

***Consolidated Quarterly Financial
Information***

***Suzano Bahia Sul Papel e
Celulose S.A.***

June 30, 2004

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

CONSOLIDATED QUARTERLY FINANCIAL INFORMATION

June 30, 2004

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A free translation from Portuguese into English of Special Review Report of Independent Auditors on quarterly financial information in accordance with accounts practices adopted in Brazil and specific norms issued by IBRACON (Institute of Independent Auditors of Brazil), CFC (Federal Board of Accountancy) and Exchange Commission (CVM)

SPECIAL REVIEW REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Suzano Bahia Sul Papel e Celulose S.A.

1. We have performed a special review of the accompanying Quarterly Financial Information of Suzano Bahia Sul Papel e Celulose S.A. and Suzano Bahia Sul Papel e Celulose S.A. and subsidiaries for the three and six-month periods ended June 30, 2004, including the balance sheets, statements of income, report on the Company's performance and other relevant information, in accordance with accounting practices adopted in Brazil.
2. Our review was conducted in accordance with the specific procedures determined by the Institute of Independent Auditors of Brazil (IBRACON) and the Federal Board of Accountancy (CFC), and included principally: (a) inquiries of and discussions with the management responsible for the Company's accounting, financial and operational areas in respect to the criteria adopted for the preparation of the quarterly information and (b) review of information and subsequent events which have or could have significant effects on the Company's operations and financial position.
3. Based on our special review, we are not aware of any material modification that should be made to the Quarterly Financial Information referred to above for it to comply with accounting practices adopted in Brazil applicable to the preparation of Quarterly Financial Information, together with specific regulations established by the Brazilian Securities and Exchange Commission (CVM).
4. The Quarterly Financial Information for the three and six-month periods ended June 30, 2003, also presented for comparative purposes, was reviewed by other independent auditors who issued an unqualified special review report on July 23, 2003. Similarly, the complementary information for the six-month period, also presented for comparison purposes, was reviewed by other independent auditors, who also issued an unqualified special review report on the same date.

5. Our review was carried out to enable us to issue a report on the special review of the Quarterly Financial Information referred to in the first paragraph, taken as a whole. The statements of changes in financial position and of cash flows for the six-month period ended June 30, 2004, prepared in accordance with the accounting practices adopted in Brazil, which are presented to provide supplementary information about the Company and its subsidiaries, are not required as an integral part of the Quarterly Financial Information. These statements for the six-month period ended June 30, 2004 were submitted to the review procedures described in the second paragraph and, based on our review, we are not aware of any material modification that should be made to these supplementary statements for them to be fairly disclosed, in all material respects, with regard to the Quarterly Financial Information for the six-month period ended June 30, 2004, taken as a whole.

São Paulo, August 4, 2004

ERNST & YOUNG
Auditores Independentes S.S.
CRC 2SP015199/O-6-F-BA

Idésio S. Coelho Jr.
Partner
Accountant CRC 1SP163904/O-0-S-BA

A free translation from Portuguese into English of quarterly financial information prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil and specific norms issued by IBRACON, CFC and CVM

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

BALANCE SHEETS
June 30 and March 31, 2004
(In thousands of reais)
(UNAUDITED)

	Company		Consolidated	
	June 30, 2004	March 31, 2004	June 30, 2004	March 31, 2004
Assets				
Current assets:				
Cash and marketable securities	999,361	657,972	1,437,071	1,199,478
Trade accounts receivable	804,522	313,794	498,175	442,218
Inventories	317,134	109,384	372,814	380,982
Other accounts receivable	17,513	1,455	19,140	24,118
Recoverable taxes	53,673	15,538	53,672	35,813
Deferred income and social contribution taxes	98,987	26,135	111,890	60,520
Prepaid expenses	9,881	740	10,215	4,738
Total current assets	2,301,071	1,125,018	2,502,977	2,147,867
Noncurrent assets:				
Due from related parties	40,182	-	256	-
Recoverable taxes	27,818	3,548	27,826	28,378
Deferred income and social contribution taxes	187,791	83,131	195,697	173,636
Judicial deposits	27,267	15,778	27,267	24,799
Advances to suppliers	62,695	51,227	69,118	61,943
Other accounts receivable	12,896	5,959	9,672	10,420
	358,649	159,643	329,836	299,176
Permanent assets:				
Investments	361,926	115,763	30,868	24,026
Property, plant and equipment	3,236,499	2,084,232	3,284,090	3,143,118
Deferred charges	24,695	15,158	24,712	335,293
	3,623,120	2,215,153	3,339,670	3,502,437
Total assets	6,282,840	3,499,814	6,172,483	5,949,480

	Company		Consolidated	
	June 30, 2004	March 31, 2004	June 30, 2004	March 31, 2004
Liabilities and shareholders' equity				
Current liabilities:				
Trade accounts payable	119,690	37,112	125,519	118,515
Loans and financing	1,653,271	830,305	1,549,193	1,391,578
Taxes payable other than on income	15,863	2,961	15,889	11,464
Accrued salaries and payroll taxes	50,188	12,792	50,916	42,590
Accounts payable	64,436	47,753	70,674	76,960
Payable to related parties	1,239	-	-	-
Dividends payable	285	39,979	285	120,252
Income and social contribution taxes	6,540	7,312	8,404	8,860
Total current liabilities	1,911,512	978,214	1,820,880	1,770,219
Noncurrent liabilities:				
Loans and financing	1,685,883	410,224	1,699,218	1,460,322
Accounts payable	36,742	28,894	36,742	28,894
Deferred income and social contribution taxes	11,321	-	11,321	26,758
Provision for contingencies	115,465	24,885	115,465	107,814
	1,849,411	464,003	1,862,746	1,623,788
Minority interest in subsidiaries	-	-	-	120,665
Shareholders' equity:				
Capital	1,477,963	1,238,024	1,477,963	1,287,737
Capital reserves	276,892	169,462	276,892	26,741
Revaluation reserves	-	-	-	32,427
Income reserves	564,713	564,713	536,170	970,158
Treasury shares	(13,339)	-	(13,339)	(24)
Retained earnings	215,688	85,398	211,171	117,769
	2,521,917	2,057,597	2,488,857	2,434,808
Total liabilities and shareholders' equity	6,282,840	3,499,814	6,172,483	5,949,480

See accompanying notes.

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

STATEMENTS OF INCOME

Three and six months ended June 30, 2004 and 2003

(In thousands of reais, except net earnings per share)

UNAUDITED

	Company				Consolidated			
	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003	2004	2003	2004	2003
Gross sales	284,165	300,444	561,985	567,220	732,948	697,743	1,444,049	1,352,160
Sales deductions	(6,214)	(15,382)	(12,633)	(29,353)	(59,113)	(57,426)	(113,657)	(118,569)
Net Sales	277,951	285,062	549,352	537,867	673,835	640,317	1,330,392	1,233,591
Cost of goods sold	(114,422)	(119,366)	(231,925)	(211,071)	(391,585)	(338,813)	(769,350)	(618,801)
Gross profit	163,529	165,696	317,427	326,796	282,250	301,504	561,042	614,790
Operating income (expense):								
Selling expenses	(27,578)	(23,865)	(56,094)	(43,372)	(32,810)	(33,524)	(64,600)	(65,190)
General and administrative expenses	(14,293)	(15,451)	(29,203)	(34,175)	(46,744)	(55,926)	(93,041)	(116,278)
Financial income	51,795	(8,221)	69,013	(7,199)	100,714	(81,489)	137,649	(76,747)
Financial expenses	(100,843)	137,786	(133,819)	167,791	(239,882)	250,889	(311,454)	279,692
Other operating income	433	1,545	1,750	3,145	2,387	1,055	8,200	5,894
Other operating expenses	-	-	-	-	10,422	(10,422)	-	(20,844)
Equity interest in subsidiaries and affiliates	14,652	(67,236)	23,945	(59,341)	(72)	(720)	(208)	(720)
Operating income	87,695	190,254	193,019	353,645	76,265	371,367	237,588	620,597
Nonoperating income, net	3,385	157	5,773	1,379	16,150	2,164	19,044	5,949
Income before income and social contribution taxes and minority interest	91,080	190,411	198,792	355,024	92,415	373,531	256,632	626,546
Income and social contribution taxes	(4,186)	(43,820)	(26,500)	(106,029)	(9,305)	(111,322)	(52,548)	(204,117)
Income for the period before minority interest	86,894	146,591	172,292	248,995	83,110	262,209	204,084	422,429
Minority interest	-	-	-	-	5,059	(9,243)	-	(15,202)
Result from downstream merger	36,309	-	36,309	-	-	-	-	-
Net income for the period	123,203	146,591	208,601	248,995	88,169	252,966	204,084	407,227
Number of shares (thousands)	284,074	3,221,860	284,074	3,221,860	284,074	3,221,860	284,074	3,221,860
Net earnings per share at the end of the period	0.43370	0.04550	0.73432	0.07728	0.31037	0.07852	0.71842	0.12640

See accompanying notes.

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

NOTES TO THE QUARTERLY FINANCIAL INFORMATION (In thousands of reais) (UNAUDITED)

1. Downstream Merger between Companhia Suzano de Papel e Celulose and Bahia Sul Celulose S.A.

The Extraordinary General Meeting held on June 29 and 30, 2004 approved the downstream merger (DSM) of Companhia Suzano de Papel e Celulose (Suzano) by Bahia Sul Celulose S.A. (Bahia Sul), resulting in the winding-up of operations of Suzano, the net assets of which were added to Bahia Sul's net assets, which will be successor in all its assets, rights and liabilities. The corporate name of Bahia Sul was changed to Suzano Bahia Sul Papel e Celulose S.A. (Company, Suzano Bahia Sul).

This merge is an important step in the Companies' operating and corporate integration, which began after the purchase, by Suzano, in May 2001, of the totality of the shares with voting rights issued by Bahia Sul. The main phases that marked the evolution of the restructuring process were: (i) the implementation, in October 2001, of the Companies' unified management, resulting in significant gains from the mix of synergies; (ii) the spin-off of petrochemical net assets owned by Suzano, which occurred in November 2001, with the objective of enhancing dynamism and transparency in the different business areas, and (iii) call for bid of Bahia Sul shares, made by Suzano, and payment with its own shares in September 2002, through which Suzano passed to hold 94% of Bahia Sul's total capital.

The main effects of the DSM on the Company's financial statements were as follows:

- (a) Goodwill resulting from increased shareholding of Suzano in Bahia Sul: in the DSM process, the goodwill resulting from increases in shareholding of Suzano in Bahia Sul was fully accrued at Suzano before the DSM process, generating a reduction by R\$ 319,800 in the shareholders' equity, and in the investment account. In order to benefit from the deductible goodwill, deferred income and social contribution tax credits were set up and recorded in current and noncurrent assets, against increase in shareholders' equity in the amount of R\$108,700, in the account "special goodwill reserve on DSM", the amortization of which will occur over 60 months, as per Brazilian Securities Commission CVM Instruction No. 349/01;
- (b) Profit on intercompany fixed asset disposals no longer eliminated: in the consolidated financial statements of Suzano, the elimination of R\$ 53,900 in the shareholders' equity, referring to profit on intercompany fixed asset disposals. With the DSM, the consolidation between the company benefiting from the profit and the asset owner no longer takes place, thus such elimination no longer exists;

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

NOTES TO THE QUARTERLY FINANCIAL INFORMATION (Continued) (In thousands of reais) (UNAUDITED)

1. Downstream Merger between Companhia Suzano de Papel e Celulose and Bahia Sul Celulose S.A. (Continued)

- (c) Elimination of minority interest: minority interest in Bahia Sul's shareholders' equity was segregated in the consolidated financial statements with Suzano. With the DSM, minority shareholders now belong to the same shareholder base, with new addition to the Company's shareholders' equity, in the amount of R\$ 115,600.

