

ARACRUZ CELLULOSE S A
Form 20-F
June 30, 2009
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As filed with the Securities and Exchange Commission on June 30, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

- .. REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
- x** ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
for the Fiscal Year Ended December 31, 2008
OR
- .. TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
- .. SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report.

ARACRUZ CELULOSE S.A.

(Exact name of Registrant as specified in its charter)

Aracruz Cellulose

(Translation of Registrant's name into English)

Federative Republic of Brazil
(Jurisdiction of incorporation or organization)

Av. Brigadeiro Faria Lima, 2277, 4th floor

01452-000 São Paulo, SP, Brazil
(Address of principal executive offices)

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Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class:	Name of each exchange on which registered:
American Depositary Shares (as evidenced by American Depositary Receipts), each representing ten shares of Class B Preferred Stock Securities registered or to be registered pursuant to Section 12(g) of the Act.	New York Stock Exchange

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

455,390,699	Shares of Common Stock
27,956,802	Shares of Class A Preferred Stock
549,206,619	Shares of Class B Preferred Stock

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

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U.S. GAAP

International Financial Reporting Standards as issued

Other

by the International Accounting Standards Board

Indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Please send copies of notices and communications from the Securities and Exchange Commission to:

Richard S. Aldrich, Jr.

Skadden, Arps, Slate, Meagher & Flom LLP

4 Times Square

New York, NY 10036

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INTRODUCTION

Unless otherwise specified, all references in this annual report to:

U.S. dollars, dollars, \$ or US\$ are to United States dollars;

reais, *real* or R\$ are to Brazilian *reais*, the official currency of Brazil;

Brazilian government are to the federal government of the Federative Republic of Brazil;

audited consolidated financial statements are to the Audited Consolidated Financial Statements of Aracruz Celulose S.A. as of December 31, 2007 and 2008 and, for the three years ended December 31, 2008, together with the corresponding Report of Independent Registered Public Accounting Firm;

the Company, Aracruz, we, us and our are to Aracruz Celulose S.A. and its consolidated subsidiaries (unless the context otherwise requires);

our preferred shares and our common shares are to our authorized and outstanding preferred stock and common stock, respectively;

Class A Preferred Stock or Class A Preferred Shares are to our class A non-voting preferred stock (*ações preferenciais classe A*);

Class B Preferred Stock or Class B Preferred Shares are to our class B non-voting preferred stock (*ações preferenciais classe B*);

Preferred Shares are to our Class A Preferred Stock together with our Class B Preferred Stock;

tons are to metric tons of 1,000 kilograms each;

COFINS is the *Contribuição para o Financiamento da Seguridade Social*, a Brazilian federal social contribution;

CPMF is the *Contribuição Provisória sobre Movimentação Financeira*, a Brazilian federal social contribution that used to be charged to bank transfers and withdrawals at the rate of 0.38% and that was discontinued in January 2008;

ICMS is the *Imposto sobre Circulação de Mercadorias e Serviços*, a Brazilian state value-added tax;

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PIS is the *Programa de Integração Social*, a Brazilian federal social contribution;

TJLP rate is the *Taxa de Juros de Longo Prazo*, the Brazilian long-term interest rate;

CDI rate is the interest rate on Brazilian interbank certificate of deposits (*Certificados de Depósito Interbancário*); and

SELIC rate is the daily average interest rate for repurchase agreements of Brazilian government treasury bonds.

As used in this annual report, one hectare equals approximately 2.471 acres, one kilogram equals approximately 2.2 pounds and one kilometer equals approximately 0.621 miles.

Unless otherwise indicated,

all references in this annual report to percentages, tons and U.S. dollars or *real* amounts of pulp are to market pulp ; and

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amounts in *reais* stated at a particular date and followed by U.S. dollar equivalents have been converted using the *reais* to U.S. dollars commercial selling rate in effect on such date.

