

Q4 2013 Earnings Call

Company Participants

- Alberto Monteiro, CFO & IR Director
- Carlos Anibal, Executive Officer, Pulp and Paper Business Unit
- Ernesto Pousada, COO
- Walter Schalka, CEO

Other Participants

- Alex Sciacio, Analyst
- Carlos de Alba, Analyst
- Jon Brandt, Analyst
- Marcelo Aguiar, Analyst
- Thiago Lofiego, Analyst
- Unidentified Participant, Analyst
- Vincenzo Paternostro, Analyst

Presentation

Operator

(Interpreted) Good morning, ladies and gentlemen and thank you for waiting. Welcome to Suzano Papel e Celulose conference call to discuss the full year of 2013 results.

(Operator Instructions) We would like to inform you that some statements contained in this call may be projections or forward-looking statements.

These statements are subject to known and unknown risks and uncertainties as well that may lead these expectations not to materialize or to be substantially different from what is expected.

These risks include, among others, changes in the future demand for the Company's products, changes in the factors that affect both domestic and international prices, changes in the cost structure, changes in market seasonality, changes in prices charged by competitors, exchange rate changes, changes in the Brazilian political economic scenario, as well as emerging and international markets. Now I would like to give the floor to Mr. Schalka who will start the presentation. Thank you.

Walter Schalka {BIO 2099929 <GO>}

(Interpreted) Good morning, everyone. It is a pleasure to be with you reporting the results of Q4 2013, as well as the full year of 2013. Before we start, I would like to mention that we

have, for the Q&A session, the executive committee of the Company, Alberto Monteiro, Carlos Anibal, Ernesto Pousada, Alexandre Chueri and Carolos Griner. We also have our Investor Relations Officer, Tiago Fernandes, and our Controller Renato Tyszler [ph].

Okay, so I think 2013 was a very positive year for the Company regarding the evolution that we achieved and this is made very clear on slide number two.

As you can see, over the year, we had a gain in competitiveness on one hand and operating efficiency on the other hand and the Company had the opportunity to achieve record results in 2013, reaching an adjusted EBITDA of BRL1.781 million with a 31.3% margin from 24.37percentage points gained in our margin for 2013. Not only did we have record results in 2013, but also we had the best quarter ever in terms of EBITDA in the Q4 adjusted EBITDA 2014, BRL543 million.

I would like to highlight as well the fact that the Maranhao Project and then we are going to go into details about the project. It had a startup according to schedule and we had given the market our expectation that this would be in Q4 2013 and the startup was in December as scheduled, some days after the initial plan that we had, but anyway we gave preference to commissioning and we complied with the date that we had given the market.

One important highlight that I would like to share with you is that due to what we have been doing in our matrix budget in all departments of the Company, we were able to reduce our SG&A last year by 3.6% nominal, therefore lower than inflation.

Beyond inflation, a reduction of 3.6% and a cash cost to the evolution of our plans and then I will be talking in detail about that, was very positive as well in spite of the high cost of wood. Our cash cost was below inflation as well.

On slide number three, we talk about pulp. Pulp had operational development and liquidity, no unscheduled stoppages in our plants, no unscheduled downtime and because of that, we had a higher productivity, about 50,000 tons, 3% higher in production in pulp and we were able to place this volume to the market at adequate prices.

Because of that, we had a better profitability in this area. For Maranhao, we estimate 1 million tons sale this year and this further increases our basis for pulp.

Regarding paper on the next slide, you can see that we chose to have some administrative downtime because some of our products for export had insufficient margin. So our option was to have this downtime (inaudible) for a certain period last year in order to achieve a better evolution of our margins per ton. So this is what we did and we increased our share in the domestic market to 69% and our focus is to increase our sales to the Americas over time.

We were also able to implement the price increases for paper over the year and the increases that were announced for the First Quarter of this year are being implemented. It is important to mention to you that this concept of administrative downtime that was used for paper will probably be used for pulp as well depending on the market conditions, which means that we will not look for profitability in the Company in per productivity, per total production.

However, it will be based on unit productivity. So this is the reason why we are working on our margins per region, per client, per product so that we may achieve an evolution of the operational margin for the Company.

On the next slide, you can see clearly that the Company had about a 10% increase in net revenue, 0.4% growth in sales volume between pulp and paper. However, as we had an increase in the price of pulp and also in the price of paper and changes in the exchange rate, we achieved about 10% more in our net revenues. I would like to stress the cash cost of the Company as well.