Increase in Suzano Bahia Sul's shareholders' equity

The table below shows the increase in the consolidated shareholders' equity of Suzano Bahia Sul, at June 30, 2004, as from the consolidated shareholders' equity of Bahia Sul, before the DSM, and the notes justify the changes in each line of shareholders' equity:

	Consolidated Shareholders' equity of Bahia Sul Celulose S/A, before the DSM	Adjustments related to the DSM		Adjustments related to consolidation	Consolidated Shareholders' equity of Suzano Bahia Sul Papel e Celulose S/A
CAPITAL	1,239,693	238,270	1	-	1,477,963
CAPITAL RESERVES	169,462	-		5,794	175,256
SPECIAL GOODWILL RESERVE UPON DSM	-	101,636	2	-	101,636
INCOME RESERVES	551,738	-		(15,568)	536,170
TREASURY STOCK	-	(13,339)	3	-	(13,339)
RETAINED EARNINGS	169,912	43,397	4	(2,138)	211,171
	<u>2,130,805</u>	<u>369,964</u>		<u>(11,912)</u>	<u>2,488,857</u>

1. Capital increase in Bahia Sul resulting from the DSM, in accordance with item 1.7 of the Downstream Merger Agreement;
2. Special goodwill reserve resulting from the accounting recognition of the tax benefit due to the goodwill provision in investment at Bahia Sul existing in Suzano, as per item 2.20 of the Agreement (R\$ 108,723 related to tax benefits at December 31, 2003, net of R\$ 7,087 of realization of the special goodwill reserve in the first semester of 2004);
3. Treasury stock necessary in view of shares from SUDENE (Superintendency for the Development of Northeastern Brazil) tax incentive, not yet authorized for sale, as per item 1.4 of the Agreement;
4. Result of operations for the six-month period ended June 30, 2004 of Suzano, appropriated by Suzano Bahia Sul, as per item 2.7 of the Agreement, restated by the effects of the DSM (R\$ 36,309 relating to result of operations for the six-month period ended June 30, 2004 plus R\$ 7,087 related to realization of the special goodwill reserve);
5. Profits eliminated from inventories in the consolidated financial statements of Suzano as of December 31, 2003;
6. Elimination of profits from inventories in the consolidated financial statements of Suzano Bahia as of June 30, 2004;
7. FINOR (Northeast Investment Fund) tax incentive registered in Suzano's Income Tax Return as of June 30, 2004.

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

NOTES TO THE QUARTERLY FINANCIAL INFORMATION (Continued)

(In thousands of reais)

(UNAUDITED)

2. Operations

The main business purpose of the Company and its subsidiaries is the manufacturing and trading, domestically and abroad, of short-fiber pulp of eucalyptus and paper, in addition to the formation and exploration of eucalyptus forests for own use and sale to third parties.

The trading of the products abroad is made through wholly-owned subsidiaries located abroad.

3. Presentation of the Quarterly Financial Information

The quarterly financial information was prepared in accordance with the accounting practices derived from Brazilian Corporation Law and the regulations established by the Brazilian Securities and Exchange Commission (CVM).

Presentation of the financial statements due to the DSM

In relation to the Company information (Suzano Bahia Sul), the financial statements were disclosed as in the Company's regular accounting records, for both the current period and comparative periods, thus showing the financial situation and the result of operations in a distinct manner, once the current period includes dropdown of net assets in connection with the DSM and the previous periods do not include such net assets. As such, the comparability of the Company's financial statements is impaired due to the effects of the DSM.

In the case of the consolidated financial statements, since the post-DSM information of the consolidated Bahia Sul does not reflect the economic and financial information of the economic conglomerate, we present the consolidated financial statements of Suzano for purposes of comparison with the previous years (instead of the Bahia Sul consolidated financial statements). For the current period, we present the consolidated financial statements of Suzano Bahia Sul (post-DSM), which normally include the figures of the "acquiror" (Bahia Sul), plus the merged net assets of the "acquiree" (Suzano), combined with the figures of the subsidiaries (from the Bahia Sul subsidiaries before the DSM and from Suzano due to the DSM), observing that, in the statements of operations, the revenues, costs and expenses for the six-month period of Suzano, Bahia Sul and all subsidiaries were added line by line, as if Suzano were being consolidated. Such procedure was adopted in 2003 and 2004 for all consolidated accounting and financial information presented.

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

NOTES TO THE QUARTERLY FINANCIAL INFORMATION (Continued)

(In thousands of reais)

(UNAUDITED)

3. Presentation of the Quarterly Financial Information (Continued)

The above procedure was adopted based on the following:

- (a) The objective of the consolidated financial statements is to reflect the economic and financial status of an economic entity that includes two or more companies, not considering the corporate entity's own limitation;
- (b) The DSM herein conducted basically produces the same result had Bahia Sul merged into Suzano (subsidiary merged into Company), that is, the same assets, liabilities and shareholders' equity and shareholders and the respective capital interest proportion.

As additional information, the Company presents, for the last time, the balance sheets, statements of operations, of changes in financial position and of cash flows of Suzano, (Company), and Bahia Sul (Company and Consolidated).

Summary of Principal Accounting Practices

a) Income statement

Income and expenses are recognized on the accrual basis. Revenue from the sale of goods is recognized in the income statement when all risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there are significant uncertainties regarding its realization.

b) Accounting estimates

Accounting estimates were based on objective and subjective aspects, considering management's assessment of the appropriate amount to be recorded in the financial statements. Significant items subject to these estimates and assumptions include the definition of useful lives of property, plant and equipment, allowance for doubtful accounts, deferred income taxes, contingencies and valuation of derivative financial instruments. Actual results may significantly differ from these estimates due to the underlying inaccuracy of the determination process. The Company reviews its estimates and assumptions at least on a quarterly basis.

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

NOTES TO THE QUARTERLY FINANCIAL INFORMATION (Continued) (In thousands of reais) (UNAUDITED)

3. Presentation of the Quarterly Financial Information (Continued)

c) Foreign currency

Monetary assets and liabilities denominated in foreign currencies were translated into reais at the foreign exchange rate in effect at the balance sheet date. Foreign currency translation gains and losses are recognized in the statement of income. Assets and liabilities of foreign subsidiaries and affiliates were translated into reais at the foreign exchange rate in force at the balance sheet date.

d) Derivative financial instruments

Derivative financial instruments, such as swaps, are recorded initially at cost and subsequently revalued according to the contractual terms, to reflect amounts accrued to the balance sheet date. Derivative financial instruments aim to minimize the risks involved in loans and financing in foreign currency. According to its Treasury department's policy, the Company does not hold or issue derivative financial instruments for trading purposes.

e) Marketable securities

Marketable securities are recorded at cost plus income accrued to the balance sheet date, not exceeding market value.

f) Allowance for doubtful accounts

Allowance for doubtful accounts is established at an amount considered sufficient by management to cover any probable losses on the collection of accounts receivable.

g) Inventories

Inventories are stated at average acquisition or production cost, not exceeding market value.

h) Investments

Investments in subsidiaries are valued using the equity method, considering any premiums or discounts, as applicable. Other investments were stated at acquisition cost, net of a valuation allowance, where applicable.

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

NOTES TO THE QUARTERLY FINANCIAL INFORMATION (Continued) (In thousands of reais) (UNAUDITED)

3. Presentation of the Quarterly Financial Information (Continued)

i) Property, plant and equipment

Property, plant and equipment are recorded at the acquisition, development or construction cost, inflation adjusted until December 31, 1995 (including interest and other financial charges, during construction). Depreciation is calculated using the straight-line method based on the depreciation rates mentioned in Note 11, considering the estimated useful lives of the assets. Reforestation costs include acquisition, development and maintenance expenses. Depletion is calculated in accordance with the harvests, based on the average cost of the forests.

j) Deferred charges

Deferred charges are recorded at purchase and development cost, less amortization, which is calculated using the straight-line method over a maximum period of 10 years.

k) Rights and obligations

Assets and liabilities are restated according to the exchange rates or indices and interest rates specified in the contracts in force, to reflect amounts accrued to the balance sheet date.

l) Provisions

Provisions are recognized in the balance sheet whenever the Company has a legal or acquired obligation as a result of a past event, and it is probable that an outflow of economic benefits is required to settle the obligation. Provisions are recorded considering the best estimates for the risk of each specific liability.

m) Non-cumulative PIS/COFINS

Tax debits arising from the sale of products and tax credits relating to the purchase of raw materials, services and other materials to be used in production, as well as to initial inventory balances and to depreciation costs, as established by Laws No. 10637/02 and No. 10833/03, are charged, net, to the income statement for the period as deductions from sales. Tax debits and credits referring respectively to financial income and expenses are deducted from these items in the statement of income.

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

NOTES TO THE QUARTERLY FINANCIAL INFORMATION (Continued) (In thousands of reais) (UNAUDITED)

3. Presentation of the Quarterly Financial Information (Continued)

n) Income and social contribution taxes

Income and social contribution taxes on the income for the period comprise current and deferred taxes.

Current tax is the expected tax payable on the taxable income for the period, using tax rates in force at the balance sheet date. Current tax rates are as follows:

- Income tax - Computed at the rate of 25% (15% of taxable income, plus an additional 10%).
- Social contribution tax - Computed at the rate of 9% of adjusted net income.

The deferred tax asset resulting from income and social contribution tax losses carryforward and temporary differences was determined in accordance with CVM Instruction 371/02.

o) Statements of cash flows and of changes in financial position

The statements of cash flows (prepared in accordance with NPC 20 - Statement of Cash Flows, issued by IBRACON - Brazilian Institute of Independent Auditors) and the statements of changes in financial position (parent company and consolidated) are being presented as supplementary information.

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

NOTES TO THE QUARTERLY FINANCIAL INFORMATION (Continued)
(In thousands of reais)
(UNAUDITED)

4. Consolidated Quarterly Financial Information

The accounting policies have been consistently applied by the consolidating companies and are consistent with those used in the previous year, except for the comments in note 1.

The consolidated quarterly financial statements include the financial statements of Suzano Bahia Sul Papel e Celulose S.A. and its direct and indirect subsidiaries, as shown below:

	Headquarter (Country)	Direct and indirect ownership percentage at June 30, 2004 (%)
Bahia Sul América Inc.	United States of America	100
Bahia Sul International Trading Ltd.	Cayman Islands	100
Suzanopar Investimentos Ltd.	Bahamas	100
Suzanopar International S.A.	Uruguay	100
CSPC Overseas Ltd.	Cayman Islands	100
Comercial e Agrícola Paineiras Ltda.	Brazil	100
Nemo International	Cayman Islands	100
Sun Paper and Board Limited	England	100
Nemotrade Corporation	United States of America	100
Stenfar S.A. Indl. Coml. Imp. Exp.	Argentina	100

The financial period of the subsidiaries included in the consolidated financial statements is the same as that of the Parent company.

Description of main consolidation procedures

- a) Elimination of intercompany asset and liability account balances;
- b) Elimination of investment in the subsidiaries' capital, reserves and retained earnings;
- c) Elimination of intercompany income and expense balances and unearned income arising from intercompany transactions; and
- d) Elimination of tax charges due on unearned income, shown as deferred taxes in the consolidated balance sheet;

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

NOTES TO THE QUARTERLY FINANCIAL INFORMATION (Continued)
(In thousands of reais)
(UNAUDITED)

4. Consolidated Quarterly Financial Information (Continued)

Reconciliation of net income for the period and shareholders' equity between consolidated and Parent Company:

	<u>Net income for six-month period ended June 30, 2004</u>	<u>Shareholders' equity at June 30, 2004</u>
Company	208,601	2,521,917
Elimination of realized income recorded by the Parent Company in transactions with subsidiaries	(6,840)	(43,403)
Income and social contribution taxes on the elimination above	2,323	10,343
Consolidated	<u><u>204,084</u></u>	<u><u>2,488,857</u></u>

The other periods have not been reconciled, as explained in Note 3.

