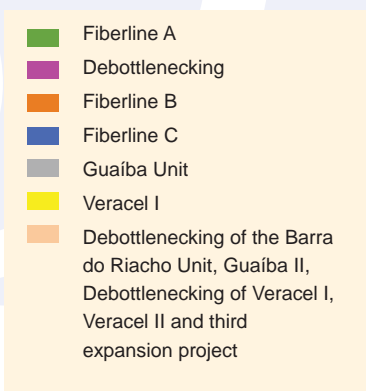


## Strategic vision

The strategic objective of Aracruz Celulose is to supply 25% of global demand for hardwood market pulp — about 7 million tons/year — by 2015. This will require average annual expansion of 11%, equivalent to 500,000 tons/year, which is in line with the company's growth since 1978.

Organic growth has proven to be a consistent alternative for increasing production scale, minimizing operating costs through local synergies, leading to improved financial performance and, consequently, a higher share price.

## Evolution of pulp production in millions of tons/year



# Guaíba Unit Expansion

- Construction start-up: second half of 2008
- Conclusion: second half of 2010



Aracruz intends to build a new pulp mill beside the existing Guaíba Unit (located in the State of Rio Grande do Sul), with an annual production capacity of 1.3 million tons - which could be increased to 1.4 million tons in the medium term. Production will rise from 450,000 to 1.8 million tons/year of pulp. The two mills will be integrated and will

incorporate the most advanced technology for the protection of the environment. The project will be built through the EPC (Engineering, Procurement and Construction) concept and the equipment and services needed will be predominantly contracted from domestic suppliers.



## Investment

- A total of US\$2.6 billion, to be financed through own funds and long-term debt.
- The industrial investment will be approximately US\$1,330/t, considering the capacity to be reached.

### Industrial investment timetable

2008	2009	2010	2011
10%	45%	35%	10%

## Cost of production

- Will be even more competitive than Veracel (joint venture of Aracruz and Stora Enso) due to benefits from the reduction of fixed costs and the possibility of selling surplus electric power generation.
- The internal rate of return estimated for the project is three percentage points over the cost of the company's capital, achieved through a long-term list price of US\$615/t.



## Forestry base

- Will be expanded to a total of 160,000 hectares of eucalyptus plantations and 90,000 hectares of native reserves for permanent preservation and legal reserves.
- Included in this amount is land leased for the purpose of establishing plantations and Forestry Partner Program contracts.

## Integrated logistics

- The Guaíba Unit expansion project also involves logistical improvements with adoption of a river transportation system for raw materials and pulp. To achieve this, riverside terminals will be built.
- The integrated barge terminal at the Guaíba Unit will be equipped with a pier allowing both wood and pulp barges to be loaded and unloaded simultaneously.



- Also foreseen is the construction of a private maritime terminal in São José do Norte for shipping pulp. Since most of the project's pulp production will be earmarked for export, this is considered to be a strategic investment because it will offer significant improvements in terms of the reliability and costs of distribution logistics.



## Wood and pulp transportation

- Up to 50% of wood transportation will be through the river system, contributing to the competitiveness of production costs;
- Average distance of the forests to the mill: 120 km.
- The waterway transportation system will be in line with the All Weather Terminal (AWT) concept that permits uninterrupted, 24-hour per day pulp shipping operations.

- The São José do Norte maritime terminal will be specialized in handling pulp, offering the reliability that Aracruz's customers supply chain require.



	São José do Norte	Guaíba
Investments	US\$90 million	US\$40 million
Start-up	Scheduled for 2011	Mid-2010



# Veracel expansion

Aracruz and Stora Enso are pushing ahead with their joint endeavor to build a second fiberline at Veracel, with an annual production capacity of 1.4 million tons.

The Board of Directors should formally approve the project in 2009, but in the meantime, Veracel has been authorized to proceed with the initial phase (acquisition of land and development of forests), so as to be able to meet the target of starting production on the new line until 2012. The project team is developing a feasibility study, which should be presented before the end of this year.

At the end of the first quarter of 2008, investment in the initial phase was about US\$71 million (42,000 hectares of land). Using as a yardstick the land productivity yield for the first Veracel fiberline, one may consider that approximately 46% of the land and forest needed to supply the new fiberline has been secured. The average distance from the forest to the mill is around 76 km.



## Return

- Considering a cash production cost similar to that of current Veracel fiberline, it is estimated that the project will yield a return of about 300 bps over the WACC.

Tasks	2008	2009	2010	2011	2012
Feasibility studies	█	█			
Initial studies		█			
Management's decision		█			
EPCs purchases		█			
Construction			█	█	
Start-up					█
Learning curve					█

## 3<sup>rd</sup> project

Capacity: about  
**1.4 million tons**

Aracruz intends to announce before the end of 2008 a third expansion project in Brazil, which will most likely be a new plant. The company has already begun the purchase of lands and investment in silviculture for the project.

This project will help to maintain the company's leadership amongst the world's hardwood market pulp producers, bringing its total nominal capacity to 7.0 million tons/year by 2015.

More information is available at  
[www.aracruz.com.br/projetosdeexpansao/?lang=en](http://www.aracruz.com.br/projetosdeexpansao/?lang=en)

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