It was lower than inflation, the evolution, regardless of the significant increase in wood prices as we had already told the market due to the higher radius and the higher third-party mix. This led to an increase in the cost this year and this was offset by operational gains in almost its totality.

It was a very positive year in our industrial operations. I would like to make it very clear and give a caveat to the market that, in 2014, we will see a new increase in the cost of wood in Mucuri due to the increase of the average radius that we are bringing wood from third parties.

On the next slide, I think it is very interesting to see that all the main aspects of the organization had a positive evolution in the financial figures last year. COGS, in spite of the increase in the cost of gas and electric power as of April, because of the sale of Capim Branco and in spite of the increase in the wood cost, mainly in Mucuri, we were able to achieve an increase of our COGS in the last 12 months, much lower than inflation.

So it is very positive, this issue of COGS, and administrative expenses are very important here. If we analyze quarter on quarter in the last 12 months, as you can see on this table, you can see that selling expenses went from 4.8% to 4.4% and administrative 7.8% to 6.6%.

Coming from the matrix budget that we have been establishing in the Company and that will continue this year as we place the Maranhao volumes and costs, the figures will become better and better because we will have higher volumes and the fixed costs should not be significantly altered.

Regarding the adjusted EBITDA per ton, which is one of the KPIs that we have been tracking in the organization, in the previous year, we had BRL395 per ton and gradually, on a monthly basis, this increased.

And quarter on quarter, we have been reporting that results in the last 12 months we seek that BRL395 to BRL555 was the increase, which was very significant and this is something that we are tracking with due attention so that we may continue to do our homework on costs and expenses and prices so that we may continue to progress in this indicator for the Company, which naturally leads to a higher total EBITDA for the Company.

Good news that we would like to impart, we were able to conclude 2012 with a very small variation, vis-a-vis our indebtedness, as you can see on the next slide. The Company has a level of 5.2 times the EBITDA, adjusted EBITDA in December 2013 and you can see a very robust cash position, BRL3.7 billion and with a liquidity visibility over 60 months.

So you can see that we have a very comfortable position, vis-a-vis our finances, and the focus here will be to seek as quickly as possible the deleveraging of the Company. So given the natural evolution of the EBITDA that we will see this year with the startup of Maranhao and the very strict control of our cash flow, we already have positive cash flow for 2014 and this will allow us over the year to have a gradual deleveraging of the Company and this is our major focus.

We would like to reiterate to the market the work that we have been doing seeking structural competitiveness. We will continue to modernize and we have investments in modernization in several different plants.

We have already concluded the biomass boiler of Mucuri last year and then we made a chipper and we still have to standardize our harvest fleet and connection of Mucuri with the grid bringing energy to Mucuri and this is a new digester.

These are projects that are underway and being implemented, but we will continue to seek other investment alternatives and projects that may bring more competitiveness to the Company and the combination between structural competitiveness and efficiency gains will lead Suzano to the next level of profitability.

Today, we are announcing to the market our CapEx forecast for 2014, BRL1.750 billion estimated. It is important to mention that part of that had to do with maintenance, part of that is modernization, the investment that we talked about in the previous slide and others with a lower amount.

And part of that is a carryover of the Maranhao project and we closed last year with total investments of BRL2.6 billion when we had estimated BRL3 billion of total investment and we postponed for this year about BRL590 million in investments in Maranhao that will be made between the first and the Second Quarters of this year as the necessary equipment is gradually being released for the final acceptance for the project.

And this is a process that has been happening since January and that will continue for the next few months. We are totally comfortable with the fact that, with this CapEx that I have already mentioned, we will achieve a positive cash flow this year in spite of the carryover of Maranhao related to 2013.

I would like to say a few words about the Maranhao project. We are very proud of the fact that we have been able to conclude the project according to the schedule. We are announcing to the market the conclusion of this project with 4.4% overrun, vis-a-vis the amount that was initially announced for the Odeso [ph] part of the project.

We had said \$2.3 billion and 4.4% is the number higher that is and the first export happened already in February this year. To date, we already have 70% of our sales contracted and for this year, we estimate 1.1 million tons approximately of output and for the First Quarter, between 150,000 and 160,000 tons is our estimate.

