

Q2 2009 Earnings Call

Company Participants

- Alexandre Yambanis, Pulp Business Unit Executive Officer
- Andre Dorf, IR Executive Officer
- Antonio Maciel Neto, CEO
- Carlos Anibal, Paper Business Unit Executive Officer
- Ernesto Pousada, Member of the Executive Board, Operations Officer

Other Participants

- Bruno Zvarish, Analyst
- Debbie Bobovnikova, Analyst
- Marcelo Luna, Analyst
- Marcos Assuncao, Analyst
- Unidentified Participant, Analyst

Presentation

Operator

Good morning, ladies and gentlemen. At this time, we would like to welcome everyone to the Suzano Pulp and Paper 2Q '09 Earnings Conference Call.

Today, we have a simultaneous webcast with slide presentation 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'd like to inform you that all participants will be able to listen to the conference during the Company's presentation. And 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'd also like to inform you 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 over to Mr. Antonio Maciel Neto, who will start the conference call. Thank you.

Antonio Maciel Neto {BIO 16703850 <GO>}

Good morning, everyone. Thank you very much for joining us, this morning for our conference call to talk about the Second Quarter results. I will start as usual giving some highlights about the quarter and then just after we will be available for questions. I have here our senior management team along with the managers that would help us on answering the questions.

So starting on page two, here we have the highlights that we have prepared to start, then we will go through some details and after for questions. First one is sales, record sales of 861,000 tons. This is a -- because of the very significant inventories reduction. Net revenue was BRL1 billion, aligned with the other quarters that we have had recently.

Pulp production cash cost of BRL363 per ton. That's a reduction -- generally with our proceeding [ph] reduction here. EBITDA of BRL232 million, margin EBITDA of 21.1%; this is a reduction in our usual margin. Without accounting effects -- the special account effect, meaning Q account effects, those margin would be 26.6%.

Net income of BRL439 million for the Second Quarter, this is an excess of BRL500 million, mainly, with the very strong help here from the foreign exchange rate variation. Working capital reduction in excess of BRL200 million as well. Net debt to EBITDA ratio to -- also at 3.5, in June, that's a reduction compared to the First Quarter as well.

Cash and cash equivalents of BRL2.4 billion on June period, that's a very strong and big cash here you see. And that caused a net reduction -- net debt reduction of BRL843 million. And so, we are on track, moving forward with our agreements with Vale and Transnordestina. Those detail [ph] that was just provided and the value which then would provide -- would supply as well for the Maranhao project.

Even in this highlight, you see that we have sales up, revenue aligned with EBITDA, net income up, cash up. Then we have seen inventories reduction, cash cost reduction, working capital reduction and debt reduction. Those are the key in a very good direction.

As we have defined at the beginning of the quarter that considering the uncertainty that we had in (inaudible) at that time, everything very uncertain and that we have lot of risks to the market. And considering our inventory situation as well, we decided to reduce the inventories to give a very strong priority to cash generation and debt reduction and also on the capital -- working capital reduction.

The down side here was the margins, the EBITDA margin along with those actions that we took, and with the exchange rate variations that we had during the last quarter, drove us to this margin of 21.1%, or without the accounting effect, to 26.6%. So we are going to have time to talk about all of these bullets as we progress in our presentation.

Page 3, where we see pulp business units, just to have an highlight of the global pulp demand of 10.1 million tons. This is a 10.9% compared with the First Quarter '09, giving us some signals of recovery in the marketplace worldwide in the pulp segment.

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Eucalyptus pulp demand was 7% higher in the First Quarter compared with the First Quarter of '09 and 15% higher than last year. That is just confirming what we had said last calls about this positive trend worldwide for the pulp -- eucalyptus pulp.

Downtimes, that we have information about -- of 2.5 million tons in the Second Quarter, so this is in excess of 5 million tons in the First Quarter '09, so downtimes of pulp production. And price increases announced for July and August not reflect the full -- in full in the results of the quarter.

Talking a little bit about Suzano's Pulp business, we had record pulp sales of 548,000 tons, with the big impact on the reduction of our inventories. Those numbers are 30% higher than First Quarter of '09 and 56% higher than the Second Quarter '08.

Main destination was Asia, and mainly China, that's 52% higher than the 50% -- 52% of the total sales of the Second Quarter. Net prices average is 1.8% below, they are down in US dollars, but in reais, we experienced a further reduction in reais, 12% lower than First Quarter '09 and 30% lower than Second Quarter '08. In this case, with again the big impact of the exchange rate variation in our business.

