

Q4 2009 Earnings Call

Company Participants

- Alexandre Yambanis, Pulp Business Unit Executive Officer
- Andre Dorf, IR Executive Officer
- Antonio Maciel Neto, CEO
- Bernardo Szpigel, CFO
- Carlos Anibal, Paper Business Unit Executive Officer
- Ernesto Pousada, COO

Other Participants

- Debbie Bobovnikova, Analyst
- Humberto Morales, Analyst
- Juan Tavarez, Analyst
- Marcos Assumpcao, Analyst

Presentation

Operator

Good morning, ladies and gentlemen. At this time, we would like to welcome everyone to the Suzano Pulp and Paper Fourth Quarter 2009 earnings conference call. Today, we have a simultaneous webcast with slide presentations on the internet that can be accessed at the site www.suzano.com.br/ir. There will be a replay facility for this call on the website.

We inform you that all participants will be able to listen to the conference during the Company's presentation. After the Company's remarks are over, there will be a question-and-answer session. At that time, further instructions will be given. (Operator Instructions) Today's speaker will be Mr. Antonio Maciel Neto, CEO.

We also would like to inform that statements during this conference may constitute forward-looking statements. Such statements are subject to known and unknown risks and uncertainties that could cause the Company's actual results to differ materially from those set forward in the forward-looking statements.

I will now pass the floor to Mr. Antonio Maciel Neto, who will start today's conference call. The floor is yours, sir.

Antonio Maciel Neto {BIO 16703850 <GO>}

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Okay, Guy, thank you. [We are back off] we start on the highlights of Fourth Quarter '09. We are talking on page two of the presentation. I mention about the record paper and pulp production almost 700,000 tons, very strong sales volume as well, 720,000 tons.

Net revenue of BRL1.0 billion, 14.5% higher than the Third Quarter '09. Pulp revenue going up, but it's still below the Fourth Quarter of '08, when we had 740,000 [ph] which is 7.3% [ph] lower.

Pulp production cash cost, BRL398 tons, reais per ton, which is a 6.8% higher than the Third Quarter '09, but 9.1% lower than the Fourth Quarter of '08. Still despite the growth in the costs, the rising costs, is still in a very low level compared to the industry standards.

EBITDA of BRL255 million, margin of 25%. Excluding non-recurring items, this EBITDA would be BRL309 million, with margin of 30.3%. Here, we have on the highlight that this margin compares with the 24% margin that we had in the Third Quarter '09. Net income of BRL136 million, and net debt/EBITDA ratio of 3.9 in December '09. So here, we have some growth when we are going to talk about this later.

On page three, the highlights of 2009, that's record annual production of 2.7 million tons of paper and market pulp. Net annual sales record of 2.9 million tons, which is 200,000 tons more than we produced in 2009, 1.8 million tons of pulp and 1.1 million tons of paper.

Net revenue during the year of BRL4.0 billion, very much stable compared to 2008. Pulp price recovery process started in May 2009, and at the same time we have not seen very good and strong reduction in the inventories.

Annual EBITDA of BRL1.1 billion (sic; see press release), with margin of 25.8%, a drastic reduction on EBITDA, more than explained by the reduction in the net price of the pulp -- the market pulp net price that we had during the year, which I will comment shortly as well.

Record annual net income of BRL878 million, which would be a very positive and big impact on the exchange rate variation. Cash and cash equivalents of BRL2.5 billion, very strong position on the cash at the end of the year and as well, during the year, net reduction of BRL1.1 billion (sic; see press release).

On page four, some comments about our pulp business. First, starting with the market on top of the page, overall market global demand recovery. Market pulp Fourth Quarter '09 versus Third Quarter '09, we -- the reduction was 3% total volumes. But in same period compared with the Fourth Quarter '08, we had an increase of 8.3%. During the year, year-over-year, market pulp as a global market, the growth was 1.8%.

Eucalyptus pulp during the quarter -- Third Quarter versus Fourth Quarter -- we are almost the same, just a small reduction of 0.3%. However, if you compare Fourth Quarter '09 with Fourth Quarter '08, we had 15.4% growth.

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And during the year 2009 versus 2008, the growth for the eucalyptus market pulp was 16.8%, which means -- which shows again a growth in eucalyptus pulp, the higher market share in the total pulp market, which is very good for our plans where we are -- as you know, we are investing heavily and to expand organically our production of eucalyptus pulp.

