

# Q4 2010 Earnings Call

## Company Participants

- Alexandre Yambanis, Head of Pulp Business Unit
- Antonio Maciel Neto, CEO and IR Executive Officer
- Renato Tyszler, Controller

## Other Participants

- Carlos de Alba, Analyst
- Josh Milberg, Analyst
- Lucas Sahera, 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 2010 earnings conference call. All participants are in a listen-only mode during the conference's introduction that will be made by Mr. Antonio Maciel Neto, CEO and IR Director. And later we will conduct a Q-and-A session when further information will be given. (Operator Instructions)

Now, I would like to turn the call over to Mr. Antonio Maciel Neto who will begin the conference call. Thank you.

### Antonio Maciel Neto {BIO 15914445 <GO>}

Good morning, everyone. Thank you very much for joining us this morning. This is the -- we are here again to present our -- the Suzano's results. At this time we are going to talk about Fourth Quarter results and we will present some highlights about full-year 2010 as well. So I will go through straight to the presentation, and we will have some time after for Q&A.

If you go to page two, we have highlights of the Fourth Quarter in the global market. Pulp production worldwide and market pulp production was 10.8 million tons in the Fourth Quarter, and it is 3.8% higher than Fourth Quarter last year, very much aligned with Third Quarter 2010.

Sales of market pulp in the Fourth Quarter 10.8 million tons, and eucalyptus 3.6 million tons, about 6% higher than the Third Quarter, both case, and eucalyptus aligned with same period last year. Inventories at year-end at 30 days, at that time the inventories were below 33 days that had been the historical average. Price in the end of Fourth Quarter, FOEX, \$849 per ton.

Shipments to China is something that we always like to highlight. We had a big increase of market pulp shipments in December versus November and end of October as well. For eucalyptus we had this impressive number, that December numbers were 148% higher than October 2010.

Very clear here that China, as we had anticipated before, Alexandre Yambanis mentioned this factor in our last call, China decreased out the orders since August-September. These numbers here reflects what happened in November -- October and November.

But in December they came back with very strong orders, and the same happening in January. January numbers were below December, for sure. However, it's very, very strong numbers as well. So I think we are back to the normal commercial relations with China, and inventories are very well aligned. If needed, Alexandre Yambanis can talk further on these during Q-and-A session.

In the low domestic market also we had some increases in the printing and writing, mainly 2.2% compared with the Third Quarter and 7% higher volumes than Fourth Quarter '09. Paperboards, we experienced a decrease in the volumes in the Fourth Quarter mainly to the Third Quarter -- when compared with Third Quarter.

Third quarter is always very strong. Here we always note the strong demand for preparing packaging for the Christmas time. And we see -- and before as well the market was very hot. So we had more normalized volumes and some reduction in the total volumes.

Export accounted for 36.9% of total sales versus 34.2%, very strong month on the exports, Suzano had very, very strong month on exports as well closing the year. Imports, printing and writing, now aligned at the very high level of 25.6%. It was 25.4% in the Third Quarter.

Here, unfortunately, we have some illegal imports inside these numbers. Everybody knows this tax extortion we have in Brazil. Here, unlike the, any other country in the world, we have the paper dedicated to books and notebooks and school-related material. The -- those papers do not pay any tax.

This is a big advantage, in an excess 25%, 28% difference when you compare it with the tax imposed in the local -- in the papers local, in imported papers not dedicated for those applications with the exchange rate at levels we have today, and we have seen some natural increase in imports, this is happening -- this phenomenon is happening in all sectors in Brazil, imports are growing, exports growing as well.

But in our case, in the paper we have seen this destruction because some of the paper are imported. In the import, they declare that the paper would be utilized to produce books and school-related stuff, and after they deviate this application provoking a very unfair competition to the local producer.

The good news is that federal government and the local government as well, they are fully aware of the problem and they are working. They have -- in the federal level, they have changed regulation. They are putting some restriction, putting more focus analyzing the information data about importers. They have introduced several information needed to import this kind of material.