Net revenue of pulp of BRL454 million; that's continually increasing, 14.4% better than First Quarter '09. And cash cost, as I have highlighted before, of BRL363 per ton, very sustainable situation and that is 12.6% lower than Second Quarter '08 and 15% lower than when it is compared with the First Quarter '09.

Page 4, you see here some of the numbers that I have already mentioned. I think here it's good just to take a look on the left side of top of the page when we see the first half of the year, that's where pulp sales in tons moved up from 700,000 to 968,000 tons; and in reais the effect was from BRL823 million to BRL850 million, reflecting here the price and the exchange rates -- mainly the exchange rates.

Destinations, I think that it is clear here 52% Asia versus 48% First Quarter '09, reduction in North America from 7.6% to 5.8%, very low levels, and Europe from 31% to 29%.

Moving to page five, paper business unit. Here same signs that we have seen in the global markets for pulp. Now, considering the Brazilian market for paper, in print and write, we have seen 14.1% growth, compared with the First Quarter '09 and the paperboard is in the same trend, 15.6% higher than the Second Quarter '09 -- compared with the First Quarter '09.

Compared with the Second Quarter '08, we still see a reduction in the marketplace, but that -- those numbers are lower than what we have seen [most time], since the beginning of the year when we had generally worse of -- for order book [ph] that's moving forward we have seen a reduction of the gap between the sales of 2009 compared with the sales of 2008. And in the quarter it was more expressed, it is more easy to see -- easy to see that's 14.1% and 15.6% growth as compared with the First Quarter.

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Exports for the whole Brazilian market represented 36.6%. It's a sequential growth compared with the First Quarter when we had 30.9%. [If times offer, we will cover up] on coated, printing and writing in the US and Europe as well, I think that numbers are interesting, in US 2.4% growth compared with the First Quarter '09, and in Europe, print and write higher, the market 1.3% higher as compared with First Quarter of '09.

It's true that compared with the Second Quarter of last year, we are still in the range of 14% to 17% reduction in the total volume.

However, as we mentioned before, we are expecting to see some recovery -- some change in the trend of the industry with these positive numbers in the Second Quarter compared with the First Quarter.

Now talking a little bit about Suzano's business in paper. We had sales of 315,000 tons Second Quarter, 34% higher this quarter, 10% higher than last quarter (sic -- see slides). Again here, we start the month -- the quarter with good levels of inventory, in fact, higher levels of inventory; then during the month, we sold much more than what we had produced.

So consequently we have a reduction on the inventories that we had at the beginning of the year. Same trend on the domestic sales for Suzano, 112,000 tons in Print & Write and 34,000 tons on paperboard.

Print & Write, our sales were 21.5% higher than First Quarter '09 and paper board 10% higher than First Quarter '09. Our exports of (inaudible) were up 52.4% in the First Quarter '09 -- and compared with First Quarter '09, and 36.5% compared with the Second Quarter last year.

With the inventory situation that we had and also with the strategy to reduce the inventories and the relationship in the good channels for us to move our paper, we were able to reduce the inventories and increase the sales, increase the revenue, and we put some of the inventories on the exports. But this quarter you guys have seen an increase in the percentage of our export as compared with our normal numbers that what we have seen before.

For the Second Quarter guidance, we'll talk little bit with you before or after this presentation, but we are seeing much that's something more aligned with our usual numbers than these on -- with regard to export percentage of our book of business. Average domestic price is 4.3% reduction as compared to First Quarter '09, but still 4.2% better than Second Quarter of '08. That's good results.

Exports over net price. In dollars, we have -- we experienced 9% reduction First Quarter '09, and compared with the Second Quarter, let's see, it is 20%. It was in reais, we have seen 18% for the First Quarter '09 and stable price, flat price as compared with Second Quarter '08.

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Page six is just some highlights to offer the information that I had before. I think it's worth to take a look at the right side on top of the paper of page six about destinations of our sales 46.3%, this Second Quarter compared with 52 last quarter and compared with 50, that's the average of 2008. So much -- some more export business to reduce inventories and to give us the --- for us to have a good start in second half of the year, with lower inventories and better positioning for -- to face the markets.