5. Cash and Marketable Securities

	<u>Company</u>		<u>Consolidated</u>	
	<u>June 30, 2004</u>	<u>March 31, 2004</u>	<u>June 30, 2004</u>	<u>March 31, 2004</u>
Cash and banks	11,541	508	192,863	141,109
Marketable securities	987,820	657,464	1,244,208	1,058,369
	<u>999,361</u>	<u>657,972</u>	<u>1,437,071</u>	<u>1,199,478</u>

The marketable securities refer substantially to bank deposit certificates remunerated at rates that vary from 99% to 102% of the Brazilian Interbank Deposit Certificate (CDI) rate, Certificates of Bank Deposits with swap for US dollars at an average rate of 3.42% per annum plus exchange variation of the US dollar, and overseas deposits remunerated at the average rate of 1.01% per annum plus exchange variation of the US dollar.

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

NOTES TO THE QUARTERLY FINANCIAL INFORMATION (Continued) (In thousands of reais) (UNAUDITED)

6. Trade Accounts Receivable

	Company		Consolidated	
	June 30, 2004	March 31, 2004	June 30, 2004	March 31, 2004
Domestic receivable	316,078	63,636	316,108	256,094
Foreign receivable	522,563	261,183	221,100	238,558
Discounted export receivable	(20,096)	(8,999)	(20,096)	(30,650)
Allowance for doubtful accounts	(14,023)	(2,026)	(18,937)	(21,784)
	804,522	313,794	498,175	442,218

7. Inventories

	Company		Consolidated	
	June 30, 2004	March 31, 2004	June 30, 2004	March 31, 2004
Finished goods	127,988	30,800	183,558	198,982
Work in process	15,205	3,981	15,205	16,007
Raw materials	41,740	21,093	41,740	50,362
Maintenance and other materials	132,201	53,510	132,311	115,631
	317,134	109,384	372,814	380,982

8. Recoverable Taxes

	Company		Consolidated	
	June 30, 2004	March 31, 2004	June 30, 2004	March 31, 2004
Recoverable social contribution tax	5,081	-	5,081	1,400
Recoverable income tax	21,042	7,947	21,042	12,137
Recoverable PIS/COFINS	10,139	5,465	10,139	5,488
Value added tax (ICMS) on acquisition of property, plant and equipment	43,723	5,392	43,723	43,358
Other	1,506	282	1,513	1,808
	81,491	19,086	81,498	64,191
Less current assets	53,673	15,538	53,672	35,813
Noncurrent assets	27,818	3,548	27,826	28,378

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

NOTES TO THE QUARTERLY FINANCIAL INFORMATION (Continued)
(In thousands of reais)
(UNAUDITED)

9. Income and Social Contribution Taxes

Deferred income and social contribution taxes

The deferred income and social contribution taxes are recognized to reflect future tax effects attributable to temporary differences between the tax bases of assets and liabilities and their book values.

The recorded deferred income and social contribution taxes derive from:

	Company		Consolidated	
	June 30, 2004	March 31, 2004	June 30, 2004	March 31, 2004
Assets				
Income tax loss carryforward	76,889	75,335	76,889	102,801
Social contribution tax loss carryforward	26,751	27,729	26,751	40,629
Temporary differences (1)				
- Provisions	141,107	3,108	157,409	65,393
- Premium amortization	42,031	3,094	46,538	25,333
	<u>286,778</u>	109,266	<u>307,587</u>	234,156
Less current assets	98,987	26,135	111,890	60,520
Noncurrent assets	<u>187,791</u>	83,131	<u>195,697</u>	173,636
Liabilities				
Accelerated depreciation	11,321	-	11,321	11,064
Revaluation reserves	-	-	-	15,458
Discount	-	-	-	236
	<u>11,321</u>	-	<u>11,321</u>	26,758

- (1) Includes income and social contribution tax credits at June 30, 2004 in the amount of R\$ 101,636 related to tax benefit from the deductibility of goodwill, as a result of the DSM. See Note 1.

The accumulated income and social contribution tax losses carryforward are composed as follows:

	Company		Consolidated	
	June 30, 2004	March 31, 2004	June 30, 2004	March 31, 2004
Income tax losses carryforward	307,557	333,128	307,557	415,451
Social contribution tax losses carryforward	297,229	317,942	297,229	446,869
	<u>604,786</u>	651,070	<u>604,786</u>	862,320

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

NOTES TO THE QUARTERLY FINANCIAL INFORMATION (Continued)
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9. Income and Social Contribution Taxes (Continued)

In accordance with CVM Instruction 371/02, and based on expected future taxable income, as determined in a technical study approved by the Board of Directors, the Company recognized tax credits on income and social contribution tax losses carryforward, which have no statutory limitation in time. The carrying value of the deferred tax asset is reviewed annually by the Company and the related adjustments have not been significant in relation to management's initial estimate. The technical study considers the new income tax reduction incentive of 75% on profit from tax incentive activities of the Mucuri unit (former Bahia Sul). Due to the DSM, we reviewed the referred technical study and the review conclusions were approved by management.

Based on this technical analysis of future taxable income, the Company expects to recover these tax credits in the following years:

	Company		Consolidated	
	June 30, 2004	March 31, 2004	June 30, 2004	March 31, 2004
2004	33,063	15,737	53,872	46,048
2005	66,515	20,672	66,515	54,008
2006	58,648	17,898	58,648	57,598
2007	57,347	9,414	57,347	21,761
2008	54,293	10,512	54,293	11,629
2009 to 2012	16,912	35,033	16,912	43,112
	286,778	109,266	307,587	234,156

The expected recoverability of the tax credits is based on the projections of future taxable income, taking into consideration various business and financial assumptions at the balance sheet dates. Accordingly, these estimates may differ from the effective taxable income in the future due to the underlying uncertainties involved.

Income Tax - Reduction of 75% ADENE

In the second quarter of 2003, the Company obtained from ADENE (former SUDENE) a new tax incentive reduction of 75% of the income tax expense until 2011 for pulp and 2012 for paper. Such incentive, calculated based on exploration profit, is proportional to Mucuri Unit net sales revenues.

The income tax object of this reduction is not recorded as expense in the income statement. However, at the end of each financial year, after net income has been determined, the reduction obtained for the year is allocated to capital reserve as a partial destination of the net income determined, and thus in accordance with the legal provision that establishes the non-distribution of the reduction obtained to shareholders. Such deduction in the six month period ended June 30, 2004 amounted to R\$ 27,026.

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

NOTES TO THE QUARTERLY FINANCIAL INFORMATION (Continued)
(In thousands of reais)
(UNAUDITED)

9. Income and Social Contribution Taxes (Continued)

Reconciliation between income and social contribution tax expenses

The reconciliation between the tax expense as calculated by the combined statutory rates and the income and social contribution tax expense charged to net income is presented as follows:

	Company		Consolidated	
	Six Months Ended June 30,			
	2004	2003	2004	2003
Income before income and social contribution taxes	198,792	355,024	256,632	626,546
Reversal of the equity interest	(23,945)	59,341	208	720
Income after reversal of the equity interest in subsidiaries	174,847	414,365	256,840	627,266
Income and social contribution taxes calculated at the combined rates of 34%	(59,448)	(140,884)	(87,326)	(213,270)
Analysis of the effective income and social contribution tax rates:				
Profits from foreign subsidiaries	(5,039)	(13,638)	-	-
Nontaxable income of foreign subsidiaries	-	-	5,849	(44,821)
Tax exempt income and (nondeductible expenses)	105	(11,060)	144	(7,115)
Income tax effect on unrealized profit earned in transactions with subsidiaries	-	-	1,330	(43)
Prior years credits	10,856	18,929	7,760	18,885
Tax incentives – ADENE	27,026	40,624	27,026	40,624
Tax incentives – Others	-	-	-	1,368
Tax recoverable	-	-	(6,469)	-
Others	-	-	(862)	255
Income and social contribution taxes	(26,500)	(106,029)	(52,548)	(204,117)
Effective tax rate	15.2%	25.6%	20.5%	32.5%

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

NOTES TO THE QUARTERLY FINANCIAL INFORMATION (Continued) (In thousands of reais) (UNAUDITED)

10. Investments

	Company		Consolidated	
	June 30, 2004	March 31, 2004	June 30, 2004	March 31, 2004
Investments in subsidiaries and affiliates	338,691	115,763	1,078	1,069
Other investments	29,510	-	36,065	22,957
Provision for losses	(6,275)	-	(6,275)	-
	361,926	115,763	30,868	24,026

Investments

Company	Shareholders' Equity	Result for six-month period ended June 30, 2004		Equity pick-up		
		%			June 30, 2004	March 31, 2004
Suzanopar Investimentos Ltda. (1)	181,840	3,611	100%	-	181,840	-
Nemo International (1)	21,960	1,822	100%	-	21,960	-
Comercial e Agrícola Paineiras Ltda.(1)	3,898	(4,478)	100%	-	3,898	-
Stenfar S.A.I.C (1)	(31,717)	28,274	100%	-	-	-
Bahia Sul International Trading Ltd.	121,374	14,820	100%	23,470	121,374	107,175
Bahia Sul América Inc	8,456	78	100%	667	8,456	7,879
Bahia Sul Holding	86	(26)	100%	(88)	86	174
Pakprint S.A.	5,388	(445)	20%	(104)	1,077	535
Total investments in subsidiaries and affiliates				23,945	338,691	115,763
Other Investments (1)				-	23,235	-
Total Investments				23,945	361,926	115,763
Consolidated						
Pakprint S.A.	5,388	(445)	20%	(208)	1,077	1,069
Other Investments	-	-	-	-	29,791	22,957
Total Investments				(208)	30,868	24,026

(1) Investments received due to the DSM.

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

NOTES TO THE QUARTERLY FINANCIAL INFORMATION (Continued)
(In thousands of reais)
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11. Property, Plant and Equipment

Company

	Average annual depreciation rate	June 30, 2004		March 31, 2004
		Cost	Accumulated depreciation	Net
Buildings	3.20%	633,023	(253,599)	379,424
Machinery and equipment	4.31%	3,236,399	(1,360,005)	1,876,394
Other depreciable assets	18.26%	125,529	(80,035)	45,494
Land and farms	-	304,092	-	304,092
Timber resources	-	415,216	-	415,216
Construction-in-progress	-	215,879	-	215,879
		4,930,138	(1,693,639)	3,236,499

Consolidated

	Average annual depreciation rate	June 30, 2004		March 31, 2004
		Cost	Accumulated depreciation	Net
Buildings	3.20%	640,685	(259,354)	381,331
Machinery and equipment	4.31%	3,237,102	(1,360,615)	1,876,487
Other depreciable assets	18.26%	130,135	(80,750)	49,385
Land and farms	-	312,295	-	312,295
Timber resources	-	415,834	-	415,834
Construction-in-progress	-	248,758	-	248,758
		4,984,809	(1,700,719)	3,284,090

12. Deferred Charges

Company

	June 30, 2004		March 31, 2004
	Cost	Accumulated amortization	Net
Software implementation costs	36,442	(12,549)	23,893
Other	847	(45)	802
	37,289	(12,594)	24,695

Consolidated

	June 30, 2004		March 31, 2004
	Cost	Accumulated amortization	Net
Premium on acquisition of subsidiary	-	-	-
Software implementation costs	36,442	(12,549)	23,893
Other	864	(45)	819
	37,306	(12,594)	24,712

(1) Suzano recorded premium resulting from the purchase of shares issued by Bahia Sul in the following transactions: (i) purchase, in May 2001, of shares from Bahia Sul previously held by Companhia Vale do Rio Doce; and (ii) call for bid by Suzano, by which means the latter purchased shares from Bahia Sul with the payment in Suzano's treasury stock. With the DSM, the referred to premium was accrued, as described in Note 1.