FORWARD-LOOKING STATEMENTS

This annual report contains statements which constitute forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or Securities Exchange Act. Certain such forward-looking statements can be identified by the use of forward-looking terminology such as believe, expect, may, are expected to, expect, will allow, will continue, will likely result, should, seek, approximately, intend, plan, project, estimate or anticipate, or similar expressions or the negative thereof or other variations thereof, comparable terminology, or by discussions of strategy, plans or intentions. In addition, all information included herein with respect to future operations, financial condition, financial performance or other financial or statistical matters constitute forward-looking statements. Those forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and that may not be realized. Such statements appear in a number of places in this annual report, including, without limitation, the information set forth under the headings Item 3D. Risk Factors, Item 4B. Business Overview and Item 5. Operating and Financial Review and Prospects, and include statements regarding our intent, belief or current expectations or those of our directors or our executive officers with respect to:

general economic, political and business conditions, both in Brazil and in our principal export markets;

inflation and fluctuation in exchange rates;

the effects of the current world economic crisis on global and Brazilian economic and market conditions;

existing and future governmental regulation;

the declaration or payment of dividends;

our direction and future operation;

the implementation of our proposed business combination with Votorantim Celulose e Papel S.A., or VCP, which directly and indirectly owns 96.5% of our common shares;

the implementation of our principal operating strategies, including our potential participation in acquisition or joint venture transactions or other investment opportunities;

the implementation of our financing strategy and capital expenditure plans;

our level of indebtedness and leverage;

changes in competitive conditions and in the general level of demand for our products;

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other factors or trends affecting the pulp and paper market (including its cyclical nature and our financial condition or results of operations); and

other factors or trends affecting our financial condition or results of operations.

Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those in the forward-looking statements, as a result of various factors. We do not undertake, and specifically disclaim, any obligation to update or revise any forward-looking statements, which speak only as of the date hereof.

We make statements in this annual report about our competitive position and market share in, and the market size of, the pulp industry. We derive this third-party information principally from reports published by the International Pulp Statistical Committee, which includes the American Forest Paper Association, the

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Canadian Pulp & Paper Association, the Finnish Forest Industry Federation and the Brazilian Pulp and Paper Association and reports published by Hawkins Wright Ltd., or Hawkins Wright. We have not independently verified the competitive position, market share, market size or market growth data provided by third parties or by industry or general publications.

Table of Contents**PART I****ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION**A. Selected Financial Data**

Our audited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. Because we export substantially all of our production, and due to the fact that we operate in an industry that uses the U.S. dollar as its currency of reference and this is the currency in which cash is primarily generated and expended (thus representing the economic environment in which the Company conducts its operations), our management believes that the U.S. dollar is the Company's functional currency and the most appropriate currency in which to present our audited consolidated financial statements. Accordingly, we have been presenting our primary U.S. GAAP audited consolidated financial statements in U.S. dollars since 1994. For this purpose, amounts in *reais* for all periods presented have been remeasured into U.S. dollars in accordance with the methodology set forth in Statement of Financial Accounting Standards No. 52, or SFAS 52.

Pursuant to SFAS 52, as it applies to us, non-monetary assets, including inventories, property, plant and equipment, accumulated depreciation and shareholders' equity are remeasured at historical exchange rates. Monetary assets and liabilities denominated in *reais* are remeasured at period-end rates. Export sales invoiced in currencies other than the U.S. dollar are remeasured at the applicable exchange rate on the date of sale. Cost of sales, depreciation and other expenses relating to assets remeasured at historical exchange rates are calculated based on the U.S. dollar values of such assets, and other statement of operations accounts are remeasured at the rate prevailing on the date of the charge or credit to income.

For certain purposes, such as providing reports to our Brazilian shareholders, filing financial statements with the *Comissão de Valores Mobiliários*, or CVM, the Brazilian securities commission, and determining dividend payments and other distributions and tax liabilities in Brazil, we have prepared and will continue to be required to prepare financial statements in accordance with the accounting practices adopted in Brazil. Our financial statements are prepared in accordance with Law 6,404/76, as amended, or the Brazilian Corporate Law, and are not adjusted to account for the effects of inflation.