On page 7, here we have some of the highlights. We have mentioned most of them. Let's call the attention for the net revenue of BRL1 billion. Net income of BRL439 million and EBITDA 21% with the --- about BRL60 million of account EBIT of two key measures that we took during this quarter. Exchange rates, that's an average of two. And a net debt of 4.4, that's a reduction of BRL830 million in the net debt was [made up], helped us to reduce from our ratio, net debt-to-EBITDA last 12 months a reduction of 3.7 to 3.5 from First Quarter '09 to Second Quarter '09.

On page 8, we have some highlights now about the first half of the year compared with first half of '08. So we see a sales volume increase of 20.8%. In the domestic market we are -- paper, we are 12.5% lower, but in the pulp volumes export we're 46% high.

Net revenue 1.8%, net income much better. I have already mentioned BRL529 million of net income. EBITDA margin at 26.8% compared to 50% last year. That's a big reduction as well, but higher than what we have seen in the Second Quarter of '09.

And all those that -- because I haven't mentioned before, these are the additional numbers that we have seen for the quarter and for the first half of the year.

Page nine, just two things [ph] here about the growth, new growth cycle. Just for (inaudible) the signature of the key agreements with Vale in July 2009. First one was the acquisition of the forest assets located in Maranhao. This -- those assets include the 34,500 hectares of planted eucalyptus.

This is probably the only forest available for a big budget, big book budget in Brazil, and we were able to have this transaction with Vale, and this will allow us as we have mentioned before to start up the new Greenfield plant in Maranhao. Two years I have off of the normal timing for projects, similar projects.

Also we have the program to -- we've had the contract that we are going to -- how we are going to buy the wood, the eucalyptus woods for the project. This wood will come from Vale's Florestar Program. We are very happy to participate in this program; it is only (inaudible) the largest and most important environmental conservation programs being implemented worldwide today.

And Suzano will be buying those, partially the wood after this program; we will have [long-distance capability] off this project. So this project is very good, a very good business process, but also emphasizing now, our sustainability program and our contribution for the environmental preservation.

And we have a -- we have also a technological cooperation with Vale to improve and to get synergies between the two companies and to improve productivity on the forestry business.

And also very important, railroad transportation, most of this transportation will go to Vale (inaudible), one of the best, if not best railroads in the world as we speak. And to move our pulp from the plants in top of Maranhao to the region after a week, that's where it will be located in port that we will export the pulp [produce the volume].

On page 10, just a highlight about Piaui. We are on track on the designing of the program as well. We have signed the contract with Transnordestina. In this case our railroad transportation from the region of Transnordestina, where we will have the point -- the base point for the location that we are expecting for the site to the (inaudible) of Sao Luiz, where probably we are going to have the port receiving the both forms -- both projects in the same port, Maranhao and Piaui.

On the project just a quick updates for you on the order budget. We continue working very hard on (inaudible) and also within the space for our trading line that we have (inaudible) before. And we are maintaining our final decision about this. Our Board will access [ph] and analyze the continuation of those projects before (inaudible). That's how it is there.

So the key message on page 11, just to see on -- we feel we got good overall markets. We see some good perspective, we have the moderate optimism on this discussion, because we have with the bigger -- many of these general markets improving. We have a seasonality history of a better second half of the year than First Quarter of (inaudible) of this part of the year, when we talk about paper in the domestic market.

And we have seen some pulp better business as well, because the inventories are low and we have seen China buying heavily, and we have seen some prices moving up toward the situation of in-demand balance. So good perspective -- still a lot of prospective (inaudible), but a more optimistic situation that we had before on the last call, so good times.

From our side, we are focusing, putting big, big focus on operation performance, continuing doing that. I think that the best -- we have --it is true now, that I could give you another (inaudible) numbers with the operational performance that we are improving, moving forward.

The bulk cash cost reduction to BRL363 I think is a good example of what we have worked, along with the working capital reduction in excess of BRL200 million. These are good examples of what we have done and about what we are going to continue to work and to focus despite the environment, the standard environment, that is still somewhat (inaudible). Again, much better than we had in the last call, last quarter, but still some offset.

We are maintaining our balance very consistent on our conservative financial position. We now increased our cash to BRL2.4 billion. You just saw that we had about the net revenue of BRL1 billion, so we have two quarters, where one is connected [ph] of revenue in cash, so this gives us a very good positioning to move forward.

We should very be conservative in the approach, and this is the result also of the different actions that we have taken during this first semester and that we will continue as we speak. And the growth strategy, that is very much long-term oriented.