It is important to mention that, in the Maranhao project, this 1.1 million tons is the objective that we have and we will do the rampup and we are already doing the rampup of the project according to our expectations. But there could be unscheduled events and this corresponds to our expectation.

It is important to mention that this is a very complex project because it involves three different issues. First, the operation of a forest that we had never operated before in Maranhao, so we are starting to operate -- we started last year; secondly, the industrial part of the project with all the complexities involved in such a large project; and the last part is logistics, railway and port, very important as well.

And the railway was delayed in its startup -- it only was started up this March and there was a limitation in the production process and we lost about 40,000 tons of production in Q3 this year -- Q1 this year. This is why we are going to have between 150,000 and 160,000 tons. The railway is already operating. The port is operating normally and of course, there is a learning curve for these processes and gradually productivity increases on a daily basis.

And we would like to inform you as well, mainly to market analysts, that due to the fact that in January and February we produced an amount to the market and we had almost no exports, so both revenues and expenses for these two months, they are included in the project -- these amounts are included in the project and we will start to post Maranhao as of March 1. So we have already started Maranhao since March 1.

So this is the last time that we are making a specific presentation of the Maranhao project because it will be integrated in the normal model that the Company has. And because of that, we will have gradually increasing production volumes and of course, revenues, increasing revenues in the next few months that will be driven by Maranhao. So we are very pleased with the project and we expect to reap the adequate results and that may bring us the necessary return on the invested capital.

And before closing the presentation this morning, we communicated this to the market as well, but I would like to reiterate the fact that Alberto Monteiro, our CFO and Market Relations Officer, will be leaving the Company at the end of this month and we would like to thank Alberto for the huge contribution that he gave us and is still giving the Company during the period that he remains with us and we would like to make or to express our best wishes to him.

And we would like to announce to you that Marcelo Bacci, a top-level executive, will take over this position as of March as Alberto leaves the Company. Marcelo Bacci will step in and Marcelo Bacci has previous experience being the CFO of Dreyfus here in Brazil.

And more recently, he was the Financial VP of Suzano Holding Company and as of March, he will be stepping in as our CFO and Market Relations Officer of Suzano Papel e Celulose. So with that, I finish my presentation and we are now available to you to answer any questions that you might have.

Questions And Answers

Operator

(Interpreted) (Operator Instructions) (inaudible).

Q - Unidentified Participant

(Interpreted) Good morning, everyone and thank you for the opportunity. I have two questions. The first one has to do with the pulp market. What is your price expectation for hardwood pulp in the short run? And the second has to do with Futuragene. The activities with genetically modified organisms was given already to the technical committee and I would like you to say a few words about this.

A - Carlos Anibal {BIO 19090865 <GO>}

(Interpreted) Paolo, bom dia. Good morning. This is Carlos Anibal. We can share with you what is our understanding of the market situation in the short run and in the medium run, not a guidance. Today, we have a very good outlook for demand growth in North America, in Europe, with the -- going back to growth in Asia and China with the new capacities on the supply side.

There are two projects that are slightly delayed, vis-a-vis the initial schedule, and this brings a delay to the arrival of this pulp to the market.

In the last four months, what we saw was China buying at much higher levels to the same period last year in the previous year and this has to do with our expectations because this has to do with the tissue segment mainly and inventories on average around the world are at the ports lower than the average of the last three years, which is very positive and we have a spread of \$150 between hardwood and softwood.

That, of course, is positive for us because of the replacement and we had announcements of downtimes in Asia, two major companies in Asia removing pulp from the market. And so what we see for the short run is a balanced scenario and the prices that we announced in January. They were not implemented as a scenario of stability and we see a good perspective for the short run.

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For the medium run, the price will be established by the new capacity that will be started up and the arrival to the market in about three, four, five months. And on the other hand, we will see the natural growth in demand, especially coming from China. I would like to remind you that, according to the data available by consultancy companies, China should place in the market about 2 million tons of new capacity for paper production.

And this has certainly helped a lot in terms of the additional capacity of pulp that is being produced and the placement of this capacity. So in our understanding, the market is balanced, although the inventories went up in January according to (inaudible) and this is very much related to seasonality in our view. We have a small contribution from Maranhao.