In the local state, in Sao Paulo State where 95% of this, let's say, deviated paper start the journey, they have -- the government has introduced this electronic invoicing, and with the electronic invoice we hope that they are going to be easier to track where the paper moves from one place to another place, and this will be easier for them to fight against this situation.

However, this is the -- the local market is growing. Imports are growing as well. We are going to see that in the, during the year we had a impressive growth in the market. And the -- this illegal imports, we have big hopes that this is going to be at least controlled in the coming months.

Demand in printing and writing markets in the Fourth Quarter worldwide, in Western Europe is very well aligned with last quarter. North America, we see this -- some drop compared with the Fourth Quarter -- Third Quarter and also with Fourth Quarter '09. And Latin America, aligned with the Third Quarter in the impressive 11% growth compared with Fourth Quarter '09.

On page three we have some highlights, quick highlights on pulp business units. Very interesting sales quarter, an excess of 400,000 tons which is 5.7% higher than Third Quarter '10. Net price in the Fourth Quarter at \$717 per ton. In dollars this is 4.1% lower than Third Quarter. This is more than explained by the behavior on the Chinese markets. And as we see this is more normalized.

As we speak now, we are considering more flat prices for margin and with a good outlook for the price during the year. In reais, you see that the average price in the Fourth Quarter was 22.4% higher than the Fourth Quarter '09. Net revenues of our pulp business at BRL500 million, 21% (sic; see Press Release) higher than Fourth Quarter '09.

On the bottom of the page you see here the sales -- the pulp sales destination. Here the key -- there is some comment on Asia, changing from the Third Quarter when it was 25.8% of our total sales in the more normalized situation the Fourth Quarter '10 when we had 33.7% of our sales solely in Asia. Europe was the opposite. We had 43% in Third Quarter.

As Alexandre mentioned before in the last quarter, we were able to move some of the production pegging [ph] that was normally dedicated to China. Our people moved those sales to Brazil and mainly to Europe.

And this was a very good move, we were able to sell 43% of the total volume in Third Quarter in Europe, and now we had in the Fourth Quarter 35.9% more normalized situation. Fourth quarter is most likely what will happen this year, Europe and Asia in average of 35% as we move forward to 2011.

On page four, we have some highlights related to the paper business units. Very strong sales volumes as well during the quarter, in excess of 300,000 tons, 317,000 tons compared with the -- printing and writing compared with Third Quarter for 15.1% growth. Paperboard, as we mentioned before, some drop in sales, 3.2%.

And when we talk about paper price we had very flat numbers compared with Third Quarter '10. However, 8.6% higher price compared with the Fourth Quarter '09 reflecting here some -- the recovery of the price that we implemented during the year.

Domestic sales at 53.9% of the total sales. During the quarter we had very strong exports quarter. And net price in dollars compared with the Third Quarter, 2% reduction, in reais 4.9%. However, very clear recovery on export prices during 2010. You see that Fourth Quarter compared with Fourth Quarter of '10 -- 2010 compared with Fourth Quarter '09 we had in dollars 17.3% higher price, and in reais our prices were 14.5% higher.

On destination, this -- in the Third Quarter, Brazil represented 61.6%. And now in the Fourth Quarter is 53.9% because we had much more exports than we had in last quarter.

On page five, we have here some highlights related to, starting with the EBITDA and net revenue. The EBITDA that we reported EBITDA of BRL378 million and adjusted EBITDA BRL361 million for the Fourth Quarter, okay. This is the number that we have seen before.

We see -- we -- here we have some comments. This month -- this quarter we have some adjustments. I think that it will be important to highlight some of the adjustments, what has happened with our EBITDA during this quarter.

I think its worth to remember, to consider that in the Second Quarter 2010 -- in the Third Quarter of 2010, we didn't have any adjustments, okay, no recurring items, we didn't have any of non-recurring items. So Second Quarter and Third Quarter, the results, the EBITDA, they were straight direct to the numbers.

In the First Quarter of 2010, we had some adjustments and the Q1 was related to the sales of our forest assets in Minas Gerais, Turmalina sales. I think everybody here know that we had this operation that was concluded in the First Quarter. So First Quarter for sure we had big adjustment mainly with adding BRL253 million to our EBITDA due to the sales of these forest assets.