We are taking care of the short-term, reducing inventories, improving the cash situation, reducing the debt, the net debt. At the same time in Piaui, where we are building up our future mainly through as we speak to these two Greenfields project.

With that, I hand back the floor to the coordinator of the call. And thank you very much for attention. We will be very happy here along with our senior management team to answer the questions.

Questions And Answers

Operator

Thank you. Ladies and gentlemen, we will now start the question-and-answer session. (Operator Instructions) Our first question comes from Marcos Assuncao from Itau.

Q - Marcos Assuncao {BIO 21974091 <GO>}

Hi. Good morning, everyone. First question is regarding sales volumes mainly on pulp. I understand that the second half should be a little bit lower volumes than in the first half for Suzano. But with the volumes that you already made in the first half of the year can we expect potentially a higher guidance for the full-year 2009 number for pulp sales above like the 1.7 million tons of capacity -- 1.75? Thank you.

A - Alexandre Yambanis {BIO 16470785 <GO>}

Yes. We -- this is Alex Yambanis. Hi. The -- what I can say is that, well, volumes in the second half of the year will probably not be as robust as the first half of the year for the simple fact that we had used most of our excess inventory. In terms of total sales, we will basically sell whatever is produced by the mills. So we will match our sales with production for the year.

Q - Marcos Assuncao {BIO 21974091 <GO>}

Okay. Thank you. Second question regarding CapEx for forest building. I remember in the previous call that you mentioned that probably around \$100 million would be spent on this forest building issue. I think that looking on your CapEx, the first half were a little bit low, like \$15 million only, so can we expect a pickup in forest acquisitions in the second half?

FINAL

A - Andre Dorf {BIO 15460232 <GO>}

Yes. That's right Marcos. On top of this Vale acquisition, we are ramping up our land acquisitions and plantation activity. So we can expect an increase of these figures for the second half of this year.

Q - Marcos Assuncao {BIO 21974091 <GO>}

Okay. Andre, just to complement this, can you tell us how many hectares -- planted hectares you already have in Maranhao besides the Vale project?

A - Andre Dorf {BIO 15460232 <GO>}

The mill in Maranhao will need approximately 130,000 hectares of planted forestry base and out of which we have secured the majority. We are not disclosing the precise number, because we are still acquiring land in the region. But we have secured the bulk of the land required for that mill.

Q - Marcos Assuncao {BIO 21974091 <GO>}

Okay. Thank you. Just one last question regarding pulp prices more in the longer term for Alexandre. If you could talk a little bit about the new pulp projects that you are seeing on the pipeline in the world on 2013 besides yours?

A - Alexandre Yambanis {BIO 16470785 <GO>}

Well besides our project until 2013 there are a few -- one of them being the April project in Rizhao, China, slated to start off in 2010 next year. I would say in the second half of next year this project is being built.

The second project is well, likely to be the new Rio Grande do Sul project of VCP-Aracruz. And other than that you have the Arauco-Stora project, which has no slated date to start being built yet. So very few projects indeed till 2013.

Q - Marcos Assuncao {BIO 21974091 <GO>}

Okay. This project (inaudible), right?

A - Alexandre Yambanis {BIO 16470785 <GO>}

Correct, but no date slated yet for its -- for breaking ground.

Q - Marcos Assuncao {BIO 21974091 <GO>}

Okay. Thank you very much.

Operator

Our next question comes from Debbie Bobovnikova from JPMorgan. Please go ahead.

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Q - Debbie Bobovnikova {BIO 4684018 <GO>}

Hi. Good afternoon. I just had a very mundane question. I wanted to understand a little bit better your paper costs? Because I know you took downtime in the quarter in your coated and paperboard machines. Can you just help us think through how those costs are going to differ in the next quarter? Maybe you can give us some conversion costs for your three main paper grades for uncoated, coated and paperboard? Thanks.

A - Ernesto Pousada {BIO 15951890 <GO>}

Okay. Good morning, Debbie. It is Ernesto Pousada speaking. Actually our costs for paper in the Second Quarter, if you take our current costs, they were slightly reduced, that when I take the main raw materials, like the ones that goes to the fiber, like caustic soda and other chemicals or bleaching agents and everything else, came down comparing down to the last quarters.