We had the issue of the strikes in the Chile ports and we understand that there was a drop in shipments from North America due to climate issues and every year, we see a slight movement in stock or inventory recomposition on the part of producers because of the situation of the previous year.

A - Walter Schalka {BIO 2099929 <GO>}

(Interpreted) This is Walter regarding Futuragene. Futuragene submitted on January 17 a request for approval for the planting of GMOs and we have (inaudible) that prove a gain of about 20% in productivity of forest with this kind of clone. And as we can commercially have this availability from (inaudible) and this will happen over the year, we have the intention of start planting the GMOs.

Q - Unidentified Participant

(Interpreted) Thank you, Carlos. Thank you, Walter.

Operator

(Interpreted) Marcelo Aguiar, Goldman Sachs.

Q - Marcelo Aguiar {BIO 3721791 <GO>}

(Interpreted) Thank you for the opportunity. Walter, could you please talk about the cash cost of the Maranhao project? Up to now, you have given no indication about the cash costs that you expect. And you talked about the Mucuri cost with the increase in the average distance for third-party wood transportation.

So could you quantify this figure or give us a percentage? And the last question has to do with your CapEx. Looking ahead, could we expect Maranhao running at full steam, a normalized CapEx of around BRL1 billion or what is the figure that you would consider as a normalized CapEx for the Company?

A - Walter Schalka {BIO 2099929 <GO>}

(Interpreted) Marcelo, thank you for the question; this is Walter. Regarding the Maranhao cash cost, what we have been giving to the market is a guidance that -- well, of course,

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there is naturally the rampup of the plant; therefore, the cash cost tends to decrease over time.

So we see that the cash cost for Maranhao for the first half will naturally be higher than the cash cost for the Company overall as the specific inputs such as chemicals and wood are not normal yet and the total denominator has not reached the adequate level.

And this should happen in the second half of the year and the cash cost of Maranhao should be better than the general cash cost of the Company. So bringing the average down. We cannot give you a guidance for a specific figure, neither for Maranhao nor individually for the other plants.

Regarding Mucuri, we will see an increase in the volume of third-party wood and the cash cost of Mucuri over 2014, but we cannot give you a specific guidance for that.

Regarding the CapEx, BRL1 billion that you mentioned as sustained CapEx should be the order of magnitude of the sustaining CapEx for the subsequent years for Suzano and we see no reason whatsoever for this figure to be materially different from this. Thank you.

Operator

(Interpreted) Thiago Lofiego, Merrill Lynch.

Q - Thiago Lofiego {BIO 16359318 <GO>}

(Interpreted) Good morning. Thank you for the question. First, you mentioned that the increase in price, paper prices were implemented in the First Quarter. So could you talk about the magnitude for the different areas of products?

And my second question, a follow-up, I understand you do not give a guidance neither to Maranhao nor to the consolidated, but how much do you think Maranhao, once the rampup ends, could contribute to the consolidated figure for Suzano?

A - Carlos Anibal {BIO 19090865 <GO>}

(Interpreted) Thiago. Good morning; this is Carlos. Let's start by the paper prices. We announced last year an increase of 12.7% for paperboard and this is already in force in this First Quarter between cut size and seven, something like 8.5% and 10%.

In our next call, we will see already a part, a major part of this increase already in force. In February, we announced an increase of 5% for the coated paper line and this will start in March and the full implementation as of the Second Quarter.

I would like to remind you what we have been saying. When we announce a price increase, we establish a strategy that is very specific for each line of products of that main line and for each sales channel, which means that the amount that we would be realizing

is not -- it's a major part of this amount that will depend fundamentally on the sales mix that we will have in the next period.

So all the increases have been implemented and they have been developing according to our expectations, as a major part, we will be seeing in the First Quarter and the remainder in the Second Quarter.

And the second part of the question, Thiago, about Maranhao, we do not foresee any reason for Maranhao margin to be lower than the remainder of the Company, quite the opposite, it should even be slightly higher after it stabilizes, slightly higher than the overall margin for the Company. However, we cannot give you a guidance and we cannot talk to you about any details. But the trend is to have better margins with the Maranhao situation.

Operator

(Interpreted) Alex Sciacio, Santander.

Q - Alex Sciacio {BIO 16118415 <GO>}

(Interpreted) Good morning. My first question, coming back to the question of cost, but the cash cost of the Fourth Quarter. On page 7, you say that the compared cash cost was BRL560 and on the chart above, it says without stoppage it's BRL559. So could you tell me please what was the impact of the downside from Mucuri with the washing of the boiler and everything, what was its impact that has a cost because here reading the release, apparently the costs are the same.