Global inventories at the end of the year, at 27 days, is still below the historical average of 33 days. We have some -- the less numbers we had was about 30 [ph] days, still below the 33 days.

And as we progress in our conversation to you, we are going to have the opportunity to talk about the trend of having these inventories, again with very low level, due to the problems with the market pulp production in Chile. New price increase on us for January, February, and March, typical is per month, continuing the process that they had started last year inland.

For Suzano business, now a little bit about the pulp business side, Suzano, sales of 413,000 tons in the Fourth Quarter of '09, and 1.78 million tons in 2009. In the Fourth Quarter if you see the Suzano business in the Fourth Quarter of '09, it was 3.4% higher than in the Third Quarter, and 25.3% higher than in the Fourth Quarter '08.

In 2009, during the whole year, we had an increase of 34.8% higher volume than in 2008. Destinations of our -- the pulp in the Fourth Quarter, Asia experienced a reduction; now, it's at 38.8%. Europe 35.8%. In Brazil, some growth as well, 17.8%.

Average net price in Fourth Quarter '09, including domestic and exports, at \$572 per ton, or 22.8% higher price than in Third Quarter '09. If we see -- compared to the price we had in the Fourth Quarter compared with Third Quarter of '09, we had 14.4% higher price, 13.1% compared with Fourth Quarter '08. In 2008 versus 2009, a reduction of 22.5%. This was the main driver of the reduction of our EBITDA during the year. This big impact on this paper price.

And the good news is that this price is -- those prices have recovered very much during this period since the beginning of the year, as I just mentioned. And so, the trend of the improving of the margins is very strong and we believe this will continue happening during -- all over the year of 2010.

Net revenue of BRL410 million for the pulp business, 18.3% higher than the Third Quarter, and 8.9% higher than the Fourth Quarter last year. Also, some impact of the exchange rate variation on those numbers. In 2009, our price were 4.6% higher than 2008. Production quartered, as I mentioned before, BRL398 per ton, some growth versus Third Quarter '09, 6.8%, but a 9.9% (sic -- see press release) reduction compared with the Fourth Quarter of '08.

Page five, on the right side of the page, you see here the price chart where you see the main destinations of our pulp. In the Fourth Quarter, Asia with 38.8% compared with during the year, the whole year, the bottom of the right side, Asia was 44.9%. So in the

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Fourth Quarter, we had a reduction of the whole participation market share -- Asia market share in our business.

Europe, just the opposite. We had 35.8% in the Fourth Quarter versus 32.9% in the whole year, so some recovery in the participation of Europe as a destination for our pulp business. Brazil also some recovery in the Fourth Quarter of 17.8% and the average was during the year was 14.7%. North America and South America, we've almost the same, very much the same what we had in the Fourth Quarter compared with the full year for 2009.

On the left side of the page, we see here the pulp sales volumes in tons, very much what I have mentioned before. The pulp sales in millions, I think it's important to underline this is a business of BRL1.6 billion for Suzano. It's very much a lot of exports and [the side cash].

On page six, we have some comments for our paper business. As we look at the market -- the Brazilian market, it's the most important market for our paper business -- you see that in the print and write segments, Fourth Quarter '09 versus Third Quarter '09, we experienced a 1.9% growth. Compared with last year, we are at the same levels of 0%. In 2009 versus 2008, this is 2.8% reduction.

On the paperboard, same Fourth Quarter versus Third Quarter. We had 1.8% growth, but a very big and strong Fourth Quarter '09 when compared with Fourth Quarter '08, 18.4%. Our paperboard was very much used in the packaging business and this reflects -- those numbers here reflect what's happening with the Brazilian economy, where we have experienced an acceleration of the economic activity.

And paperboard is the first one -- the product that we have here that tells us what's going on in the economy. This is -- so, strong growth on the Fourth Quarter reflected here in our paperboard business. Year-over-year, the same, 2.8% reduction 2009 versus 2008.

EBIT print and write business imports in the domestic market experienced a small reduction from 22.7% in the Third Quarter '09 to 21.7% in the Fourth Quarter. Exports, the total Brazilian exports, we had 39.3% of the total shipments compared with 35.9% in the Third Quarter '09.