Second quarter and Third Quarter, we didn't have any adjustment. In the Fourth Quarter, we had a net adjustment of non-recurring items of BRL15 million. This is a -- in fact, we had several ones, BRL15 million, it was like not a big number but we had big swings on the numbers.

And I will ask at this point to our controller, Renato Tyszler, to give you quick highlight about, to explain a little bit more what happened in the -- about this adjustment that we implemented in the Fourth Quarter 2010.

### **Renato Tyszler** {BIO 19916380 <GO>}

Okay. I'll go through the items referred to in page 29 of the press release if you have in your hands, which basically includes a reconciliation of current EBITDA and adjusted [ph] EBITDA. I'll go one by one from top to bottom.

So if you look at the EBITDA, BRL378 million, with a margin of 31.7%. We then exclude the fair value adjustment of biological assets in the amount of BRL28 million because this is the non-cash item. This is a requirement from the new accounting standards applied in Brazil, started -- starting in 2010.

Then on cost of goods sold, we have two non-recurring adjustment. The first one is an additional inventory adjustment of BRL2.5 million. And the second, which is included in others, is mainly due to a tax provision for a case that the loss was considered possible and became probable. But we have not reported that provision. So once it became profitable, we reported a provision and that is in the amount of around BRL10 million.

On the sales expenses line, we had a non-recurring adjustment to bad debt expenses in the amount of BRL5 million, and that's related to bad debt from customers in years prior to 2010. And that in our quarterly reviews of our bad debt expenses, we concluded that the probability of receiving the full amount was diminished, so we decided to make an additional provision.

On the administrative expenses line, we had basically three main adjustments. The first one, as you can see, is BRL26.3 million in labor and civil provision, and that's related to a lawsuit that started in '97 and that the loss was considered possible, at least partially possible for the administration. And in the Fourth Quarter 2010 it became probable, the loss, and we had to record the balance to get to the full amount of the lawsuit.

Then we have two adjustments that are also non-recurring, and they favored our results in the Fourth Quarter. The first one is that we reversed a balance of our profit-sharing program that was not used in 2010.

And the second is the expenses related to actuarial liabilities that were recorded as administrative expenses along the years, and we reclassified to our provision line by the Fourth Quarter. If you want to take a look at our total provisions for actuarial expenses, you can find in the notes 19 in the financial reports.

Last but not least, we have the depletion adjustment that we made in the Fourth Quarter. So that's an adjustment of BRL21 million for the quarter and BRL26 million for the year, and that's related to the third-party wood depletion.

In fact, we make adjustments to our third-party wood suppliers during the seven-year period of the forest growth. So this advances, they range between 20% to 30% of their total cost. And once you [see more] wood in the mill this advance become a non-cash item.

So the change we made was that we continued to record the full cost of the third-party wood in our cost of good sales, but now we are returning to EBITDA the amount of advances related to specific wood that we consume and resold the product. So this is exactly like the treatment we have for our own wood depletion, but the difference is that in the third-party it goes to advances to suppliers.

And in the case of our own wood, it goes to the CapEx line. If you want to refer to note the (inaudible) in the financial report, you will be able to see the total advance amounts. So that will go to the adjusted EBITDA of BRL363 million with a margin of 30.4%.

### **Antonio Maciel Neto** {BIO 15914445 <GO>}

Very good, Renato. If you guys have additional questions related to this EBITDA adjustment and the result we had this year, we are going to be -- we will have time during the Q-and-A session to go through.

I just would add what Renato mentioned that this is a fact that our competitors are using, and this is the -- as we compare EBITDA versus how we have other competitors relating those results, that will be same. We were with -- I think this is now much more -- this is the right thing to be done, and these align what we have seen in the market so far.

I will ask you guys just to change the numbers. We had the -- a problem here when we received the Fourth Quarter, this actual number -- yes, we are talking in slide number five. We are at number five, we still are on number five, we haven't changed in the slide number five.

We have the Fourth Quarter, the right number of the EBITDA margin to be -- to compare with the other numbers here in the EBITDA is BRL378 million, and the margin is 30.4% instead of 30.2%. During the paper that we presented during the Portuguese call is correct, only here in the English version that we have -- we had this change.