A - Walter Schalka {BIO 2099929 <GO>}

(Interpreted) Well Alex, this is Walter. We did not -- when we talk about downsides, we are talking about scheduled downside as we didn't have any scheduled downside -- downtime. We didn't have any consideration about the downtime for washing the boiler. That is why the number is the same because we didn't have any scheduled downtime in the Fourth Quarter.

Q - Alex Sciacio {BIO 16118415 <GO>}

(Interpreted) Could you give us an idea about the cost of the downtime, even if it had not been scheduled?

A - Ernesto Pousada {BIO 15951890 <GO>}

(Interpreted) Well this is Ernesto speaking. The cost of this downtime was very irrelevant for the Company. What I can say is that it caused a loss of production of about 49,000 tons versus 40,000, but it was irrelevant. You can see that the overall number we produced more pulp than we produced the former year. In terms of cost, the washing of the boiler is a significantly low number. It practically had no impact at all.

Q - Alex Sciacio {BIO 16118415 <GO>}

(Interpreted) Okay. My second question is about financial expenses of the Company. We look at the cash flow, you see the expense of net interest was BRL830 million this year. If we do this as a proportion of the net debt of the Company of the average of the year was about BRL8 billion.

This gives us a level of about 10% a year. So I'd like to know from you, first of all, if this makes any sense and second, what would be the opportunity the Company sees ahead to reduce its financial cost now with the Maranhao and the improvement of the cash position?

A - Alberto Monteiro {BIO 1527328 <GO>}

(Interpreted) Good morning, Alberto. In fact, what you are doing, this calculation that you are doing really doesn't make all that much sense. This sum won't balance. What we had in financial expenses was a disbursement of expenses from Maranhao and then consequently this brought about this increase.

For 2014, we don't give the guidance, but naturally we also have an increase in view of the disbursement for the BMDS. But this is within what we had forecast and from the point of view of management of the financial expenses, we are working with leverage of the Company, obviously with the start-up of Maranhao and the production of pulp and the sale of this, starting a leverage process and then from then on seeking a more adequate leverage level. At the end of the year, we are thinking about reducing this cash.

It is worthwhile noting that the level of let's say cash of 3.7 for Suzano is adequate. We never talk about low financial expenses because it is very competitive because we fund this at adequate levels and then we invest this in banks and then this is below the market rate as of (inaudible) and this to me is interesting from the point of view of the Company.

It is better to have a higher level of cash even though we have a leverage about 5.2, especially for the rating companies who think that this is sufficient. In December, our average cost in cash was 9.2, in dollars 4.8. So it is still competitive and we believe that we have financing at investment levels and with the flow of this year, next year, the deleveraging will help us to -- we will have this cash level reducing financial expenses.

Q - Alex Sciacio {BIO 16118415 <GO>}

(Interpreted) Thank you, Alberto.

Operator

(Interpreted) (inaudible).

Q - Unidentified Participant

(Interpreted) Good morning. Congratulations for your results. My first question for Carlos Anibal is you could tell us a little bit about the discount rate in the pulp industry and in

2013, the average discount level for Suzano versus the ForEx price when we talk about effective net price versus ForEx was 20% and if we look at 2012, it was 19%.

Do you think that this increase of the discount level, vis-a-vis the list price, is a trend of the market we will continue to see this over the next few years? And if you could say a few words also about an answer that he has already given us about the shutdowns that you have had short term helping to maintain the market in greater balance. Could you elaborate on this please, about Indonesia, who the players are? So what is -- what will we see over the next few years?

A - Walter Schalka {BIO 2099929 <GO>}

(Interpreted) Marcos. Good morning and thank you for your question. When we take our net price and compare this to the ForEx Europe in the third and Fourth Quarters, the numbers have remained unaltered and also the same comment goes for the former quarters. We do not see here any particular change in our case. Although, we are putting into the market as has already been said, practically 1 million tons this year.

Most has already been contracted and this volume already contracted, most of it is already in the ongoing contract. In our case, we have not, in the short or medium term, no great impact on our average discount. The small changes could be assigned to the geographic mix.