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

NOTES TO THE QUARTERLY FINANCIAL INFORMATION (Continued) (In thousands of reais) (UNAUDITED)

13. Loans and Financing

	Index	Average Annual interest rate	Company		Consolidated	
			June 30, 2004	March 31, 2004	June 30, 2004	March 31, 2004
To acquire property, plant and equipment:						
BNDES – Finem	TJLP	(1) (3) 10.03%	432,075	206,642	445,410	433,055
BNDES – Finem	Basket of currencies	(1) (3) 10.18%	100,639	22,763	100,639	79,850
BNDES – Finame	TJLP	(1) (3) 9.38%	36,695	5,358	36,695	39,596
BNDES – Automatic	TJLP	(1) (3) 9.13%	5,335	855	5,335	4,827
For working capital:						
Advances on export contracts	US\$	4.64%	2,171,398	698,838	2,144,565	1,950,870
Syndicated loan	US\$	(2) 3.81%	-	-	237,255	219,969
Eurobonds	US\$	10,625%	327,350	298,586	-	-
Resolution 63	US\$	2.50%	-	-	-	18,969
Credit line	US\$	(4) 10.12%	213,309	-	213,309	35,945
Imports financing	US\$	2.49%	52,353	7,487	52,353	57,166
Others	US\$	-	-	-	12,850	11,653
			3,339,154	1,240,529	3,248,411	2,851,900
Less current liabilities			1,653,271	830,305	1,549,193	1,391,578
Noncurrent liabilities			1,685,883	410,224	1,699,218	1,460,322
Long-term loans and financing mature as follows:						
July to December 2005			328,250	154,278	341,585	486,673
2006			580,418	157,765	580,418	451,958
2007			297,624	29,381	297,624	183,716
2008			193,976	15,217	193,976	119,042
2009			143,781	18,835	143,781	101,624
2010 onwards			141,834	34,748	141,834	117,309
			1,685,883	410,224	1,699,218	1,460,322

- (1) Capitalization agreement that corresponds to the amount in excess of 6% p.a. over the long-term interest rate (TJLP) published by the Brazilian Central Bank;
- (2) In the beginning of July 2001, the wholly-owned subsidiary Bahia Sul International Trading Ltd. obtained foreign financing in the amount of US\$ 100 million, for the acquisition of the totality of the eurobonds issued by Bahia Sul Celulose S.A. This financing matures in a three-year period, which is the same period that the Eurobonds are due, and bears interest at the LIBOR plus 2.60% p.a. During the third quarter of 2003 it was prepaid US\$ 25 million for such financing. The Eurobonds was held until maturity (July 10, 2004) by the aforementioned wholly-owned subsidiary.
- (3) Financing is secured by mortgages on plant, rural properties and timberland, and guarantees of the financed assets.
- (4) Including loans in the amount of R\$ 175 million (US\$ 56 million) that require an determined maximum level of indebtedness and leverage indicators based on consolidated financial statement. At the end of the period, the Company had not defaulted on any covenants.

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

NOTES TO THE QUARTERLY FINANCIAL INFORMATION (Continued) (In thousands of reais) (UNAUDITED)

14. Related Parties

Balances and transaction at and for the six-month period ended June 30, 2004:

	Assets		Liabilities	Revenue
	Current	Noncurrent	Current	(expense)
Consolidated companies				
Bahia Sul International Trading Ltd	298,249	-	327,350	1 264,771
Comercial e Agrícola Paineiras Ltda.	-	34,500	232	(1,284)
Suzanopar International S/A	-	1,981	-	-
CSPC Overseas	187,030	-	33,406	2 177,529
Sun Paper & Board	36,153	-	-	54,194
Nemotrade Corporation	7,839	-	1,007	5,368
Stenfar S.A. Indl. Coml. Imp. Exp.	5,562	3,445	-	12,566
	534,833	39,926	361,995	513,144
Nonconsolidated companies				
Suzano Holding S.A.	-	-	-	(1,012)
SPP Agaprint Indl. e Coml. Ltda.	16,282	-	-	17,449
Central Distribuidora de Papéis Ltda.	12,656	-	-	17,960
Nova Mercante de Papeis Ltda.	9,883	-	-	16,453
Nemonorte Imóveis e Participações Ltda.	-	-	-	(153)
Consolidated	38,821	-	-	50,697
Company	573,654	39,926	361,995	563,841

Balances and transaction at and for the three-month period ended March 31, 2004:

	Assets		Liabilities	Revenue
	Current	Noncurrent	Current	(expense)
Consolidated companies				
Bahia Sul International Trading Ltd	257,995	-	309,217	144,745
Comercial e Agrícola Paineiras Ltda.	-	31,500	211	(641)
Suzanopar International S.A.	-	1,855	-	-
CSPC Overseas	152,221	-	41,651	76,491
Sun Paper & Board	25,806	-	-	24,268
Nemotrade Corporation	4,839	-	655	2,111
Stenfar S.A. Indl. Coml. Imp. Exp.	5,379	2,386	-	6,432
	446,240	35,741	351,734	253,406
Nonconsolidated companies				
Suzano Holding S.A.	-	-	-	(1,012)
SPP Agaprint Indl. e Coml. Ltda.	17,575	-	5	8,287
Central Distribuidora de Papéis Ltda.	10,337	-	-	9,929
Nova Mercante de Papeis Ltda	13,115	-	-	9,681
Nemonorte Imóveis e Participações Ltda	-	-	-	(77)
Consolidated	41,027	-	5	26,808
Company	487,267	35,741	351,739	280,214

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

NOTES TO THE QUARTERLY FINANCIAL INFORMATION (Continued) (In thousands of reais) (UNAUDITED)

14. Related Parties (Continued)

The main assets and liabilities balances as of June 30, 2004, in addition to transactions that influenced the result of operations for the period concerning related-party operations, were substantially realized under normal market conditions for the respective types of operations.

Commercial transactions (sales and purchases of goods) with related companies are conducted under conditions identical to those conducted with third parties in relation to price, delivery or payment terms.

For the relevant related parties loans:

- 1 - In 2001, wholly-owned subsidiary Bahia Sul International Trading Ltd. purchased the total amount of Eurobonus issued by Bahia Sul. Loan indexed to the U.S. dollar plus an interest rate of 10.625% p.a. and matures in July 2004;
- 2 - Loan indexed to U.S. and it has an interest rate of 9% p.a. and matures in January 2005; and
- 3 - Advance for future capital increase.

15. Provision for Contingencies

	Company		Consolidated	
	June 30, 2004	March 31, 2004	June 30, 2004	March 31, 2004
Tax and social security				
PIS/COFINS	49,277	15,358	49,277	42,705
PIS half-yearly computation	39,084	-	39,084	38,297
ICMS	7,441	3,000	7,441	7,441
	95,802	18,358	95,802	88,443
Labor and civil	19,663	6,527	19,663	19,371
	115,465	24,885	115,465	107,814

These provisions are recognized to provide for probable losses in administrative and judicial suits relating to tax, civil and labor claims considered as probable losses at amounts considered sufficient by management, in accordance with the assessment of its lawyers and legal advisors, as follows:

PIS/COFINS

A provision recognized for unpaid PIS and COFINS in view of the legal discussion regarding the tax calculation basis (charge over other income). As of June 30, 2004, the Company has judicial deposits in the amount of R\$ 1,586 for PIS and R\$ 16,024 for COFINS.

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

NOTES TO THE QUARTERLY FINANCIAL INFORMATION (Continued)
(In thousands of reais)
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15. Provision for Contingencies (Continued)

PIS half-yearly payment

The Company filed a legal suit for recovering the overpaid PIS contribution amounts, since the law that changed the criterion for determination of the referred to contribution was considered unconstitutional by the superior court. Judgment in the trial court recognized the Company's right in relation to the contribution. Supported by preliminary court injunction, the Company conducted the offset of said amount against IPI and COFINS debits. A recent decision in intermediate court of appeals cancelled the monetary restatement of this credit and, at the same time, recognized that the offsetting could only be made against debits resulting from the current PIS itself. Such decision is under discussion in the superior courts.

ICMS

Provisions related to tax delinquency notices currently being refuted or appealed against.

16. Accounts Payable - Land and Forests - Consolidated

During 2002, the Company purchased from Companhia Vale do Rio Doce lands and eucalyptus forests therein planted, in the region of São Mateus, Espírito Santo State, payable in installments by the end of 2007. At June 30, 2004, the amounts related to this acquisition, classified as current and noncurrent, amounted to R\$ 26,629 and R\$ 21,743, respectively (R\$ 25,179 and R\$ 28,894 in March 2004).

In June 2004, the Company purchased eucalyptus wood payable until December 2006. The total amount of R\$ 15,000 is classified as noncurrent liabilities. See Note 23.

17. Financial Instruments

a) Valuation

The financial instruments included in the balance sheet, such as cash and banks, marketable securities, loans and financing, are stated at their contractual values, which approximate their fair values.

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

NOTES TO THE QUARTERLY FINANCIAL INFORMATION (Continued) (In thousands of reais) (UNAUDITED)

17. Financial Instruments (Continued)

b) Credit risk

The sales policies adopted by the Company and its subsidiaries comply with the credit policies established by management and attempt to minimize possible losses arising from delinquency in accounts receivable from customers. This objective is reached through a careful selection of its client portfolio, which takes into consideration payment capacity (credit analysis) and diversification of sales (risk spread).

c) Exchange and interest rate risk

The earnings recorded by the Company and its subsidiaries are subject to significant variations, as their liabilities are substantially denominated in foreign currency, particularly the US dollar.

In order to reduce the effects of foreign exchange rate fluctuations, the Company has entered into operations involving derivatives. As of June 30, 2004, there was an outstanding swap position from U.S. dollars to CDI (notional amounts equivalent to US\$10.4 million), in the Parent Company and an outstanding position in “currency terms - NDF” (US\$105.3 million) in the consolidated.

In order to limit the interest rate risks, the Company performed swap operations, limiting the interest rates on certain foreign currency loans, which notional amount is US\$182.4 million.

Gains and losses arising from operations involving derivatives are recognized in the statement of income.

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

NOTES TO THE QUARTERLY FINANCIAL INFORMATION (Continued) (In thousands of reais) (UNAUDITED)

18. Shareholders' Equity

The Extraordinary General Meeting (EGM) held on June 29, 2004 approved the increase in capital of R\$238,270, representing the net assets of Suzano transferred to Bahia Sul, with the issue of 1,871,046,782 common shares and 3,127,886,322 preferred Class "A" shares, necessary for the substitution of the shares that comprise Suzano's capital, which will be eliminated as a result of the DSM.

The EGM also approved management's proposal for implementing the grouping of 5,213,868,263 book nominative shares representing the Company's capital, of which 1,871,046,782 are common, 3,317,754,543 are preferred Class "A" and 25,066,939 are preferred Class "B" shares, in the proportion of 18.2765 shares to 1 new capital unit of the same type and class, in accordance with the provisions of article 12 of Law 6404/76.

Thus, the subscribed capital as of June 30, 2004 totals R\$ 1,477,963, fully paid in and divided into 285,277,173 shares, with no par value, of which 102,374,458 are common and nominative, 181,531,176 are book-preferred Class "A" and 1,371,539 are book-preferred Class "B" shares. In reason of shares derived from fiscal incentives – SUDENE are not available for sales, we will hold 1.202.824 preferred shares Class "B" as treasury shares.