As we have seen in the -- on the page 29 of our press release, we -- you see and where Renato went through, we have the right numbers, BRL378 million is the EBITDA that should be replaced here where we have BRL361 million. Right margins we see 30 -- with the 37.8% margin, the right margin is 31.7%, okay. So sorry for that.

On the pulp cash cost, we notice a decrease of BRL27 per ton in the Fourth Quarter compared with the Third Quarter. The key numbers here are the wood cost. We had this wood cost because we had lower level of utilization of third-party woods. So this contributed with this BRL18. Chemicals and oil related products, we had BRL11 of increase in the prices.

Fixed costs was the good news. This is related with the higher production than in the Fourth Quarter compared with Third Quarter and lower cost of maintenance. This reflects a more stable production at Mucuri line two mill. And this is a good news that probably we are going to continue to see good news here.

On the wood to third parties, the percentage we -- during 2011, we are going to use more than we have, the average that we have used during the Fourth Quarter. So this is not going to continue to be good news like we see here. In the range -- our cash cost probably will stay in the range BRL450, BRL460 in the coming quarter. When we talk about net income in the quarter, it was BRL251 million.

We can move to page six, to walk quickly on with debt and leverage. You see on the bottom of the page, in the right side, that we -- last year in the Fourth Quarter '09 our net debt/EBITDA was 3.5. Now we closed at two. We have talked about this several times and this is very much aligned with the plan that we had for 2010.

We ended the quarter and the year with cash and cash equivalents of BRL3.7 billion with the acquisition of Conpacel and KSR. We took from our cash BRL1.5 billion. This was in a situation that -- good situation for us. We didn't need any bridge loans and any of the special financial operations to complete the cash acquisition of this very important asset for us.

If you have here exact numbers and the calculations that you go through, if you take out BRL1.5 million from this numbers here, you are going to see a net debt/EBITDA around 2.8, 2.9. However, probably in April-May, we are going to have complete the debenture, convertible debentures that we are issuing as we speak preparing the documents and paperwork for that.

And this is going to bring back to the cash BRL1.5 billion in equity like. So this is going to bring us back to the situation we were. During the year, we are going to add the EBITDA that will be generated by the 50% of Conpacel that we have just acquired.

And however, during the year we are going to have some capital expenditures. This year will be -- 2011 will be a strong year for -- a hot year if we talk about capital expenditure. And this is, will be -- in our next call that will happen in May, we will be able to deliver more information about the capital expense.

As you know, we have completed the negotiations with Metso and Siemens to supply the key part of the equipments of our Maranhao mill. The Board of Directors has authorized us to complete, to conclude the negotiation and sign the contracts basically if it reflects what we have mentioned to them.

And with that we will be able to anticipate in about six months the start up of Maranhao mill. It was planned for November the 30th. Now we are taking about April the 30th. And this we will require some upfront investment in those topics.

The total budget for the industrial part, the completion of the site continues to be at the level of \$2.3 billion. However, during this year, 2011, most likely we will spend more money than we were planning before. However, we -- for sure we have already signed the contract with BNDES. We are going to have the financing. However, we are going to have more investments in the level of capital expenditure during this year.

So in May, we will be back here to talk and to deliver more information related to the capital expenditure. But we will make sure that we continue with in a comfortable numbers related to this net debt/EBITDA, the overall leverage.

On page seven, we see some highlights of the global market now, not only talking about the Fourth Quarter but about the full year of 2010. Global market pulp production at 41.7 million tons, about 6.4% higher than 2009. Market pulp growth is 41 million tons, at 41 million tons. Eucalyptus, 13.8%.

Global inventories at 30 days. Prices, I have mentioned before, however, here you have a comparison of the prices in 2010, end of 2010 compared with the price at the end of 2009. You can see the move from \$565 per ton to \$847 per ton at 49.9% higher price.

China is always the important item to be mentioned. Here you have probably some surprising numbers because you see that despite the very strong year of sales in China and the demand in

China, they have bought much less than they had bought in 2009. It's very important to mention, to underline that in 2009 when the prices dropped a lot, the Chinese they decided to buy big volumes.