Although, we should remember that in the Second Quarter, we had some commercial related shutdowns to handle with our inventories of paper, as we were exporting a lot and we decided to shutdown. And that of course, on the dilution of some of our fixed costs had an impact on the Second Quarter.

As we look forward, we're not planning any commercial shutdown for the time being in the second half of the year. So that impact should go away and we expect our -- we are not seeing any rebound so far in any of our chemicals. So as we look forward into the second semester, we should have a better and better cost of (inaudible).

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

Okay. I was just -- thank you for that color. I was just looking for anything that would try to help us to quantify the improvement that we could see next quarter. Can you at least quantify what was the impact from the market related shutdowns this quarter?

A - Andre Dorf {BIO 15460232 <GO>}

Debbie, this is Andre. We had in the quarter market related downtimes in our paperboard line and coated paper line. We are not disclosing at this moment the additional cost related to those downtimes, as well the incremental cost for conversion for any of the grades.

The only thing that I would like to mention is the difference between our COGS and our current paper cost, which I believe Ernesto mentioned. But this is something that we have improved over the months, so our costs in the second half of the year will probably reflect the current situation of the cost rather than the COGS [ph] in the first half of the year.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

Okay. Great. Thank you for that.

Operator

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Our next question comes from Marcelo Luna from Banif Securities. Please go ahead.

Q - Marcelo Luna {BIO 15380566 <GO>}

Hi. Good afternoon. Thanks for taking my call again. Just had two quick follow-ups from the morning. The first one is regarding Suzano's expectations for printing and writing and paperboard's domestic demand in the second half of the year.

We know that there is this government program where you believe that you might be selling higher volumes of printing and writing paper. And I was just wondering if you could comment on those two segments in the domestic market and your expectation for prices as well? Thank you.

A - Carlos Anibal {BIO 19090865 <GO>}

Marcelo, this is Carlos. Good afternoon. As I said, we have realized an improvement in the demand in the mass market since March (inaudible). Month after month, we have been seeing better numbers. In June for some grades, we had numbers that were better than June last year, okay.

We believe that we are going to see a stronger second half. It is true that the government program is expected to consume at least 20% more of what we saw last year, so we might see a benefit come from that. And regarding paperboard, we have seen the same reaction in the demand, which is improving since March. In June, we have the demand which was 5% higher than June last year.

Q - Unidentified Participant

Prices?

A - Carlos Anibal {BIO 19090865 <GO>}

Prices, in order to talk about prices, we need to take into account three major factors. Demand, which has been improving since the March, as I said before. Stocks, which are very low. We have been working with pretty low stocks (inaudible) that might bring us a negative downside. With all of that in balance here, we are considering that we will not have any price adjustment for the second half, at least for the time being.

Q - Marcelo Luna {BIO 15380566 <GO>}

Okay. Thanks so much. Can you just give us a quick thought on exports, demand and prices and the markets where you're more present in US and other markets? What are your expectations for the second half of the year?

A - Carlos Anibal {BIO 19090865 <GO>}

Okay. In the Second Quarter, we were able to increase our exports to Eastern Europe, and about 26%, North America, 32%. We took advantage of our local presence and that's where [ph] the great benefits, trying to help us to develop some niche markets.

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For the second half, we believe that our exports will be lower to those regions compared to the Second Quarter. In regard to prices, I think we're going to see a price increase of around 3% to 4%, coming from a different product mix and also from the fact that we will be selling different volumes to different regions.

Q - Marcelo Luna {BIO 15380566 <GO>}

Great. Thanks so much. The last quick question on pulp exports, it is clear that demand from China has been strong and while our exports to other regions has been falling.

Where do you believe your sales mix in particular percentage of export to Asia could go from where it is right now? Could we see maybe it's 5% to 10% higher sales to exports to Asia, and then what are the implications for your price -- average prices and margins? Thanks so much.

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

You're welcome. Our mix will follow a predetermined -- inasmuch as possible, a predetermined sales plan, strategic plan, whereby we favor customers and then users as opposed to markets per se. Okay. We service for example some global customers, who buy in different markets.

So to give you a short answer, our presence in Asia will continue to be substantial for the simple reason that Asian demand [ph] will continue to grow on a much stronger base than the European or the North American one. So our participation in Asia will continue to be substantial. Notwithstanding we will also emphasize presence in some key customers in Europe and the United States. So we want to have a balanced distribution.