For Suzano, print and write we had a strong quarter, Fourth Quarter compared with Third Quarter '09. We had 10.4% growth compared with 1.9% growth of the whole market. But compared with the Fourth Quarter '08, we are still below 4.6%. Full year, we had 9.5% reduction for the -- compared with 2.8% in the market.

So we had a decrease in our market share. Paperboard, same Fourth Quarter, 7.5% higher than Third Quarter. Comparing Fourth Quarter '09 with the Fourth Quarter '08, we had 13.4%, but still we see along the full year we had 11.9% reduction compared with 2.8%.

The good news coming here in this line where we see the average price, despite the fact that we had a reduction in the price on the Fourth Quarter '09 compared with the Third

Quarter '09, 3.5%, and the Fourth Quarter compared with the Fourth Quarter of '08, 8.7%.

During the whole year, comparing the mix and the price that we practiced during the year, we were able to maintain the price despite the effect of the very tough economic environment, including Brazil.

Domestic sales for Suzano in paper reached 55.1% of the total sales and export average net price recovering in the Fourth Quarter '09 compared with Third Quarter '09. These are some important highlights as well. In dollars, if you see the first Fourth Quarter versus Third Quarter, 5.1% growth.

But compared with Fourth Quarter compared with -- '09 compared with Fourth Quarter '08, it was 5.9% reduction. Year-over-year, 13.6% reduction dollars and 5.9% reduction in reais.

Page seven, we are saying if you look at this pie chart, you are going to see very, very much stable distribution of the destination of our paper. Europe of 12.4% in the quarter against 11.8% in the full year. North America 10.9% in the Fourth Quarter versus 15.3% (sic; see press release) in the whole year. And South America and Central America 12.6% versus 12.8%.

In Brazil, you see that in the full year, we had domestic market accounting with 53% of our paper sales compared with 55% of the sales in the Fourth Quarter of '09, which shows a growth in the participation of the internal market on our total sales during the last part of the year. On the revenues, in the volumes, I think it was very much what I have mentioned before. On the sales in reais, you see that this is a business of BRL2.3 billion for us in 2009.

Page eight, Fourth Quarter '09 results, here we have a comparison with Fourth Quarter '09 versus Third Quarter '09 and also, let's see -- (inaudible) comparison of the two quarters, you see to stress the trend, sales volume 8.9% higher the First Quarter. Paperboard in domestic market is about 9.7% higher. Pulp volume exports, 2.7% higher.

Net revenue Fourth Quarter '09, BRL1.02 billion, Third Quarter BRL891 million or 14.5% on the net revenue. Net income, 456% [ph], a reduction compared to the Third Quarter, but much better than the Fourth Quarter '08. Most of this is more than explained by the exchange rate variations with a big impact on our debt denominated in dollars.

EBITDA of BRL255 million, which was 17.2% better than the Third Quarter. And in this case, if we exclude non-recurring items, this EBITDA would be BRL390 million with a margin of 30.3%.

So Third Quarter of '09, EBITDA margin was 24.4%. Excluding non-recurring items, this was -- the margin was 30.2%, showing a good recovery. And again, also very much explains the difficulty of the pulp price. Also, we have some problems in the paper business.

Exchange rate, we'll close the year BRL1.74. Net debt, you see this big reduction on the net debt if compared with the Fourth Quarter '08. Last year, we ended up the year with about BRL5.5 billion and now, we are at BRL4.0 billion, BRL1.1 billion reduction in net debt. Again, big impact on the exchange rate in our business.

Net debt to EBITDA, 3.9%, higher than the 3.5% that we had in the Third Quarter '09.

Bernardo Szpigel {BIO 2080745 <GO>}

0.9 times.

Antonio Maciel Neto {BIO 16703850 <GO>}

Nine times, yes. 3.9 times versus 3.5 -- thank you, Bernardo. 3.9 times versus 3.5 times that we had in Third Quarter of '09. If you compare it with last year, we were at 3.7. Now, we are at 3.9 times.

This is -- you see that net debt experienced a very big reduction, BRL1.5 billion. However, the less drop -- during the year, the EBITDA reduction was higher than this. So we have an impact on the increase of these rates.

Page nine, here we -- the same. Now, we have a year-over-year. Sales volume was 26.7% here and 2.089 million tons. Paper volume in the domestic market was 10% reduction. Total volume of exports, 39.6%, achieving 1.5 million tons. Net revenue very much the same -- reduction of 2.7%.