They built up very big inventories. And looking at the numbers that we have in the line above, you see that they were right. They bought a lot with lower price of pulp. During the year of 2010, the price increased by 50% and they were able to buy much less than they would buy -- would have bought in a stable market.

On the domestic market, we see in printing and writing in Brazil we are approaching 2 million tons in the -- of printing and writing, 10.2% higher volumes in 2009, and paperboards very strong year as well, 13.4%, despite the reduction in the slowdown that we noticed in the Fourth Quarter.

Exports, total exports accounted for 48.9% in Brazil compared to 52% in 2009, same reasons that we mentioned before. Printing and writing paper imports grew from 18.8% to 24.5%. Again, here a big -- the strong participation, unfortunately, of illegal imports that I have mentioned before.

Demand at main print and writing market in 2010, Western Europe, 3.5% higher; North America, 3.6% higher; Latin America, 12.4% higher. Thus it's true that 2009 was a weak year. However, we -- the good news that we are seeing some recovery and consistent recovery because we saw that during over -- during the year.

On page eight, just some highlights for Suzano. Pulp price for us were 57.8% higher in 2010, this is a higher price than the average. Here we have a very good action from our pulp team managing the destinations, the mix, discounts and so forth. And here we can see that our prices were higher than the overall average in the market.

Paper, same, average price increased by 2.7% compared to 2009. Paperboard expense, 8.1% higher price in the higher domestic market participation as well. Net revenues for Suzano at BRL4.5 billion, 14.2% higher. EBITDA, 46.7% higher, at the levels of BRL1.7 billion.

Net income, we -- despite the fact that we -- our EBITDA went from BRL1.1 billion to BRL1.7 billion, and the net revenue 14.2%, we had a drop of 18% in our net income more than explained by exchange rate variations in the adoption of new rules of the IFRS.

We like always to talk about our financial position. We are very proud of the work that our team has been developing. We have a very good debt profile and a very competitive debt cost with the duration of 43 months. Leverage reduction, I have mentioned before, was very important as well, moving from 3.5 to 2. And also the issue of \$650 million in senior notes rated as Investment Grade by Moody's.

2010 will be always remembered as the year that we launched our Suzano plan 2024. We announced this plan after two years of hard work. And 2010 wasn't only -- it was not only the year that we have announced the -- we announced the plan. It's actually the year where we took a lot of action as well following the directions within the Suzano 2024 plan.

Just to mention few here, FuturaGene acquisition, Suzano Renewable Energy Company I think are the key examples. The expansion projects Maranhao and Piaui, they were updated with a lot of actions as well. We had the financing and also now the acquisition of the equipments now very much concluded, and Conpacel and KSR acquisitions as well. I have mentioned the sale of non-strategic forest assets in the beginning of the year --

On page nine, going to the final presentation, to finalize year. Just to mention that we had this very strong year on net revenue, EBITDA, reduction of the leverage. However, we had a lower levels of

the net income despite the fact this year EBITDA moved from BRL1.1 billion to BRL1.7 billion as I explained before as of the exchange rate.

Final page, just -- I'm not going to read all of this, just a highlight for you guys to have front of you, that in the paper we moved forward with our acquisition that was the key acquisition that we had in our plan to buy 50% of Conpacel. You guys know that Conpacel is the best asset to produce -- best asset in the world to produce paper to be sold in Sao Paulo State where we have an excess of 30% of local market, almost 40%.

Here also answering some questions still confirm that we have our EBITDA, the 50% EBITDA of Suzano, we have 50% of Conpacel generate the EBITDA of BRL250 million. This is our numbers, not (inaudible) numbers, but this is an indication where it was the starting point for us.

On the organic growth, we mentioned the finance from BNDES, BRL2.7 billion. We have already signed the contracts. The mandatory convertible debentures of BRL1.2 billion that is being prepared to be launched very soon. And what we have announced just some moment ago, last night, about the authorization from the Board to buy the equipments for the Maranhao startup, for the Maranhao mill.