Many rumors in a market about increased discount and we can say, and I said at the beginning, that these increases that we announced for January have not yet been implemented and considering also the question of the discount, we are in a situation today of a net price, which quite certainly does not compensate the capital or remunerate the capital invested. So we have challenges as an industry.

It will take the prices to a level, which will be reasonable so we have a decent remuneration for the capital invested by the shareholder and also to avoid an erosion of the discounts as we see it doesn't make any sense and very much less in the short term where the fundamentals of the market would not be able to resist it.

In the case of shutdown, we have had some recent cases, particularly in Indonesia, one of them, which has to do with the availability of the -- lack of availability of the wood because of the climate and in China of about -- of the removal from the market of 150,000 tons in each one of these cases, both countries.

Q - Unidentified Participant

(Interpreted) Thank you. And a second question, the cost of logistics of Maranhao outbound, how could you compare this? Maybe Walter could say a few words comparing the logistic costs with the logistic costs of Mucuri, the outbound costs and then comparing Maranhao railroad with Mucuri railroad and the distances and also support. Portucel and (inaudible), could you give me these comparisons, please?

A - Walter Schalka {BIO 2099929 <GO>}

(Interpreted) Well if we have the port costs and the transportation outbound costs of the Portu Mill, Maranhao and Mucuri have very similar values, although Mucuri is much closer than Maranhao to the port, but Maranhao uses the railroad. So the cost per kilometer is less and then the combination of these two effects of port plus railroad from Maranhao brings it close to the Mucuri cost.

Q - Unidentified Participant

(Interpreted) Thank you. One last question regarding paper. If Carlos could say a little bit what is the trend that he is seeing for the import numbers of paper in Brazil. Particularly we have seen a drop of 2percentage points on average of paper in Brazil 2013 compared to 2012, but 2013 is even -- this drop is even greater. So what do you think will happen regarding the import in the First Quarter?

A - Carlos Anibal {BIO 19090865 <GO>}

(Interpreted) Now and to compare 2014 with 2013, last year, we had a drop of imports of 11%, particularly of the coated paper, which dropped almost 16% and most of this drop, as you have said, was in the Fourth Quarter reminding you that we had in October at the beginning of the mandatory phase of having to label the paper. So we can assign to this measure part of the reduction that we had in the Fourth Quarter.

Obviously, during the year, the climate too. And also the first two months of this year, the data was published two days ago, a new reduction, especially for the coated paper. So year to date, it's about 8% to 10% and we think it will continue to drop because of the effectiveness of the new labeling law.

And in another two or three months, we will have another four (inaudible) coming to this low and we think that this combination of the labeling on the one hand with the national record will bring about, in our opinion, another significant drop of imports throughout 2014 and this has been a long ongoing struggle between the associations and has been affecting the paper industry in Brazil.

It's a very healthy competition, but we cannot but remember that this has been a five-year struggle and is only now beginning to bring results.

So we have advanced well in 2013 in the beginning of this year, but it has been a crime of (inaudible) and the association continue to work on this and so we can get the situation under control. So 2014 should be a good year for paper due to good several factors. Elections, generally, in years of election, we have more demand and also volumes will improve because of the World Cup and we will have also a good year for paperboard.

The last two years, paperboard has increased above the GDP and our expectation is that this year will be no different, remembering that paperboard last year we grew above the market with a recovery of prices and it would be better if we had not been the effect of the mix. Year to year, the percentage has been 4%, but if we separated the mix effect, this increase would have been greater and so our expectation this year is that it will be higher.

Q - Unidentified Participant

(Interpreted) Thank you very much.

Operator

(Interpreted) Mr. Paternostro, Credit Suisse.

Q - Vincenzo Paternostro {BIO 17670256 <GO>}

(Interpreted) Thank you very much for taking my question. First, I'd like to talk about the energy balance of Suzano. I remember that with the sale of Capim Branco, you were cut off from energy compensated with Maranhao. So what is your situation today? And since the energy situation, you will have surplus energy for sale and what would be this balance in 2014?

So this would be my first question. The second question, there is a detail. I want to understand how this reconciliation of EBITDA, with the accounting EBITDA, the book would be adjusted because the first one, the 1520, and the adjusted is a different number and I'd like to know how you can do this reconciliation. Is this something nonrecurring that has affected this?