EBITDA with the reduction -- strong reduction from BRL1.4billion to BRL1.0 billion. If you see analyzed situation completely, to analyze the Fourth Quarter, we are going to see a completely different picture on this compared with this BRL1.0 billion. The same for the margin, 25.8% compared with 36.2% of last year. Net debt to EBITDA is the same.

No scheduled downtimes in Mucuri. We had this slide just to move upfront of your questions on this. Just to mention that in the Third Quarter '09, we had an incident in the pulp dryer line two. We had a part in a component that detached from the machine and ended up on top of all the pulp in production. And so, this caused some damage in the rolls and we ended up with six days of downtime due to this incident in the Third Quarter '09.

So the consequence when we have an incident like this, is always the same, higher chemical consumption. So this requires more chemicals -- overload in the chemicals recovery process. And as we restart -- and try to restart in the non-scheduled downtime, is always a painful process.

In the First Quarter of 2010, we also experienced some technical problems and we decided to push and to upfront and to anticipate our scheduled downtime that was planned to happen in the end of March, beginning of April. We decided to fix the

problems that we needed to do that. But we also -- Ernesto can comment after, but this we were able to develop a lot of works that we had planned for the downtime.

So the next downtime planned for June. This is going to be very much smaller. Let's say we are not going to take all the time that we had planned, because some of the works have been already developed. The good news is that during the month of February, we had very much good production. As we speak, everything's very stable. The machine is working with full capacities and the production has been quite stable during the last weeks.

Just some bullets here about the action plan, we -- now we are working even closer to the equipment supplier. We have a lot of people working together to -- really to accelerate this correction of the problem, and taking all the actions to avoid similar problems -- technical problems that we had. We are very strong on that. We are in the right direction because it is clear in the key confirmation that we have expressed very good production, very stable during the last weeks.

We have trained our people, a lot of consulting, a lot of additional maintenance, and continuous improvement programs. So we have here a partner in Brazil, INDG. The company which belongs to Professor [of the finch for corn].

He has been with us for several years working in different areas and now, he's bringing additional people and several more dedicated to -- has been more dedicated to this problem that we are experiencing locally. So this is a disclosure what happened and the good news is that we think most of the key problems have been addressed and we are in good shape now.

On the page 11, just some comments on the new growth cycle, our organic growth was increased by 2.6 million tons, our pulp production. Just to mention that we already have 75% of the land needed for Maranhao plant, and 100% in Piaui to have a startup, both in Maranhao 2013, and Piaui -- in 2014 for Piaui.

Here, the comments that we -- in spite of the big difficulty in the economy on 2009 and all the uncertainties in the macroeconomic level, we were able to maintain the activities that we had planned before and we are on track on the schedule to -- for this startup in 2013 and 2014.

Just in highlight, just for you guys to have an idea of how we're moving forward, we have already 1,700 people working in the new sites, including our own Suzano people and third [ph] parties. We have already developed and got most of the permits needed for the first site and we have already started the application for the industrial permits.

Conceptual engineering completed. This was done and finished. We reviewed this in December and now, we have already engaged the company -- an engineering company - - to develop the detailed engineering process.

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We have signed the contracts with Vale related to acquisition of the forest assets and technological cooperation. As well, we have developed the final agreements with -- regarding CFN for the outbound transportation. Those are railroad companies and we have been able to sign all the contracts that we will guarantee the output from the plants to the ports in this (inaudible).

Page 12, my last page, final comments here, just some key messages, and probably some, I'd say short summary what we have seen and noticed in 2009 that deserves comments in this conference call. The first one is related to demand. So the recovery in pulp and paper market is very clear. It is not something that is too steep, too strong. But we have seen that business is growing.

And we think that this is -- we haven't seen deterioration in the markets, exactly the opposite. We have seen some improvements globally in the markets, especially here in Brazil, for our paper markets, for our paper products. And in Asia, especially in China, for the pulp -- for our pulp.

Inventories still at very low levels and this was the main driver for the price increase that we were able to implement. We think that with the shortage of production in Chile for some weeks, this situation is [in the entire group] still lower and about from the position we have now.

This [bow is] both businesses as much -- very much for all the business. It depends on the offer in the demand. We are not seeing any significant reduction on the demand. And for sure, the offer will be reduced with the big impact in Chile as Chile production is very much down as we speak.