Renewable, Suzano Renewable Energy, we are moving forward with the capital structure being defined, basic engineering being completed. A lot of final stage of contracting customers, we have memorandum of understanding with several of them. And now we are in a point to sign this long-term contracts. We are defining the right location of the sight as well.

FuturaGene is moving forward. The key highlights that the -- that we are setting up a research center in China, as well we are growing our labs in Israel. And we have already created the FuturaGene Brazil that will concentrate all our activities.

Having said that, I bring back the word to the coordinator to take the questions. Thank you.

## Questions And Answers

### Operator

Carlos de Alba, Morgan Stanley.

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

I have few questions, the first one is if you can talk a little about your guidance for volumes, papers and pulp, now that you have Conpacel, where do you see these numbers in 2011?

And also about the Piaui situation, you are -- are you still on plan, is still your plan to go ahead with Piaui with the CapEx and the timing that you had mentioned in the past or do you expect to have some changes similar to what is happening to now?

Then finally, if you can give us your forecast for pulp shipments into China this year, I will appreciate that. Thank you very much.

### A - Antonio Maciel Neto {BIO 15914445 <GO>}

Let me start with the information. The numbers we have for this year is very much the numbers we had last year adding the volumes of Conpacel. So the -- for paper --

### A - Renato Tyszler {BIO 19916380 <GO>}



200,000 tons, roughly speaking.

**A - Antonio Maciel Neto** {BIO 15914445 <GO>}

Yes. In paper.

**A - Renato Tyszler** {BIO 19916380 <GO>}

And 170 --

**A - Antonio Maciel Neto** {BIO 15914445 <GO>}

And 170,000 for market pulp.

**A - Renato Tyszler** {BIO 19916380 <GO>}

Yes.

**A - Antonio Maciel Neto** {BIO 15914445 <GO>}

That's the -- very much the numbers we have, plus 100 -- in paper we 190,000 to be more precise.

**A - Renato Tyszler** {BIO 19916380 <GO>}

To be more precise, it's 190.

**A - Antonio Maciel Neto** {BIO 15914445 <GO>}

And in the pulp it's 170,000 tons as well. We've very much -- we don't have excess capacity. We worked at full capacity this year. Probably we can have some improvements in productivity, more stable production as well. So we don't expect any big guidance, big changes as we discussed. For China, Alex could give you some highlights on the volumes for China compared 2010, 2009.

**A - Alexandre Yambanis** {BIO 16470785 <GO>}

Yes. According to our strategic planning going forward, we will ship roughly 33% to 34% of our output of our sales to China, which is nothing more than the resumption of our trend line for Asia and for China in particular. What we're doing in China, which is very important, we are looking at strategic customers and better long-term agreements with those customers.

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

And just in -- in 2010 why is that the growth that you expect to see in the total Chinese market, that was around 7.1 million tons in 2010, how much do you see the total market pulp in China increasing year on year if you have a view on that?

**A - Alexandre Yambanis** {BIO 16470785 <GO>}

Well 7 -- to put it into perspective, 7.1 million tons was roughly 1.6 million tons less than 2009. But if you consider that in 2009 with the volumes purchased by China which were roughly, as I said, 8.7 million tons, let's say maybe close to 1 million tons, that was speculative buying in 2009 after the crisis, and the Chinese took advantage of very, very low prices.

So I would say that -- and it's very difficult to give you a precise forecast, we don't have that. Nobody does to tell you the truth. But maybe if you add -- if you add maybe some 700,000 to 800,000 tons this year that could be a very good ballpark to estimate Chinese imports.

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

Fair enough. Thank you. And just -- if we can talk a little bit about Piaui just to finalize my questions, any expected changes to the Piaui CapEx or timetable?

**A - Antonio Maciel Neto** {BIO 15914445 <GO>}

Not so far. No changes so far. In May we come back with the details for you guys.

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

Thank you.

**Operator**

Lucas Sahera [ph], JPMorgan.

**Q - Lucas Sahera**

Just to understand a little bit better the adjustments to EBITDA. It will be very helpful if you could provide any guidance of what would you expect for, let's say, EBITDA per ton or any matrix excluding the non-cash items for this year. So what would you see in EBITDA, well, imagining flat prices and what can we see in terms of EBITDA per ton excluding these cash items? Thanks.