Preferred shares have no voting rights and have priority in the distribution of dividends, which are at least 10% higher than those attributed to common shares, in conformity with item I of article 17 of Law 6404/76, with new wording provided by Law 9457/97. The articles of incorporation determine the distribution of a dividend of at least 25% of net income for the year, adjusted in accordance with article 202 of Law 6404/76.

19. Nonoperating Result

	Company		Consolidated	
	Six Months Ended June 30,			
	2004	2003	2004	2003
Gain (loss) on other investments	-	-	(163)	1,992
Result on sale of property, plant and equipment (1)	5,773	1,379	19,207	3,957
	<u>5,773</u>	<u>1,379</u>	<u>19,044</u>	<u>5,949</u>

(1) Refers basically to the sale of "standing wood". See Note 23.

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

NOTES TO THE QUARTERLY FINANCIAL INFORMATION (Continued) (In thousands of reais) (UNAUDITED)

20. Net Financial Result

	Company		Consolidated	
	Six Months Ended June 30,			
	2004	2003	2004	2003
Interest income	60,119	30,645	87,457	74,812
(Loss) gain in swap transaction	(10,574)	368	(10,574)	774
Monetary and exchange rate variations	19,468	(38,212)	60,766	(152,333)
Financial income	69,013	(7,199)	137,649	(76,747)
Interest expenses	(45,826)	(49,776)	(90,320)	(110,702)
Monetary and exchange rate variations	(82,668)	231,686	(203,514)	496,523
Loss in swap transaction	(3,293)	(10,915)	(8,009)	(88,342)
Other financial expenses	(2,032)	(3,204)	(9,611)	(17,787)
Financial expenses	(133,819)	167,791	(311,454)	279,692
Financial result, net	(64,806)	160,592	(173,805)	202,945

21. Statement of EBITDA (Unaudited and Not Reviewed)

	Company		Consolidated	
	Six Months Ended June 30,			
	2004	2003	2004	2003
Operating income	193,019	353,645	237,588	620,597
Financial expenses	133,819	(167,791)	311,454	(279,692)
Financial income	(69,013)	7,199	(137,649)	76,747
Equity interest in subsidiaries	(23,945)	59,341	208	720
Amortization of premium	-	-	-	20,844
Depreciation, depletion and amortization	47,823	47,467	95,464	86,436
Earnings before income and social contribution taxes, interest, equity interest in subsidiaries and amortization of premium depreciation, depletion and amortization (EBITDA)	281,703	299,861	507,065	525,652

22. Sureties, guarantees and collaterals

The Company was a joint guarantor with Suzano Petroquímica S.A. for Polibrasil Resinas S/A in a BNDES (National Bank for Economic and Social Development) credit line contract. On June 29, 2004 an amendment to the original contract was made by which the Company was released from the liabilities concerning such collateral.

The Company had, at June 30, 2004, outstanding vendor operations with its customers in the amount of R\$ 69,497 (R\$ 53,288 in March 2004), in which the Company acts as an intervening guarantor.

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

NOTES TO THE QUARTERLY FINANCIAL INFORMATION (Continued)
(In thousands of reais)
(UNAUDITED)

23. Commitments

The Company entered into loan agreement with Aracruz Celulose S.A. with the objective of loaning 1,900 thousand m³ of eucalyptus wood, which will be harvested by the latter until December 31, 2004. The agreement establishes the return of the same volume of wood under similar operating conditions, between 2006 and 2008. The Company records the amount receivable related to the volume of wood already delivered to Aracruz Celulose S.A. in noncurrent assets, in the amount of R\$ 7,387 (R\$ 5,539 in March 2004).

The Company signed an agreement of purchase and sales of standing wood with Votorantim Celulose e Papel S/A (VCP), by which it sold 500 thousand m³ of eucalyptus wood, to be harvested by VCP until December 2005, totaling R\$ 15,000, half of which was paid when the agreement was signed. The remaining amount will be paid in December 2004. On the other hand, the Company entered into an agreement with VCP by which it purchased the same amount of eucalyptus wood, which will be harvested between June 2006 and December 2008, by the same amount, half of which matures in June and the other half in December 2006. This agreement will be updated by the Amplified Consumer Price Index (IPC-A). The first agreement is recorded as current assets and nonoperating result, whereas the second one is recorded as permanent assets and noncurrent liabilities.

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

SUPPLEMENTARY INFORMATION Statements of Changes in Financial Position (In thousands of reais) (UNAUDITED)

	Company		Consolidated	
	Six Months Ended June 30,			
	2004	2003	2004	2003
				(not reviewed)
WORKING CAPITAL PROVIDED BY:	(1)	(2)	(1)	(3)
Operations:				
Net income for the period	208,601	248,995	204,084	407,227
Items not affecting working capital:				
Depreciation, depletion and amortization	47,823	47,467	95,464	86,436
Net book value of permanent assets disposed of	12,792	5,590	24,328	8,161
Deferred income and social contribution taxes	53,482	24,010	(24,190)	56,315
Equity interest in subsidiaries and affiliates	(23,945)	59,341	208	720
Minority interest	-	-	-	15,202
Amortization of premium	-	-	-	20,844
Provision for contingencies	2,657	8,632	9,964	33,292
Exchange and monetary variations and long-term interest, net	21,592	(156,816)	89,345	(302,695)
Working capital provided by operations	<u>323,002</u>	<u>237,219</u>	<u>399,203</u>	<u>325,502</u>
From Shareholders:				
Capital subscription	1,669	-	1,669	-
Capital subscription due to DSM	238,270	-	-	-
Equity increase with the elimination of minority interest due to DSM	-	-	115,606	-
	<u>239,939</u>	<u>-</u>	<u>117,275</u>	<u>-</u>
Third parties:				
Long-term financings and loans	223,593	149,835	513,066	459,342
Long-term suppliers	-	-	15,000	-
Set-up of special premium reserve upon DSM	108,723	-	108,723	-
Profit on fixed asset disposals to related party no longer eliminated due to DSM	-	-	53,862	-
Reduction in noncurrent assets	-	-	262	941
Income tax incentives	5,794	-	5,794	-
	<u>338,110</u>	<u>149,835</u>	<u>696,707</u>	<u>460,283</u>
TOTAL WORKING CAPITAL PROVIDED	<u>901,051</u>	<u>387,054</u>	<u>1,213,185</u>	<u>785,785</u>
WORKING CAPITAL USED FOR:				
Increase in investments	40	-	7,118	7,339
Increase in property, plant and equipment	136,540	53,086	340,922	216,511
Increase in deferred charges	-	1,501	1,599	3,446
Noncurrent assets	17,559	11,976	24,843	27,187
Transfer from noncurrent to current liabilities	139,290	219,452	447,098	446,686
Elimination of minority interest due to DSM	-	-	115,606	-
Purchase of own shares due to DSM	13,339	-	-	-
TOTAL WORKING CAPITAL USED	<u>306,768</u>	<u>286,015</u>	<u>937,186</u>	<u>701,169</u>
INCREASE IN WORKING CAPITAL	<u>594,283</u>	<u>101,039</u>	<u>275,999</u>	<u>84,616</u>
CHANGES IN WORKING CAPITAL				
Effect on working capital due to DSM	(335,958)	-		
Current assets	1,152,874	21,540	232,289	(623,358)
Current liabilities	(894,549)	79,499	43,710	707,974
INCREASE IN WORKING CAPITAL	<u>258,325</u>	<u>101,039</u>	<u>275,999</u>	<u>84,616</u>

(1) Information from Suzano Bahia Sul after DSM;

(2) Original information from Bahia Sul Celulose S.A.

(3) Original information from Companhia Suzano de Papel e Celulose

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

SUPPLEMENTARY INFORMATION (Continued) Statements of Cash Flow (In thousands of reais) (UNAUDITED)

	Company		Consolidated	
	Six Months Ended June 30,			
	2004	2003	2004	2003
				(not reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES	(1)	(2)	(1)	(3)
Net income for the period	208,601	248,995	204,084	407,227
Adjustments to reconcile net income to cash generated by operating activities:				
Depreciation, depletion and amortization	47,823	47,467	95,464	86,436
Income on sale of property, plant and equipment	(5,773)	(1,379)	(19,207)	(3,957)
Equity interest in subsidiaries and affiliates	(23,945)	59,341	208	720
Amortization of premium	-	-	-	20,844
Minority interest	-	-	-	15,202
Deferred income and social contribution taxes	10,652	65,770	(73,943)	87,074
Interest, exchange and monetary variation, net	78,650	(210,488)	163,316	(286,187)
Provision for contingencies	2,657	8,632	9,964	33,292
Changes in assets and liabilities related to operations:				
Decrease (increase) in trade accounts receivable	(26,146)	26,788	(86,027)	(6,319)
Increase in other current and noncurrent assets	(23,960)	(18,569)	(15,583)	(31,931)
Increase (decrease) in other current and noncurrent liabilities	(18,441)	(6,626)	(140,064)	60,177
Net cash from operating activities	250,118	219,931	138,212	382,578
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase in investments	(40)	-	(7,118)	(7,339)
Increase in property, plant and equipment	(136,540)	(53,086)	(340,922)	(216,511)
Increase in deferred charges	-	(1,501)	(1,599)	(3,446)
Net effect of DSM	(200,264)	-	-	-
Credit from disposal of investment, net	-	-	-	451,114
Income tax incentives	5,794	-	5,794	-
Proceeds generated from sale of fixed assets	18,565	6,969	43,535	12,118
Net cash from (used in) generated by investing activities	(312,485)	(47,618)	(300,310)	235,936
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital subscription	1,669	-	1,669	-
Capital subscription due to DSM	238,270	-	-	-
Set-up of special premium reserve upon DSM	108,723	-	108,723	-
Equity increase due to elimination of minority interest	-	-	115,606	-
Profit on fixed asset disposal to related party no longer eliminated	-	-	53,862	-
Dividends paid	(40,214)	(43,732)	(120,078)	(70,040)
Proceeds from loans and financing	391,025	228,214	808,049	649,642
Payment of loans and financing to parent company	-	-	-	(653,309)
Payment of loans and financing	(308,182)	(273,300)	(701,113)	(637,435)
Net cash (used in) generated by financing activities	391,291	(88,818)	266,718	(711,142)
Effects of exchange rate variation on cash and marketable securities	-	-	-	(2,331)
CHANGES IN CASH AND MARKETABLE SECURITIES				
At the beginning of the year	670,437	206,942	1,332,451	1,342,061
At the end of the period	999,361	290,437	1,437,071	1,247,102
INCREASE (DECREASE) IN CASH AND MARKETABLE SECURITIES	(328,924)	83,495	104,620	(94,959)

(1) Information from Suzano Bahia Sul after DSM;

(2) Original information from Bahia Sul Celulose S.A.