A - Walter Schalka {BIO 2099929 <GO>}

(Interpreted) This is Walter. I will talk a little bit about the energy. The energy is right after the April or when we sold Capim. We were contracted and we continue in part with no contract in the Suzano area.

Maranhao has already started its operations and we have a surplus in Maranhao and we have already sold the energy in February from Maranhao and we have not yet reached a balance between one and the other, but this should occur in the next few months where we will have a surplus in energy in the next few months.

In this First Quarter, we will have a deficit in energy buying it from the market. Part had been contracted earlier and whilst part we will be buying now. And this gradually will have the increase of production in Maranhao. We will become -- we will have more and more surplus and creating a global balance in the Suzano company.

And vis-a-vis the adjustments that you mentioned, they are to be found on the last page, page 23 of the release. You will find the adjustment values between the adjusted and the accounting or the book value. Last year, we had many adjustments, which we carried out.

In a year, we have an accounting EBITDA of BRL1,684 million and an adjusted of BRL1,781 million because we are discounting here all the nonrecurring items like the sale of Capim and the biological assets and other questions (inaudible) and layoffs at the beginning of last year and many other items of adjustment, which we are doing to put all the Company's EBITDA as if it were recurring. The EBITDA, which we are announcing, of BRL1,781 million means recurring EBITDA, which we call adjusted EBITDA.

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Q - Vincenzo Paternostro {BIO 17670256 <GO>}

(Interpreted) And just to follow-up here on this question of adjustment, this additional bonus for performance, is it -- will you continue to have this in the next quarters?

A - Walter Schalka {BIO 20999929 <GO>}

(Interpreted) No. We will not have it in the next quarter, but I hope that we will have it in the year. Let me give you the concept that we have introduced into the Company. It's good that you have asked this. Last year, we established a goal of an EBITDA for the Company.

The Company was coming from an EBITDA of BRL1,280 billion more or less and we -- our target we did not publish this to the market -- but it was BRL1,765 billion. This was the target that was given to all our officers and should we achieve this target, we would pay a bonus, an additional bonus, which is this amount mentioned there.

For this year, we are establishing a target for cash flow and not EBITDA and we will not announce this, our cash flow target to the market. But we understand that there must be an alignment between the shareholders and the Company's officers.

I personally am not included in this bonus, but I am among a group of executives who are receiving this bonus relative to last year and we are very happy to pay this out because it shows the huge growth that the Company has had during 2013 with a growth of 40% EBITDA from one year to the next.

Q - Vincenzo Paternostro {BIO 17670256 <GO>}

(Interpreted) Thank you. And one more question please. You have done an excellent job in cutting costs in the SG&A in 2013. Is there any more room for potential, more gains in 2014? Are you expecting anything along these lines?

A - Walter Schalka {BIO 20999929 <GO>}

(Interpreted) There is no limit for SG&A. Obviously, every time you make an initial effort, you have quicker results with SG&A. Obviously, we are presenting these results. But this is an ongoing task. We implemented two years ago in the Company the matrix budget and we will continue to work on this concept to have better SG&A results. Obviously, the gains are decreasing along in time.

Q - Vincenzo Paternostro {BIO 17670256 <GO>}

(Interpreted) Thank you very much.

Operator

(Interpreted) Jon Brandt, HSBC.

Q - Jon Brandt {BIO 5506998 <GO>}

FINAL

Hi. Good morning. Thank you for taking my questions. First, I wanted to ask you about the sustaining CapEx. I understand that sustaining CapEx should be about BRL1 billion going forward. I'm just wondering what has led to the increase between 2012, 2013 and 2014? There is about a BRL300 million to BRL400 million increase in sustaining CapEx.

And I am wondering if that is just related to Maranhao and if so, I guess I would've expected maintaining CapEx to be less than that given the project is new. So I am hoping you can elaborate on what is leading to that increase?

Then secondly, I wanted to make sure I understood you correctly when you were talking about taking some administrative downtimes in the pulp sector. Is that above and beyond the sort of regular scheduled maintenance downtimes and I think you mentioned that it would depend on what pulp price -- where the pulp price went and I am wondering if you could sort of quantify that, if the pulp price went to a certain level, at that point, you would take some downtime. Thank you.