**A - Antonio Maciel Neto** {BIO 15914445 <GO>}

Look, so we put here full disclosure of all the adjustments for you to have an idea and to make your calculations. Our policy is not to give guidance, it may be to -- related to EBITDA, so have a lot of variations, we have wood price, we have -- we don't know what's going to happen with chemicals, oil prices, even though the market as well is very stable. So our policy has been not to give any guidance on -- as for the future, especially on the EBITDA. Sorry for that.

**Q - Lucas Sahera**

That's well. Thank you.

**Operator**

(Operator Instructions) Josh Milberg, Deutsche Bank.

**Q - Josh Milberg** {BIO 2004065 <GO>}

My first question is on the accelerated timeframe for the Maranhao project. Presumably part of what had determined your earlier timeframe for starting it up with having your wood needs addressed.

And so taking into account the six; to seven-year tree growth cycle, can you just explain what's going to allow you to startup six months ahead of time? Will you rely more on third-party wood initially, or are you in a position now to be able to cut the trees a bit earlier? That's my first question.

**A - Antonio Maciel Neto** {BIO 15914445 <GO>}

Josh, this is Maciel speaking for your question. We, just to mention, we bought this -- the forest from Vale in 2008 -- the end of 2008. I think you will remember that we bought this 86,000 hectares, there we had 56,000 hectares of planted tree that are hardwood trees.

So for the beginning of the startup we are counting very much on this forest that we bought from Vale at that time. So for the first years -- for the first year, we don't have any problem to move the startup six months ahead, in fact, because we have all the wood available.

As you know, we are planting in the Maranhao, and we are going to use about 50,000 hectares from Vale forest that Vale is planting as well their forest under our -- in coordination with our forest people here. So in the first years we don't see any problem of with the startup.

After three or four years, we are going to be -- we are going to need to buy in about 10% to 20% of the needs during one or two years, and we have already negotiated and we have this contracts underway to have this bought.

So we are going differently from other startups worldwide and in Brazil as well when we will have a shortage of wood in the beginning, we don't have it. We have all the wood we needed for -- at least for the two years and three years, two years and a half, we are fully -- we don't have any problem.

After that we are going to see some shortage and then we are going to have two things, we are going to start planting. We are planting as we speak now, and then we can use forest five years, 5.5 or six years, or we can buy, and we are buying some to guarantee exactly what we are going to work out.

So your question is very important because normally when we have a startup you'll anticipate startup, this comes together with a very strong cost hike because then you need to buy wood, and normally you buy wood from a long, long distance. It's not the case. We are exactly on the planning situation that we had before.

**Q - Josh Milberg** {BIO 2004065 <GO>}

Okay, that's great. So my second question also relates to your upcoming pulp projects. Of course, after Maranhao you have Piaui and there are several other competitor projects. Do you have any view on whether the equipment suppliers have enough capacity to satisfy also demand in the timeframes that you and your competitors have talked about since there is just a few suppliers?

**A - Antonio Maciel Neto** {BIO 15914445 <GO>}

Josh, this is something that we analyzed a lot during the last month, say all the capacity to workup. We -- most of the equipments today for -- there are only two suppliers worldwide that -- with capabilities to build a full plant with all the equipments. And most of the equipments, let's say, the - what we call the key items in the plant, we have eight, and then we have two -- only two guys.

And Metso is that very traditional and very large supplier, big company excess of EUR6 billion to EUR7 billion in revenues in Europe with almost 100 years of tradition. We are going to buy from them. This is where we are heading to.

We are in the final stages of paperwork to conclude the negotiation. They will be our supplier. The other two projects, the big bulk of the (inaudible) plant and Earnids [ph] is the supplier, so I think that now we have one supplier with two big, big pieces, and one that's with Suzano for other parts. So I think that they will be able to manage the situation very well to their current capabilities.

**Q - Josh Milberg** {BIO 2004065 <GO>}

Okay. But my question actually was more in reference to the subsequent projects, Piaui and some of the other competitive projects that are in the pipeline for after 2013, but that's great perspective.