The following table presents our selected financial data as of the dates and for each of the periods indicated. Our U.S. GAAP audited consolidated financial statements as of December 31, 2007 and 2008 appear elsewhere herein, together with the reports of our Independent Registered Public Accounting Firm, Deloitte Touche Tohmatsu Auditores Independentes, or Deloitte. The selected financial information at December 31, 2004, 2005 and 2006 have been derived from our U.S. GAAP audited consolidated financial statements, not included in this annual report. The selected financial data should be read in conjunction with Item 5. Operating and Financial Review and Prospects.

	At and for the year ended December 31,				
	2004	2005	2006	2007	2008
	<i>(in US\$ thousands, except number of shares and per share amounts)</i>				
Statement of Operations Data					
Operating Revenues					
Domestic	66,083	62,019	77,431	137,086	152,285
Export	1,256,648	1,469,646	1,845,026	2,007,017	1,999,605

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Gross operating revenues	1,322,731	1,531,665	1,922,457	2,144,103	2,151,890
Sales taxes and other deductions	(155,618)	(186,432)	(241,624)	(260,328)	(240,587)
Net operating revenues	1,167,113	1,345,233	1,680,833	1,883,775	1,911,303
<i>Operating costs and expenses</i>					
Cost of sales	700,333	783,578	1,037,896	1,190,957	1,337,797
Selling	53,850	64,430	74,005	78,832	88,329
Administrative	31,072	33,820	57,020	58,708	64,738
Other, net	25,208	16,313	12,514	(38,624)	77,973
Total operating costs and expenses	810,463	898,141	1,181,435	1,289,873	1,568,837

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	At and for the year ended December 31,				
	2004	2005	2006	2007	2008
	<i>(in US\$ thousands, except number of shares and per share amounts)</i>				
Operating income	356,650	447,092	499,398	593,902	342,466
Non-operating (income) expenses					
Financial income	(56,123)	(125,439)	(181,733)	(168,037)	2,093,875
Financing expense	119,976	137,276	149,719	100,864	112,690
Gain on currency remeasurement, net	(16,197)	(21,386)	(7,641)	(908)	(71,146)
Other, net	(76)	(778)	(7)	(61)	
Total Non-operating (income) expenses	47,580	(10,327)	(39,662)	(68,142)	2,135,419
Income before income taxes, minority interest and equity in results of affiliated companies	309,070	457,419	539,060	662,044	(1,792,953)
Income tax expense					
Current	42,746	71,086	30,754	41,343	34,305
Deferred	27,510	1,142	38,740	155,969	(524,063)
Total income tax expense (credit)	70,256	72,228	69,494	197,312	(489,758)
Minority interest	(9)	(31)	(544)	(10,522)	735
Equity in results of affiliated companies	(11,568)	(44,062)	(13,705)	(32,141)	63,766
Net income (loss)	227,237	341,098	455,317	422,069	(1,238,694)
Basic and diluted earnings per share(1)					
Common Stock	0.21	0.31	0.42	0.39	(2.84)
Class A Preferred Stock	0.23	0.34	0.46	0.43	0.09
Class B Preferred Stock	0.23	0.34	0.46	0.43	0.09
Dividends and interest on shareholders equity per share					
Common Stock	0.11(2)	0.05(4)	0.06(6)	0.08(8)	0.11(10)
	0.08(3)	0.12(5)	0.13(7)	0.14(9)	0.08(11)
Class A Preferred Stock	0.12(2)	0.06(4)	0.07(6)	0.08(8)	0.12(10)
	0.09(3)	0.13(5)	0.15(7)	0.16(9)	0.09(11)
Class B Preferred Stock	0.12(2)	0.06(4)	0.07(6)	0.08(8)	
	0.09(3)	0.13(5)	0.15(7)	0.16(9)	