So here, good demand recovery and some shortness in the offer, which you can drive for some better price during the year. Very much I think that is difficult to talk about what's going to happen next. But the overall situation is -- the key trend we continue to see in this market are very intact.

And in Brazil, we have a good expectation on the national product growth. The numbers - - everybody is a bit more pessimistic. The analysts are talking about 5% and we have people talking at a rate above 6% in the growth of the productivity. So I think for the demand side, it's going to be a better year than 2009 for sure.

Operational performance, we will continue maintaining this strong focus that we have on the costs and expenses. Cash costs, if you compare this 2009, average pulp production cash costs of BRL389 million that we have in 2009 is 11.4% below 2008. And we had this incident and some business production in our main plants in Piaui. So we see opportunities.

On the other hand, the flip side of this is that some chemicals and some trends in the wood costs can be a problem during the year. However, this we have efficiency and more stable production that we can offset probably those pressures on the price of our raw materials and total things that we buy.

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SG&A, 14% reduction in 2009 versus 2008. A lot of our actions here to maintain the SG&A at very low levels. However, these were very -- in a year where we operate with very, very minimal levels of SG&A. And so, this is the level that we are going to maintain or see some change but not big changes on what we have seen at work.

Here are the highlights that we were able to deliver more than 10% -- 14% of SG&A reduction as we planned in beginning of the year. And our other big highlight of this year was the reduction of the working capital utilization, BRL437 million. Most of this came from the reduction on the pulp inventories -- more than 200,000 tons of pulp inventory reduction.

But still, a lot of the action in whole areas, departments of the Company to be -- we are always more conscious on the impact of the working capital in the [easy A] of the Company.

Financial position, very solid, very strong, very much adequate debt profile in the very good competitive debt cost. Strong cash and very strong debt reduction during the year. So solid position on the financial arena. This also -- in the start of the group, strategy, we were able to maintain our green shoots projects with investment BRL361 million.

Final comment that the overall CapEx of the year was [BRL630 million]. This was a 36% [ph] growth on the investment 2009 compared to 2008, very strong. Very few companies increased the investments and very, very few companies in Brazil and worldwide increased by 36% investment in 2009.

We were able to do that because we had a very clear structure of growth, very defined. And we see a lot of that that we are going to add with the new Greenfields. And also, for sure, having this very solid financial position gave us the opportunity to move forward and guarantee the schedule of these new projects.

Thank you very much for your attention. This is what I had to present to this introduction of our conversation. I will give back the floor to the coordinator and our management team here will be more than happy to answer your questions.

Questions And Answers

Operator

Thank you, sir. Ladies and gentlemen, we will now initiate the question-and-answer session. (Operator Instructions) The first question comes from Debbie Bobovnikova of JPMorgan. Please go ahead.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

Hi. Good morning, everyone. Good morning, Maciel. I just wanted to start off by asking you a little bit more on the cost side. You mentioned, I think, expecting to see some

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offsetting trends in 2010, some efficiency gains, but also some pressure from your input costs.

Can you give us a little bit more color on those input costs, especially on how you see the fiber costs and the chemical costs developing, and how they've been over the past six to 12 months to get us a better idea of what to expect?

A - Ernesto Pousada {BIO 15951890 <GO>}

Yes, hi, Debbie. Here is Ernesto. Good morning. As we look at the Fourth Quarter, we can see that the 6.8% increase on cash costs was basically due to the operational instability we had, and this caused about 50% of that increase was higher chemical consumption.

And the other 50% was due to some chemical increases that happened during the third -- end of Third Quarter and during the Fourth Quarter. So that was the other 50%, especially on caustic soda and the oil -- fuel oil that we use in our mills.

Those prices, I would say that chemicals for the year in general should remain relatively stable. We don't see caustic soda, for instance, our forecast for the first half of the year is basically to stay as close as it was in the Fourth Quarter. So chemicals in general, we see that there is not prediction of any -- or any forecast for increases -- substantial increases throughout the year.

Maciel I think mentioned as well some pressures on the wood side, on the cost of fiber. And basically, that's due to some changes we have in the supply side with the third party with our partners -- third party supply which we should have more wood coming from the third party. That should affect, in general, our cash costs.

But also, we should remain that we still have room for improvements in our efficiency in the mills, especially the First Quarter should be still impacted by the shutdown. But as we move towards Second Quarter and on, we should reach better levels of productivity in our mills.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

Great. And can you remind us how much you're paying on average per cubic meter of third party wood versus if you are able to source it internally? And what's the rough order of magnitude or the difference?