(3) Original information from Companhia Suzano de Papel e Celulose

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

SUPPLEMENTARY INFORMATION (Continued)

Balance Sheet

(In thousands of reais)

COMPANHIA SUZANO DE PAPEL E CELULOSE	Company	
	June 30, 2004	March 31, 2004
	(Unaudited)	(Unaudited)
Assets		
Current assets:		
Cash and marketable securities	188,831	223,950
Trade accounts receivable	464,567	199,500
Inventories	208,736	216,128
Other accounts receivable	24,498	52,017
Recoverable taxes	34,995	19,328
Deferred income and social contribution taxes	29,995	21,684
Total current assets	951,622	732,607
Noncurrent assets:		
Related parties	40,639	35,741
Recoverable taxes	24,351	24,822
Deferred income and social contribution taxes	147,919	79,795
Other accounts receivable	20,292	20,644
	233,201	161,002
Permanent assets:		
Investments	2,230,499	2,447,221
Property, plant and equipment	1,107,569	1,077,319
Deferred charges	10,131	10,776
	3,348,199	3,535,316
Total assets	4,533,022	4,428,925
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	74,644	76,108
Loans and financing	749,087	502,319
Taxes payable other than on income	12,888	6,699
Accrued salaries and payroll taxes	33,712	28,694
Accounts payable	26,772	20,697
Related parties	14,450	19,252
Dividends payable	269	117,786
Total current liabilities	911,822	771,555
Noncurrent liabilities:		
Loans and financing	1,131,764	1,050,026
Accounts payable	15,000	-
Deferred income and social contribution taxes	11,321	26,758
Provision for contingencies	88,330	82,929
	1,246,415	1,159,713
Shareholders' equity:		
Capital	1,287,737	1,287,737
Capital reserves	32,535	26,741
Revaluation reserves	-	32,427
Income reserves	1,035,490	1,035,490
Retained earning	19,023	115,262
	2,374,785	2,497,657
Total liabilities and shareholders' equity	4,533,022	4,428,925

(1) Original information from Companhia Suzano de Papel e Celulose, considering the effects of DSM mentioned in Note 1;

(2) Original information from Companhia Suzano de Papel e Celulose.

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

SUPPLEMENTARY INFORMATION (Continued) Statement of Income (In thousands of reais)

COMPANHIA SUZANO DE PAPEL E CELULOSE	Company	
	Six Months Ended June 30,	
	2004	2003
	(Unaudited)	(Unaudited)
	(1)	(2)
Gross sales	848,971	783,281
Sales deductions	(103,305)	(90,511)
Net sales	745,666	692,770
Cost of goods sold	(450,900)	(393,710)
Gross profit	294,766	299,060
Operating income (expense):		
Selling expenses	(64,122)	(61,269)
General and administrative expenses	(56,704)	(73,413)
Financial expenses	(189,361)	126,079
Financial income	40,687	(8,650)
Equity interest in subsidiaries and affiliates	174,266	207,860
Premium amortization	-	(20,844)
Premium provision	(319,773)	-
Other operating income, net	6,110	1,118
Operating income (expense)	(114,131)	469,941
Nonoperating income, net	13,935	17,894
Income (loss) before income and social contribution taxes	(100,196)	487,835
Income and social contribution taxes	(23,785)	(94,143)
Benefit from the goodwill tax-wise	108,723	-
Net income (loss) for the period	(15,258)	393,692
Reversal of premium provision, net of income and social contribution taxes	211,049	
Reversion of equity interest in Bahia Sul	(159,482)	
Net income of Suzano appropriated by Bahia Sul	36,309	

- (1) Original information from Companhia Suzano de Papel e Celulose, considering the effects of DSM mentioned in Note 1;
- (2) Original information from Companhia Suzano de Papel e Celulose.

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

SUPPLEMENTARY INFORMATION (Continued)
 Statements of Changes in Financial Position
 (In thousands of reais)
 (UNAUDITED)

COMPANHIA SUZANO DE PAPEL E CELULOSE

	<u>Company</u>	
	<u>Six Months Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
WORKING CAPITAL PROVIDED BY:	(1)	(2)
Operations:		
Net income (loss) for the period	(15,258)	393,692
Items not affecting working capital:		
Depreciation, depletion and amortization	47,181	39,813
Net book value of permanent assets disposed of	11,492	2,556
Deferred income and social contribution taxes	(80,442)	18,095
Equity interest in subsidiaries and affiliates	(174,266)	(207,860)
Provision for premium	319,773	-
Amortization of premium	-	20,844
Provision for contingencies	7,307	24,659
Exchange and monetary variations and long-term interest, net	67,078	(154,855)
	<u>182,865</u>	<u>136,944</u>
Third parties:		
Long-term financings and loans	276,214	309,507
Long-term suppliers	15,000	-
Capital reduction in subsidiary	-	653,309
Income tax incentives	5,794	-
	<u>297,008</u>	<u>962,816</u>
TOTAL WORKING CAPITAL PROVIDED	<u>479,873</u>	<u>1,099,760</u>
WORKING CAPITAL USED FOR:		
Increase in investments	5,691	1,310
Increase in property, plant and equipment	131,532	163,076
Increase in deferred charges	1,599	1,945
Noncurrent assets	17,882	11,517
Transfer from noncurrent to current liabilities	307,813	230,511
	<u>464,517</u>	<u>408,359</u>
TOTAL WORKING CAPITAL USED	<u>464,517</u>	<u>408,359</u>
INCREASE IN WORKING CAPITAL	<u>15,356</u>	<u>691,401</u>
CHANGES IN WORKING CAPITAL		
Current assets	(56,056)	16,621
Current liabilities	71,412	674,780
INCREASE IN WORKING CAPITAL	<u>15,356</u>	<u>691,401</u>

- (1) Original information from Companhia Suzano de Papel e Celulose, considering the effects of DSM mentioned in Note 1;
 (2) Original information from Companhia Suzano de Papel e Celulose.

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

SUPPLEMENTARY INFORMATION (Continued)

Cash Flow (In thousands of reais) (UNAUDITED)

COMPANHIA SUZANO DE PAPEL E CELULOSE	Company	
	Six Months Ended June 30,	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the period	(1)	(2)
	(15,258)	393,692
Adjustments to reconcile net income to cash generated		
By operating activities:		
Depreciation, depletion and amortization	47,181	39,813
Income on sale of property, plant and equipment	(14,095)	(2,163)
Equity interest in subsidiaries and affiliates	(174,266)	(207,860)
Provision for premium	319,773	-
Amortization of premium	-	20,844
Deferred income and social contribution taxes	(88,608)	14,740
Interest, exchange and monetary variation, net	115,471	(269,818)
Provision for contingencies	7,307	24,659
Changes in assets and liabilities related to operations:		
Decrease (increase) in trade accounts receivable	(119,452)	13,661
Decrease (increase) in other current and noncurrent assets	10,645	(4,681)
(Decrease) increase in other current and noncurrent liabilities	(29,583)	126,600
Net cash from operating activities	59,115	149,487
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investments	(5,691)	(1,310)
Increase in property, plant and equipment	(131,532)	(163,076)
Increase in deferred charges	(1,599)	(1,945)
Capital decrease in subsidiary	-	653,309
Income tax incentives	5,794	-
Proceeds generated from sale of permanent assets	25,587	4,719
Net cash from (used in) generated by investing activities	(107,441)	491,697
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(117,517)	(67,239)
Proceeds from loans and financing	403,765	421,428
Payment of loans and financing to parent company	-	(653,309)
Payment of loans and financing	(392,930)	(307,650)
Net cash used in financing activities	(106,682)	(606,770)
CHANGES IN CASH AND MARKETABLE SECURITIES		
At the beginning of the year	343,839	214,191
At the end of the period	188,831	248,605
INCREASE (DECREASE) IN CASH AND MARKETABLE SECURITIES	(155,008)	34,414

(1) Original information from Companhia Suzano de Papel e Celulose, considering the effects of DSM mentioned in Note 1;

(2) Original information from Companhia Suzano de Papel e Celulose.

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

SUPPLEMENTARY INFORMATION (Continued)

Balance Sheets (1)
(In thousands of reais)

BAHIA SUL CELULOSE S.A.	Company		Consolidated	
	June 30, 2004	March 31, 2004	June 30, 2004	March 31, 2004
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Assets				
Current assets:				
Cash and marketable securities	810,529	657,972	996,894	772,375
Trade accounts receivable	354,175	313,794	201,509	190,864
Inventories	108,399	109,384	126,187	129,076
Recoverable taxes	18,677	15,538	18,677	15,538
Deferred income and social contribution taxes	68,993	26,135	68,993	26,135
Other accounts receivable	2,896	2,195	2,857	12,761
Total current assets	1,363,669	1,125,018	1,415,117	1,146,749
Noncurrent assets:				
Recoverable taxes	3,468	3,548	3,468	3,548
Deferred income and social contribution taxes	39,872	83,131	47,778	89,639
Other accounts receivable	82,108	72,964	82,108	72,964
	125,448	159,643	133,354	166,151
Permanent assets:				
Investments	130,455	115,763	539	709
Property, plant and equipment	2,128,930	2,084,232	2,128,930	2,084,232
Deferred charges	14,564	15,158	14,564	15,158
	2,273,949	2,215,153	2,144,033	2,100,099
Total assets	3,763,066	3,499,814	3,692,504	3,412,999
Liabilities and shareholders' equity				
Current liabilities:				
Trade accounts payable	45,044	37,112	76,687	38,519
Loans and financing	904,184	830,305	816,805	752,869
Taxes payable other than on income	2,975	2,961	2,975	2,961
Accrued salaries and payroll taxes	16,644	12,792	16,644	12,792
Accounts payable	38,506	47,753	39,035	49,609
Income and social contribution taxes	6,540	7,312	6,540	7,312
Dividends payable	16	39,979	16	39,979
Total current liabilities	1,013,909	978,214	958,702	904,041
Noncurrent liabilities:				
Loans and financing	554,119	410,224	554,119	410,224
Accounts payable	21,743	28,894	21,743	28,894
Provision for contingencies	27,135	24,885	27,135	24,885
	602,997	464,003	602,997	464,003
Shareholders' equity:				
Capital	1,239,693	1,238,024	1,239,693	1,238,024
Capital reserves	169,462	169,462	169,462	169,462
Income reserves	564,713	564,713	551,738	551,738
Retained earning	172,292	85,398	169,912	85,731
	2,146,160	2,057,597	2,130,805	2,044,955
Total liabilities and shareholders' equity	3,763,066	3,499,814	3,692,504	3,412,999

(1) Pre-DSM information

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

SUPPLEMENTARY INFORMATION (Continued)
Statement of Income (1)
(In thousands of reais)

BAHIA SUL CELULOSE S.A.	Company		Consolidated	
	Six Months Ended June 30,			
	2004	2003	2004	2003
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Gross sales	561,985	567,220	570,147	569,134
Sales deductions	(12,633)	(29,353)	(12,633)	(29,353)
Net Sales	549,352	537,867	557,514	539,781
Cost of goods sold	(231,925)	(211,071)	(278,571)	(232,188)
Gross profit	317,427	326,796	278,943	307,593
Selling expenses	(56,094)	(43,372)	(17,756)	(16,155)
General and administrative expenses	(29,203)	(34,175)	(29,460)	(34,341)
Financial expenses	(133,819)	167,791	(124,276)	145,802
Financial income	69,013	(7,199)	79,888	(51,071)
Equity interest in subsidiaries and affiliates	23,945	(59,341)	(104)	(360)
Other operating income, net	1,750	3,145	2,206	3,742
Operating income	193,019	353,645	189,441	355,210
Nonoperating income, net	5,773	1,379	5,773	1,379
Income before income and social contribution taxes	198,792	355,024	195,214	356,589
Income and social contribution taxes	(26,500)	(106,029)	(25,302)	(106,618)
Net income for the period	172,292	248,995	169,912	249,971

(1) Pre-DSM information

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

SUPPLEMENTARY INFORMATION (Continued) Statements of Changes in Financial Position (1) (In thousands of reais) (UNAUDITED)