Maybe in the Second Quarter of the year, our presence in Asia was a little bit (inaudible) of what we intend to have in the longer term, say some 3 to 4percentage points more or less, just to give you an idea, but we intend to continue to have a strong presence in Asia, in Europe and improve our presence in the United States.

Q - Marcelo Luna {BIO 15380566 <GO>}

Great. Thanks again, very helpful.

Operator

(Operator Instructions) Our next question comes from Bruno Zvarish [ph] from Credit Suisse.

Q - Bruno Zvarish

Okay. Good morning, everyone. I have a question regarding the paper business. Could you please give us an update on how the conversation is between Brazil for domestic paper producers and the government is progressing? If the new restrictive measures announced by the government is (inaudible) -- is already in place? Thank you.

FINAL

A - Andre Dorf {BIO 15460232 <GO>}

Bruno [ph], which conversation? Sorry, this is Andre.

Q - Bruno Zvarish

It's basically about the new measures that the government was -- had announced in May, which was regarding the curtailment of the number of importers in Brazil that are allowed to import papers, basically that (inaudible).

A - Andre Dorf {BIO 15460232 <GO>}

Okay. And we know that we had a [maybe the consortium] that was approved a couple weeks ago. Now the next section is going to come from the IRS or Receita Federal, which is about to release some instructions regarding how are they going to apply the new recommendations. They will approve it by the (inaudible). So we expect to see that in the upcoming weeks.

Q - Bruno Zvarish

Okay. Thank you.

Operator

(Operator Instructions) Ladies and gentlemen, this concludes the question and answer session at this time. I would like to turn the floor back over to Mr. Antonio Maciel Neto, for any closing remarks.

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

Okay, guys, thank you very much for the participation. This morning this conversation was very helpful. We will continue to be available for questions and conversations as soon as you need. Just for the conclusion of our discussion today, we see the market is improving. It is likely is the paper in the domestic market will increase for sure, and this is quite considering the inventories that we have today.

This is we are going to have a better mix with more in the return of markets. And as well probably the better mix on the ex-working quite [ph] now, so you know, the great that we sell. In the pulp market, we (inaudible) as well with China, and one thing that I would like to underline is that Suzano is extremely well positioned in China.

I think this is one of the key differentiators of Suzano as we speak compared with our competitors. We have a very good operation [ph] team in the Shanghai. All in the Chinese people, speaking the languages of the local markets, understanding very well with the customers. We have the key contracts with the key buyers of paper in China.

So as we see China moving forward, we see Suzano going together as a very key client [ph]. In Europe, we see a very good reception and good approach to our planted forest certified by FSC, so this has been a differential. Also we have a very good footprint in

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Europe with our paper distribution in -- our office in England and as well our book as we speak office in Switzerland.

So from the market perspective, I think we are in a better situation compared to what we had in our last call -- it is a little bit more positive, nothing to that to be in a big growth in the short-term, but I think consistently improving the volumes and the prices as an average go forward.

For the cost side, we have seen this good perspective and good trend compared, as we speak, talking about -- regarding to the cash cost. And as Ernesto (inaudible) that we don't foresee any big impact in the cost as we move forward. So good prospect on the cost as well. I think we're going to see better numbers as we look.

So having said that, we are -- we could say, that we are going to see better EBITDA margin. So however, we have the exchange rate that is something that we would consider in the -- if this will impact positively or negatively.

Now in case, you'll see that our net income was huge, big, more than BRL500 million, in excess of BRL500 million in the First Quarter of the year, but also we saw a reduction in the margins in some part, explained by the exchange rate.

This impact is going to continue as we move forward during the year because in the balance of the year -- because our debt structure is the same and the cost structure in the dollar denominated [structure is 18%].

So the impact will continue; it depends on where the exchange rate goes. So this is something -- from our side, we are going to continue working very hard to be close to our customers, to improve our sales and mainly, mainly, mainly to reduce our cost to continue being the lowest -- a very low cost producer or the lowest cost producer, both of that I think we are as we speak, compared as we have seen the numbers of our competitors in the Second Quarter.

Our next quarter, if not before, we are going to give another bit on then investment growth, whether we are on schedule or we are going to see any big news, but considering improving and moving forward with the first base for this future brand [ph].

So having said that, I thank you again and we give you the opportunity -- always we are going to be available for questions. Thank you very much.

Operator

Thank you. This concludes today's presentation. You may disconnect your line at this time, and have a nice day.

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