A - Andre Dorf {BIO 15460232 <GO>}

Hi, Debbie. This is Andre. Good morning. Well we have different prices, of course, depending on the region. We have this type of supply matrix in every mill that we have and we don't disclose the amount that we pay to them at this time.

What Ernesto mentioned is that we had in '09 a policy of reducing as much as possible the wood coming from the small farm owners because of the crisis and the volatility in the market. So we prefer to supply the mills with our own wood, and thus reducing the costs.

What is going on in this year is that we're going to return to the normal levels of this balance, which is approximately 20% of the wood coming from third parties.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

20%? Great. And if I can just switch a little bit to the CapEx side, can you give us some idea of what you expect your CapEx to be this year, both maintenance and expansion?

A - Andre Dorf {BIO 15460232 <GO>}

Yes. In maintenance, what we have invested is approximately BRL350 million per year. So this is our figure for 2010 as well. In terms of expansion for the new growth cycle, we have two types of CapEx.

We have the creation of the forestry base, and the industrial CapEx. For the forestry base, for the two units, Maranhao and Piaui, we're going to spend approximately \$100 million per year, and this is between '10 and 2014. And for the industrial facilities, we're going to spend \$1.8 billion per mill. So this is times two.

We have completed the conception engineering last December and we already contracted the detailed engineer like two or three weeks ago. And we expect to disclose new figures for both forestry base and industrial facilities in the coming months.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

So for now, the best guess, let's say of 2010 CapEx, is roughly let's say BRL550 million, right? The BRL350 million maintenance plus around BRL200 million worth of forestry?

A - Andre Dorf {BIO 15460232 <GO>}

Yes. That's roughly it.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

Okay. Great. And maybe just a final question before I turn it back to the queue, but can you give us some color on the pulp price outlook from here? It seems like you mentioned that you do think that demand remains strong, and you think that Chilean capacity will be out for at least a few more weeks.

Am I correct in sensing that you think that pulp inventories might come down, and that you might see maybe further price increases from here? You -- I know there's a March increase. Can you just give us an update on how that's being put through, and also what the market is thinking about a possible April increase?

A - Alexandre Yambanis {BIO 16470785 <GO>}

Yes, hi, Debbie, this is Alex Yambanis. We -- well, I would like to approach your question first of all excluding the Chilean effect, excluding the very unfortunate incident in Chile.

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The market was already tight before the Chilean earthquake and inventories were at 26 days at the end of the quarter, so quite tight. And even in January, at the end of January, inventories were at 30 days, which is still three days below what -- the level that is considered an optimal level of inventories around the world in the system.

So the market was already tight from a supply side. Demand in China had somehow fallen a little bit in the last quarter of the year, and this was basically due to restrictions on credit in China. Those restrictions, we believe those restrictions continue right now. The Shanghai stock exchange has fallen by 2.5% this morning due to those credit restrictions.

But we believe that this won't subside for the long term. In other words, we believe that Chinese demand will pick up. There is an enormous paper capacity coming on-stream in China in 2010 and beyond in the next 18 months.

So the supply and demand scenario is very healthy independent of the Chilean effect. So to answer to your question quite objectively, yes, we see tightness going forward, and we see that being price positive for the industry.

Is Chile going to accelerate that trend? We see that as a marginal effect rather than a brutal effect because there's the other side of the coin with startups, especially in North America and Scandinavia, mills that had been mothballed that are coming back. So one thing should balance the other. But yes, inventories should remain tight from a structural standpoint, regardless of the Chilean effect.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

Perfect. Thank you very much for that.

A - Alexandre Yambanis {BIO 16470785 <GO>}

You're welcome.

Operator

The next question we have comes from Juan Tavaréz with Citi.

Q - Juan Tavaréz {BIO 15083199 <GO>}

Hi, thank you. Just quickly, could you comment on your working capital? Obviously -- will this be the lowest level we will see from Suzano? Just given that I'm sure your inventory levels are at uncomfortably low levels, and given that some of your costs -- raw material costs might be going up, should we expect working capital to increase, given that again, the decrease was really seen because of inventories coming down in 2009?

And my second question is on the paper market. Could you detail a little bit about your outlook for 2010, both on pricing and the mix in terms of the domestic to export?