BAHIA SUL CELULOSE S.A.	Company		Consolidated	
	Six Months Ended June 30,			
	2004	2003	2004	2003
WORKING CAPITAL PROVIDED BY:				
Operations:				
Net income for the period	172,292	248,995	169,912	249,971
Items not affecting working capital:				
Depreciation, depletion and amortization	47,823	47,467	47,823	47,467
Net book value of permanent assets disposed	12,792	5,590	12,792	5,590
Deferred income and social contribution taxes	53,482	24,010	52,259	24,518
Equity interest in subsidiaries and affiliates	(23,945)	59,341	104	360
Provision for contingencies	2,657	8,632	2,657	8,632
Exchange and monetary variations on long-term debts	21,592	(156,816)	21,592	(156,815)
Working capital provided by operations	286,693	237,219	307,139	179,723
From Shareholders:				
Capital subscription	1,669	-	1,669	-
Third parties:				
Long-term financings and loans	223,593	149,835	223,593	149,835
TOTAL WORKING CAPITAL PROVIDED	511,955	387,054	532,401	329,558
WORKING CAPITAL USED FOR:				
Increase in investments	40	-	-	-
Increase in property, plant and equipment	136,540	53,086	136,406	53,086
Increase in deferred charges	-	1,501	-	1,501
Noncurrent assets	17,559	11,976	17,559	11,976
Transfer from noncurrent to current liabilities	139,290	219,452	139,290	219,452
TOTAL WORKING CAPITAL USED	293,429	286,015	293,255	286,015
INCREASE IN WORKING CAPITAL	218,526	101,039	239,146	43,543
CHANGES IN WORKING CAPITAL				
Current assets	215,472	21,540	248,042	(39,275)
Current liabilities	3,054	79,499	(8,896)	82,818
INCREASE IN WORKING CAPITAL	218,526	101,039	239,146	43,543

(1) Pre-DSM information

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

SUPPLEMENTARY INFORMATION (Continued) Statements of Changes in Financial Position (1) (In thousands of reais) (UNAUDITED)

BAHIA SUL CELULOSE S.A.	Company		Consolidated	
	Six Months Ended June 30,			
	2004	2003	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	172,292	248,995	169,912	249,971
Adjustments to reconcile net income to cash generated				
By operating activities:				
Depreciation, depletion and amortization	47,823	47,467	47,823	47,467
Income on sale of property, plant and equipment	(5,773)	(1,379)	(5,773)	(1,379)
Equity interest in subsidiaries and affiliates	(23,945)	59,341	104	360
Deferred income and social contribution taxes	10,652	65,770	9,429	66,278
Exchange and monetary variation, net	78,650	(210,488)	73,193	(152,488)
Provision for contingencies	2,657	8,632	2,657	8,632
Changes in assets and liabilities related to operations:				
Decrease (increase) in trade accounts receivable	(26,146)	26,788	(7,203)	(1,084)
Increase in other current and noncurrent assets	(23,960)	(18,569)	(15,718)	(19,353)
Decrease in other current and noncurrent liabilities	(18,441)	(6,626)	(1,034)	(9,945)
Net cash from operating activities	213,809	219,931	273,390	188,459
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase in investments	(40)	-	-	-
Increase in property, plant and equipment	(136,540)	(53,086)	(136,406)	(53,086)
Increase in deferred charges	-	(1,501)	-	(1,501)
Credit from disposal of investment, net	-	-	-	440,673
Proceeds generated from sale of permanent assets	18,565	6,969	18,565	6,969
Net cash from (used in) generated by investing activities	(118,015)	(47,618)	(117,841)	393,055
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital subscription	1,669	-	1,669	-
Dividends paid	(40,214)	(43,732)	(40,214)	(43,732)
Proceeds from loans and financing	391,025	228,214	391,025	228,214
Payment of loans and financing	(308,182)	(273,300)	(308,182)	(273,300)
Net cash (used in) generated by financing activities	44,298	(88,818)	44,298	(88,818)
Effects of exchange rate variation on cash and marketable securities	-	-	-	4,615
CHANGES IN CASH AND MARKETABLE SECURITIES				
At the beginning of the year	670,437	206,942	797,047	302,263
At the end of the period	810,529	290,437	996,894	799,574
INCREASE IN CASH AND MARKETABLE SECURITIES	140,092	83,495	199,847	497,311

(1) Pre-DSM information

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

REPORT ON COMPANY'S PERFORMANCE

Financial data was submitted to review of Independent Auditors
(UNAUDITED)

The world pulp & paper markets

After the price increase at the beginning of the year, international prices of eucalyptus pulp (CIF – Northern Europe) reached US\$ 550 per ton in the 2Q04, in comparison with the average of US\$ 510 per ton in 1Q04 and US\$ 503 per ton in 2003. There was a reduction in the overall purchases by trading companies for the Chinese market, due to their inventory adjustments, without affecting the long-term structural trend of demand growth in that market.

World pulp producer inventories – according to PPPC – Pulp and Paper Products Council, totaled 3,442 thousand tons on June 30, 2004, which corresponded to 34 days of supply, a shipment-to-capacity rate of 96% and a production-to-capacity rate at the same level – 96%. Hardwood pulp inventories reached 1,602 thousand tons, equivalent to 38 days of supply, with shipment-to-capacity and production-to-capacity rates of 95%.

The strong demand for printing and writing paper in the North-American market, measured by the shipment-to-capacity rate of 99% and 93%, in the coated and uncoated woodfree segments, respectively, was one of the factors that contributed to the maintenance of an average price level of US\$ 575 per ton of eucalyptus pulp during the 2Q04, and a price level of US\$595 per ton in June 2004.

In the international market, during the 2Q04, the average spread between uncoated woodfree printing and writing paper (CIF – Northern Europe in reels) and eucalyptus pulp, was US\$ 257 per ton, in line with the historical average of US\$ 250 per ton.

The Brazilian paper market

In the 2Q04, the Brazilian paper market was positively influenced by the recovery of the domestic economy, evidenced by the growth of 10.1% in our sales volume in comparison with 1Q04 and of 13.7%, when compared to 2Q03.

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

REPORT ON COMPANY'S PERFORMANCE (Continued)
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Production

In the first half of 2004 we produced 612.3 thousand tons of market products, 5.0% more than the 583.3 thousand tons produced in the first half of 2003. This growth more than offset lower paperboard production volume, resulting from operational adjustments in the equipment. This level of production reflects the startup of the first phase of the expansion and modernization projects in the Suzano Mill, mainly the Q pulp project in December 2003. This project has now reached full capacity, exceeding initial expectations – and has become one of the worldwide benchmarks for the bleaching equipment supplier.

Programmed maintenance stoppages occurred in the second quarter, and thus also negatively affect comparisons of output volume in this quarter versus 1Q04 and 2Q03.

Net sales

Net sales in 2Q04 were 2.6% higher than in 1Q04, at R\$ 673.8 million, mainly due to the 12.7% increase in volume sold in the domestic market, led by printing and writing paper, and by export prices about 10.8% higher, arising from a 5.6% increase in average export prices in dollars, and a 4.7% devaluation of the Real in the period. Net sales in 2Q04 were 5.2% higher than in 2Q03, mainly due to higher sales in the domestic market and higher pulp export volumes.

Net sales in the first half of 2004 were R\$ 1,330.4 million, 7.8% higher than in the first half of 2003, reflecting volume sold 16.6% higher, and average prices 7.5% lower in Reais. Total volume of products sold in first half 2004 was 628.1 thousand tons, a level compatible with our current levels of production, after finalizing the first phase of the modernization of the Suzano Mill.

Market pulp net sales

Pulp net sales in 2Q04 totaled R\$ 168.4 million, 2.9% lower than in 1Q04, representing 25.0% of total net sales and 37.1% of total volume – these percentages in 1Q04 were 26.4% and 40.6%.

The reduction in pulp net sales is mainly due to 12.7% lower sales volumes, at 113.9 thousand tons in 2Q04, for two main reasons: (i) greater availability of pulp for sale in 1Q04, when paper production was lower due to the stoppage of the B8 mill for modernization; and (ii) lower consumption during 2Q04 in Asia, due to the temporary adjustment of inventory levels in China.

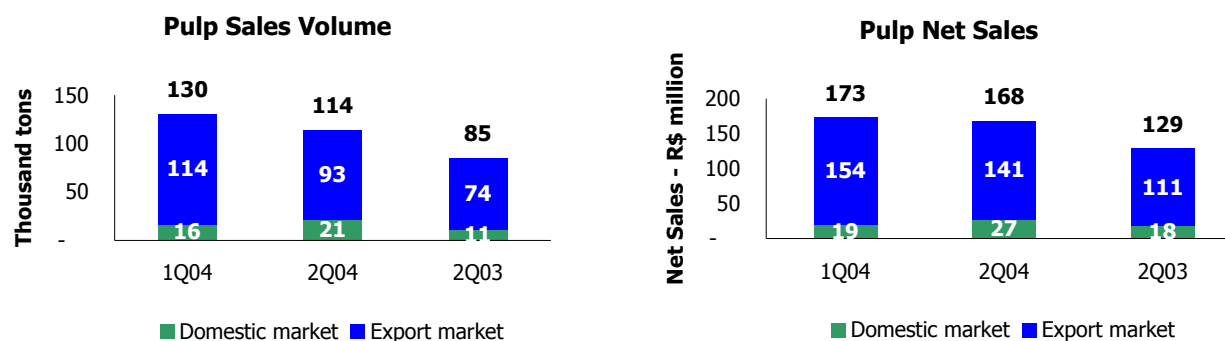
SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

REPORT ON COMPANY'S PERFORMANCE (Continued) Financial data was submitted to review of Independent Auditors (UNAUDITED)

Market pulp net sales (Continued)

On the other hand, this was partially offset by an increase of 13.0% in export prices expressed in Reais, due to the increases in prices in dollars, amplified by the devaluation of the Real over the period.

In the 1H04, pulp net sales reached R\$ 341.8 million, with a 24.2% growth in comparison to 1H03. Our pulp sales volume reached 244.3 thousand tons (36.2 above the 1H03 level), after the start-up of the Q Pulp Project. Prices in reais were negatively impacted by the appreciation of 8.3% of the average real against the dollar.



Paper net sales

Net sales from paper in the second quarter totaled R\$ 505.4 million, 4.6% higher than in 1Q04, representing 75.0% of our net sales and 62.9% of volume sold – compared to 73.6% and 59.4%, respectively, in 1Q04. Of the total volume of paper sold in 2Q04, 61.6% was sold to the domestic market, compared with 56.6% in the previous quarter. We attribute this growth mainly to the recovery of the Brazilian economy.

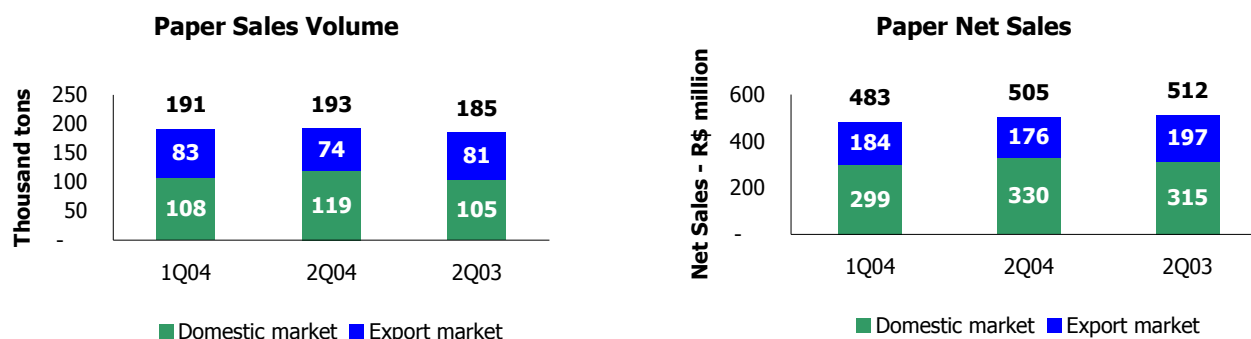
Average paper prices in Reais in 2Q04 were 3.5% higher than in 1Q04, mainly reflecting higher international market prices and the depreciation of the Real, since domestic market prices were stable. 2Q04 paper net sales were 1.2% lower than in 2Q03, reflecting lower prices in spite of the higher volume sold.