A - Walter Schalka {BIO 2099929 <GO>}

(Interpreted) Well thank you very much, Jon, for your question. The question of CapEx, the CapEx is being adjusted from 2013 to 2014 in view of the Project Maranhao and now we have to build a CapEx sustaining also for Maranhao and idea for CapEx sustaining.

For the next few years, as I have said, will probably be maintenance that we will be announcing for 2014, about BRL1 billion. This, therefore, has to do with both the forestry side and also the industrial side of our plant and the marginal value of the administrative side and IT.

Regarding your second question, which is the administrative downtime, we have reiterated to the market the following. We have as an objective to improve the profitability we have of Suzano.

We understand that the return on capital in spite of the huge growth that we have had in the past is insufficient to justify the level of investment that has been carried out by the shareholders. So to improve the profitability of Suzano, we will have to have a lot of price discipline, price in the different regions and also prices with different products and different clients.

What we have said before, and we reiterate is that we would prefer the pulp scenario to be lighter, more benign, allowing an increase of price so we would have a better return on our capital.

At some moment, we have come to the conclusion that occasionally, and we are always analyzing this, that the level of profitability produced by some tons of pulp, which obviously we would not give you because it depends on the moment and the price, they do not pay enough, we will think of having an administrative downtime to put less pressure on the price of pulp on the global market.

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Q - Jon Brandt {BIO 5506998 <GO>}

Okay. Thank you.

Operator

(Interpreted) Carlos de Alba, Morgan Stanley.

Q - Carlos de Alba {BIO 15072819 <GO>}

Thank you very much. The first one is, when you talk about CapEx, there is about BRL150 million for the retrofitting projects in 2014 and yet in page eight of the presentation, there is one project that I guess at Suzano unit [ph] that will be finished only next year. So do you see any CapEx from the retrofitting project, from that retrofitting project and what that number will be for 2015?

And the second question is it possible given the strength that we are seeing in Maranhao and Mucuri in terms of cash costs, all cash costs, that you can see again the overall -- the consolidated cash cost for the Company expanding below inflation in 2014 or do you really see it more close to 10% or maybe low single digits?

A - Walter Schalka {BIO 2099929 <GO>}

(Interpreted) Thank you, Carlos, for your question. Regarding CapEx position is that we have this CapEx investment of BRL1 billion, as I have said and this is a number which must be maintained for the next few years. Modernization projects are on/off projects. They happen according to the analysis and depth and opportunities that we try and -- or that crop up or we try to find for the Company.

We are analyzing projects and disbursements will be BRL150 million, BRL160 million for this year, but we do not have any new projects approved for the following year, but we might have projects in the different plants. But at Maranhao, we don't project any new modernization projects at the moment because we are now commissioning this mill.

And regarding CapEx Maranhao, this year is the last year that we will have this disbursement and this should happen in the first half of this year and from then on, the project will be concluded, so there will be no more disbursements here.

Q - Carlos de Alba {BIO 15072819 <GO>}

All right. And any comments on the cash costs? Can you keep the increase below inflation or not?

A - Walter Schalka {BIO 2099929 <GO>}

(Interpreted) The second part of the question is the cash costs and the cash cost, the impact on Maranhao. We have not had a guidance about Maranhao or Mucuri. We are telling the market that the Mucuri wood will be more costly to us during the year 2014 as we have greater distances to cover and a greater participation of third parties.

Q - Carlos de Alba {BIO 15072819 <GO>}

And just one final question. Could you comment what do you see the net debt to EBITDA at the end of 2014? (Inaudible).

A - Walter Schalka {BIO 2099929 <GO>}

(Interpreted) Now, we close the session. We would like to thank you all very much for your participation in this call and say that 2013 was a very special year for Suzano Papel e Celulose with the evolution that we had, which was very positive vis-a-vis 2012.

We are very pleased, but we are humble in the sense that recognizing that still a lot remains to be done and we have many opportunities to tap into value and our perception is that -- well, the movie is quite good, however, the picture doesn't still -- doesn't yet represent the adequate end that we want to have and to present to our shareholders.

Our team is very much motivated and they are striving to get better and better results in a program of successive approximations and with the coming onboard of Maranhao, we intend to start the deleveraging of the Company and this is the major objective that we have for 2014. We would like to thank you all very much and wish you all a very good day. Thank you very much.

Operator

(Interpreted) Suzano Papel e Celulose conference call is closed. We thank you for your participation and wish you all a very good day. Thank you.

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