A - Bernardo Szpigel {BIO 2080745 <GO>}

Hi, Juan. This is Bernardo. On working capital, of course we have reached a very -- much better levels than we had at the beginning of the year. And of course, to improve from here is more difficult than it was, but we'll continue to work and strive for lower working capital levels. That frees capital for us.

On inventories, there are opportunities to move forward in terms of materials inventories and we'll continue with these efforts very strongly. We are very happy with what happened. It's more difficult from now on, but we'll continue to try to reduce it somewhat.

Of course, when you look at the prices of raw materials inputs, if they rise, this will impact our inventories, but not significantly. We have other opportunities that we'll continue to pursue.

Q - Juan Tavaréz {BIO 15083199 <GO>}

Where are your prices [ph] today? In terms of your pulp inventories?

A - Bernardo Szpigel {BIO 2080745 <GO>}

Pulp inventories.

A - Alexandre Yambanis {BIO 16470785 <GO>}

Yes. We don't disclose a precise figure in terms of pulp inventories. But I can give you some guidance. Our pulp inventories are, I would say, lower than average and -- lower than the average of the industry. And going forward, if you wish, we should even regain some inventories which will be healthy for Suzano in terms of customer service and just-in-time delivery.

A - Carlos Anibal {BIO 19090865 <GO>}

Hi, Juan, this is Carlos Anibal speaking. Good morning. I will answer first regarding price, okay. Back to end of last year, we announced our first price increase for paperboard. That was a number between 4% and 8% depending on product line. On February, we announced a plus \$44 for uncoated free sheets in North America.

Effective March 1st, for the domestic markets, we announced a number between 5% and 7% for uncoated free sheets. And also for the whole Latin America market, a number between 6% to 8%.

Right now, we are analyzing the possibility of doing the same for the European markets. We expect this year a demand growing a number and following the GDP. And therefore, we believe that our mix, domestic and export will be around 55%, 57% to domestic markets.

Q - Juan Tavaréz {BIO 15083199 <GO>}

Okay. Thank you. And just my last question, just to have clear, these growth projects, are they already Board approved?

A - Antonio Maciel Neto {BIO 16703850 <GO>}

We have -- this is Maciel. We have the Board approval for -- to develop the first base. That is what we are on track to develop. And before buying the equipment where it's a -- the go and go process where we will need additional Board approval.

So we are very -- we just had two days ago the Board meeting. We have updated the projects. There are a lot of enthusiasm inside the Board with the new projects. However, formally we will need additional approval before buying the equipment.

Q - Juan Tavarez {BIO 15083199 <GO>}

Okay, perfect. Thank you very much.

Operator

The next question we have comes from Marcos Assumpcao of Itau Securities.

Q - Marcos Assumpcao {BIO 7474402 <GO>}

Hi. Good morning, everybody. Just one question regarding the special projects. You mentioned in the presentation that you already have 75% of the land required for the Maranhao project, and 100% for the Piaui project. Can you give us already an expectation of the average logging distance for both projects?

A - Andre Dorf {BIO 15460232 <GO>}

Hi, Marcos. This is Andre. Yes, you're right. We are pretty much done for the startup in Piaui and 75% in terms of land requirements for the Maranhao unit. We are not disclosing the average distance at this time because we haven't disclosed the precise site location. We are still finalizing some negotiations in the regions. That's why we haven't disclosed this yet, but we expect to do so in the coming months.

Q - Marcos Assumpcao {BIO 7474402 <GO>}

Okay. And just a follow-up question for Yambanis on the inventories. Do you disclose at least what is the optimal level for the inventories that you have in terms of days of supply?

A - Alexandre Yambanis {BIO 16470785 <GO>}

Well usually we don't do it either, Marcos, and this is basically for strategic and competitive reasons. We don't like to monitor that as a precise figure. But again, what I can tell you is that we are within the average industry range, maybe even slightly below.

Q - Marcos Assumpcao {BIO 7474402 <GO>}

All right. Thank you very much.

A - Alexandre Yambanis {BIO 16470785 <GO>}

You're welcome.

Operator

(Operator Instructions) And the next question we have comes from Humberto Morales [ph] of BTG Bank.

Q - Humberto Morales {BIO 17178450 <GO>}

Hi, good evening, guys. I have a question on the paper segment. I would just like company comparing the market growth with your growth during the year. So you have naturally lost kind of market share. So I would like to know, what's nowadays market share in the domestic market, and what is your target for the days to come?