During the 1H04, paper net sales grew by 3.1%, in comparison with 1H03, reflecting an increase of 6.9% in sales volume, partially compensated by a decrease of 3.5% in average obtained prices.

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

REPORT ON COMPANY'S PERFORMANCE (Continued)
Financial data was submitted to review of Independent Auditors
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Paper net sales (Continued)



Cost of goods sold

Average unit cost of goods sold in 2Q04 was R\$ 1,276.2, 8.5% higher than in 1Q04, due to (i) the higher percentage of paper in total volume sold; (ii) the higher cost of sea freight for exports; (iii) the wage increases at the Mucuri Mill; (iv) the effect of devaluation of the Real on costs linked to the dollar; (v) advanced expenses related to the programmed maintenance stoppage; and (vi) increased depreciation expenses, reflecting projects which started operating in the period. Unit cost was 2.0% higher in the quarter than in 2Q03, reflecting mainly increased costs of labor and sea freight, partially offset by the higher percentage of pulp in the sales mix – which increased from 31.5% to 37.1% of total sales.

Cash production cost of pulp in 2Q04 was stable – and among the lowest in the world – at US\$ 154/ton, compared with US\$155/ton in 1Q04. The effect of the higher cost of fuel, affecting both wood transport and the pulp production process, and the programmed maintenance stoppage, were offset by the 4.9% devaluation in the average exchange rate between the two periods.

Gross profit

Gross profit in 2Q04 was R\$ 282.3 million, 1.2% higher than in 1Q04. Gross margin was 41.9% in 2Q, and 42.5% in 1Q. The reduction in gross margin mainly reflected the factors explained above.

In comparison with 2Q03, our Gross profit was reduced by 6.4% and our gross margin was 5.2 percentage points lower. This reduction was influenced by the factors described before, mainly the higher prices during 2Q03.

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

REPORT ON COMPANY'S PERFORMANCE (Continued) Financial data was submitted to review of Independent Auditors (UNAUDITED)

Selling expenses

Selling expenses were stable at R\$ 32.8 million in 2Q04, compared with R\$ 31.8 million in 1Q04 – these were respectively 4.9% (2Q) and 4.8% (1Q) of net sales. In spite of lower export volume, export-related selling expenses were affected by the devaluation of the Real, and the higher volume of domestic sales generated higher logistics-related expenses.

Selling expenses in 2Q04 were 2.1% lower than in 2Q03, when marketing expenses were lower, and the provision for doubtful receivables was also lower, compensated mainly by an increase in personnel expenses.

General and administrative (G&A) expenses

G&A expenses in 2Q04 were R\$ 46.7 million, and were also stable in relation to 1Q04. Compared to 2Q03 they were 16.4% lower, reflecting reduction of administrative expenses on personnel, and lower expenses on services and consultants. In the whole first half of 2004, G&A expenses totaled R\$ 93.0 million, and were 20.0% lower than in the first half of 2003, for the same reasons.

Ebitda

Ebitda in 2Q04 was R\$ 254.1 million, an increase of 0.5% from 1Q04. Ebitda / Net Sales margin was reduced from 38.5% in 1Q04 to 37.7% in 2Q04, mainly reflecting the reduction in gross margin (explained above). The 2Q04 Ebitda / Net Sales margin was 2.3 percentage points lower than in 2Q03, mainly reflecting the reduction in gross margin, though compensated by the lower SG&A expenses.

Net financial expenses

We recorded net financial expenses of R\$ 139.2 million in 2Q04, which compares with net financial expenses of R\$ 34.6 million in 1Q04. The increase is partly explained by the effect of the devaluation of the Real on our dollar-denominated assets and liabilities. The part corresponding to interest – i.e. excluding the effect of FX and monetary variation – was a net expense of R\$ 10.6 million in 2Q04, compared with an expense of R\$ 20.5 million in 1Q04, the reduction being mainly due to the effect of hedge transactions on our cash investments.

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

REPORT ON COMPANY'S PERFORMANCE (Continued) Financial data was submitted to review of Independent Auditors (UNAUDITED)

Income tax

The total expenses of income tax and the social contribution on net profit in 2Q04 was R\$ 9.3 million, compared with R\$ 43.2 million in 1Q04 (reduction of 78.5%). The change reflected: (i) lower taxable profit and (ii) reversal of the reduction factor applied in relation to the tax credits, which had been posted as a precaution against adverse future events, due to the acceleration of its offsetting as a result of the merger.

Net income

Net income in 2Q04 was R\$ 88.2 million, compared with R\$ 115.9 million in 1Q04. The reduction is mainly due to the impact of the FX variation on our foreign currency exposure on our balance sheet.

Cash and indebtedness

Net debt on June 30, 2004 was R\$ 1,811.3 million, or US\$582.9 million, compared with R\$ 1,652.4 million (or US\$568.1 million) on March 31, 2004. Net debt/Ebitda annualized at the end of June was 1.79, compared with 1.63 at the end of March 2004.

Capital expenditure

We invested a total of R\$ 150.6 million in 2Q04, which included R\$ 54.5 million in the São Paulo Mills and R\$ 82.9 million in the Mucuri Mill. A further R\$ 10.6 million was invested in the Capim Branco hydroelectric project.

Of the total invested in 2Q04, (i) R\$ 22.2 million was invested in the modernization project at Suzano – made up of R\$ 7.3 million in the Q project and R\$ 14.9 million in the P project to modernize the B8 paper machine; (ii) R\$ 38.3 million in the optimization project of the Mucuri pulp mill; and (iii) R\$ 8.3 million in the forestry base for the expansion project. The rest was current capital expenditure.

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

OTHER COMPANY'S RELEVANT INFORMATION (UNAUDITED)

In accordance with Corporate Governance Practices (Level 1) we are presenting the Composition of shareholders with more than 5% of voting shares direct and indirect, including individuals, at June 30, 2004 as follows:

COMPOSITION OF SHAREHOLDERS - SUZANO BAHIA SUL PAPEL E CELULOSE S/A

CAPITAL - R\$ 1.477.963.325,62

Shareholders	Common	%	Preferred	%	Total	%
SUZANO HOLDING S.A	94,364,166	92.18%	46,579	0.03%	94,410,745	33.09%
IPLF HOLDING S.A	8,000,000	7.81%	-		8,000,000	2.80%
BNDES PARTICIPAÇÕES S.A - BNDESPAR	-	-	32,590,140	17.82%	32,590,140	11.42%
OTHER	10,292	0.01%	150,265,996	82.16%	150,276,288	52.68%
TOTAL	102,374,458	100.00%	182,902,715	100.00%	285,277,173	100.00%

COMPOSITION OF SHAREHOLDERS - SUZANO HOLDING S.A

CAPITAL - R\$ 1.050.000.000,00

Shareholders	Common	%	Preferred	%	Total	%
FANNY FEFFER	13,203,156	27.51%	9,144,528	22.41%	22,347,684	25.17%
BETTY FEFFER	10,799,025	22.50%	9,126,997	22.37%	19,926,022	22.44%
DANIEL FEFFER	5,999,454	12.50%	4,893,081	11.99%	10,892,535	12.27%
DAVID FEFFER	5,999,454	12.50%	4,870,882	11.94%	10,870,336	12.24%
JORGE FEFFER	5,999,454	12.50%	4,868,721	11.93%	10,868,175	12.24%
RUBEN FEFFER	5,999,454	12.50%	4,866,680	11.93%	10,866,134	12.24%
OTHER	3	0.00%	3,029,111	7.42%	3,029,114	3.41%
TOTAL	48,000,000	100.00%	40,800,000	100.00%	88,800,000	100.00%

COMPOSITION OF SHAREHOLDERS - IPLF HOLDING S.A

CAPITAL - R\$ 180.072.518,00

Shareholders	Common	%	Preferred	%	Total	%
FANNY FEFFER	49,519,915	27.50%	27	27.00%	49,519,942	27.50%
BETTY FEFFER	40,516,201	22.50%	22	22.00%	40,516,223	22.50%
DANIEL FEFFER	22,509,029	12.50%	12	12.00%	22,509,041	12.50%
DAVID FEFFER	22,509,029	12.50%	12	12.00%	22,509,041	12.50%
JORGE FEFFER	22,509,029	12.50%	12	12.00%	22,509,041	12.50%
RUBEN FEFFER	22,509,029	12.50%	12	12.00%	22,509,041	12.50%
OTHER	186	0.00%	3	3.00%	189	0.00%
TOTAL	180,072,418	100.00%	100	100.00%	180,072,518	100.00%

SUZANO BAHIA SUL PAPEL E CELULOSE S.A.

OTHER COMPANY'S RELEVANT INFORMATION (Continued) (UNAUDITED)

COMPOSITION OF SHAREHOLDERS - BANCO NACIONAL DO DESENVOLVIMENTO ECONÔMICO E SOCIAL Participações- BNDESpar

Shareholders	Common	%	Preferred	%	Total	%
BNDES	1	100.00%	-	0.00%	1	100.00%
TOTAL	1	100.00%	-	0.00%	1	100.00%

COMPOSITION OF SHAREHOLDERS – BANCO NACIONAL DO DESENVOLVIMENTO ECONÔMICO E SOCIAL – BNDES

Shareholders	Common	%	Preferred	%	Total	%
BRAZILIAN GOVERNMENT	6,273,711,452	100.00%	-	0.00%	6,273,711,452	100.00%
TOTAL	6,273,711,452	100.00%	-	0.00%	6,273,711,452	100.00%

COMPOSITION OF SHAREHOLDERS - SUZANO BAHIA SUL DE PAPEL E CELULOSE S/A

CAPITAL - R\$ 1.477.963.325,62

Shareholders	Common	%	Preferred	%	Total	%
SUZANO HOLDING S.A. AND BNDES	102,374,458	100.00%	81,562,775	44.59%	183,937,233	64.48%
TREASURY SHARES	-	-	1,202,824	0.66%	1,202,824	0.42%
BORD OF DIRECTORS	-	-	27,789	0.02%	27,789	0.01%
EXCECUTIVE BORD	-	-	105,229	0.06%	105,229	0.04%
AUDIT COMMITTEE	-	-	11,362	0.01%	11,362	0.00%
MANAGEMENT BORD	-	-	9,500	0.01%	9,500	0.00%
OTHER SHAREHOLDERS	-	-	99,983,236		99,983,236	35.05%
TOTAL	102,374,458	100.00%	182,902,715	45.34%	285,277,173	100.00%

COMPOSITION OF SHAREHOLDERS - SUZANO BAHIA SUL PAPEL E CELULOSE S/A

CAPITAL - R\$ 1.477.963.325,62

Shareholders	Common	%	Preferred	%	Total	%
SUZANO HOLDING S.A	94,364,166	92.18%	46,579	0.03%	94,410,745	33.09%
IPLF HOLDING S/A	8,000,000	7.81%			8,000,000	2.80%
BNDES PARTICIPAÇÕES S.A	-	-	32,590,140	17.82%	32,590,140	11.42%
TREASURY SHARES	-	-	1,202,824	0.66%	1,202,824	0.42%
OTHER SHARERHOLDERS	10,292	0.01%	48,926,056	26.75%	48,936,348	17.15%
OUTSTANDING SHARE	-	-	100,137,116	54.75%	100,137,116	35.10%
TOTAL	102,374,458	100.00%	182,902,715	100.00%	285,277,173	100.00%

Because of the downstream merger and the grouping on August 5, 2004, the information presented is based on Company's estimate and shareholders as of June 30, 2004, for each Company individually (Cia. Suzano e Bahia Sul)