A - Carlos Anibal {BIO 19090865 <GO>}

Hi, Humberto. This is Carlos speaking. Good morning. We expect for 2010 to come back to our historical levels, okay, which is a number between around 27% for the whole product line.

Q - Humberto Morales {BIO 17178450 <GO>}

Okay. And what's the market share today?

A - Carlos Anibal {BIO 19090865 <GO>}

We are at about 25%.

Q - Humberto Morales {BIO 17178450 <GO>}

Okay. Thank you very much.

Operator

(Operator Instructions) It looks like we have a follow up from Juan Tavaréz of Citi.

Q - Juan Tavaréz {BIO 15083199 <GO>}

Hi, thank you. Just thinking about the growth projects that you have and the possibility that an opportunity in acquiring another paper asset in Brazil might arise, would -- and given your leverage where it is at 3.9 times, would you consider doing an equity offering if both of those opportunities arose in terms of the paper assets and you fulfilling your pulp project?

A - Andre Dorf {BIO 15460232 <GO>}

Hi, Juan. This is Andre. First of all, our leverage has increased a little bit in the last quarter, not because of the debt per se, but rather because of our EBITDA was affected by the pulp prices during '09.

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We expect this trend to change in 2010 because of the pulp prices that are going up, and also because of a sale that we did of our forestry assets in Minas Gerais in the last quarter and we expect to close this transaction in the first half of this year.

So this will have a dual impact, one in the cash to reduce net debt, and the other to be part of the EBITDA. So we'll have a better ratio -- we should have a better ratio this year. If we face an M&A opportunity such the one that you just mentioned, and have some capital constraints to perform our projects, we'll analyze other sources of funding, including a capital increase in the market.

This is not in our plans right now, because we don't have any M&A opportunity, any concrete discussions with anyone so far. So if we do, we'll analyze the opportunity for a capital raise.

Q - Juan Tavaréz {BIO 15083199 <GO>}

Okay. Thank you.

Operator

And this concludes the question-and-answer session. At this time, I would like to turn the floor back to Mr. Antonio Maciel Neto for any closing remarks.

A - Antonio Maciel Neto {BIO 16703850 <GO>}

Okay. Thank you very much again for participating on this call this morning. We will be very happy to have additional questions to our Investor Relations people, or directly to us, and to continue the conversation about Suzano's performance and plans for the future.

The message is that we just want to conclude now to say that we see 2010 as a better year than 2009. We had, I think, a good performance in the Fourth Quarter. We have -- we are in the right trend.

Prices are going up due to the inventory situation, mainly driven by the macroeconomic situation worldwide -- in the West, in Europe, and in Asia. We ask the division that this basis is very low for the comparisons to go up. But this is going to be a better year in 2010.

For our side, we will continue to enforce our strong commitment to excellence in the operations. We will improve and we are going to see more a stable production, and even for the cost reduction on this compared -- 2010 compared with 2009 from the operations side.

This last year, our EBITDA was -- we had a severe impact coming from the pulp prices and the market pulp price, 22% lower price average during the year. This year, we have seen a good record funding on the paper side, as we have discussed many times during these calls in the past.

FINAL

We said that during the year, the prices -- the paper prices were much more stable than the pulp, as we always mentioned. And this is happening again if you compare with the 22% price reduction that we experienced on the pulp, our paper price, we're only 3%.

In the domestic market, we had no price reductions during the year, despite the fact of a very tough economic situation, as well as difficulty in the overall market. And we've considered that we experienced here our import coming to our market, with a small reduction in market share, we were able to maintain this situation.

So this now, we'll see the price in the pulp going up. The paper prices are moving up, as we are not in the same range because they expressed the same situation in the pulp market. So we are very bullish that this is going to be -- our fundamentals are very strong. We have a very solid financial position.

We have a long-term debt, 80% our debts are long-term related. And the cost of our debt is very low compared with -- in Brazil market and in the international market as well.

So we have the key fundamentals and the key financial -- fundamental -- in the financial position. Very good people, very good team to move forward and deliver the plans that we have mentioned before. So thank you very much, appreciate your participation today.

Operator

And thank you for your time, sir. This concludes today's presentation. You may disconnect your line at this time. Have a nice day.

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