**A - Antonio Maciel Neto** {BIO 15914445 <GO>}

Okay. Thank you.

**Q - Josh Milberg** {BIO 2004065 <GO>}

Thank you.

## Operator

Carlos de Alba, Morgan Stanley.

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

Just a question on the paperboard decline in the Fourth Quarter 2010, could you elaborate a little bit more what caused the decline given how strong the domestic economy is in Brazil?

**A - Renato Tyszler** {BIO 19916380 <GO>}

Yes. We believe that most of that decline came from the fact that some of our customers of the market in general, they reduced their inventories to close the year. There is no reason to see such a big a change as it occurred last -- in the last quarter. So we can attribute -- we can say that most that came from inventory adjustment in the printers mainly.

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

All right. And do you have an estimate of demand growth in Brazil for paperboards in 2011?

**A - Renato Tyszler** {BIO 19916380 <GO>}

It's going to be a number between 4% and 6% following our GDP.

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

Thank you.

## Operator

(Operator Instructions) The Q-and-A session is now over. I'd like to pass the call over to Mr. Antonio Maciel for his last statements.

**A - Antonio Maciel Neto** {BIO 15914445 <GO>}

Okay. Thank you very much. Is -- we have been very busy with all the projects, and -- but we are very optimistic with the year of 2011. We see the demand in the key markets going up. We had during the Portuguese call a good discussion on capacities coming back but also with the growth and the demand in China, that probably is going to offset all these discussion.

So we see the -- for 2011 a market with a very good balance and not -- with very good demand for our products, pulp worldwide markets and paper mainly for the Latin America market.

So we are -- our projects, future growth projects are on track, on time. In fact, we are better than the timing that we had prepared before. We have our finance team here, Bernardo and the team has worked a lot to put in the place the financing structure for it. I think we have a very, very competitive finance structure for the Maranhao project, including the ports with regard to costs and also related to the timing and terms for this contract.

We see we were able to buy Conpacel that was one of the key targets we had to consolidate our presence in the local market and also to improve a lot our distribution using our own cash.

And in fact, as we have mentioned during the call when we announced the acquisition of Conpacel for our leverage in 2013, when it is going to be the tip of our leverage, this acquisition is very much

going to work and be positive because we are spending the money now. And we are going to have all the EBITDA generated during this period. So Conpacel is not going to hurt this -- our leverage. In fact, can improve or at least be neutral.

Our cash situation is very strong as we have the debenture is coming back, the monetary convertible debenture coming into our cash by April-May. This is going to maintaining us in a very strong position. Having said that, I need to repeat, to mention again, the capital structure we have to implement the Maranhao project in the ports, considering that we are putting BRL1.2 billion in equity because this mandatory convertible debenture is considered equity.

We, in the cash level we have, with the financial structure we have, the net debt/EBITDA is not going to grow above three or the number that we -- can be considered a difficult number for us, for our investment grade position up to 2013.

The problems that probably that we have -- and we have a lot, we have made new action to be taken up to the, it will be in -- for 2013 leverage. I think it's important to repeat again that we don't see any leverage problems up to 2013.

And a lot of people, we have talked with our friends in the banks and to other guests [ph], lot of discussions now about this putting some concerns about our leverage, the big -- the outstanding pipeline.

This is good news because we have a -- everybody knows that this is outstanding pipeline of products, these projects we have. And they see that probably we are going to have a temptation of going forward with these projects not respecting our fiscal year of financial conservative position.

So we don't need any big actions on equity or -- up to 2013. Changes came there, we can see some changes in the market, all this stuff, but we are in a comfortable situation to move forward with Maranhao project with the forest preparation for Piaui project and then we are going to take actions.

Everybody knows here that the secrets we have in our projects here, first we have the authorization of our Board to announce the project and to present the capacity, the budget in the plant, and at the same time normally the Board authorizes us to move forward with the forest investment.

The second phase is that's extremely important, it happens -- like happened now in Maranhao is when the Board authorized us to buy the equipments considering the financial structure that we put in front of them.

So in Maranhao project we have already now the authorization to move forward with the equipment. And this is the kind of no return point, but the (inaudible) and we only move in this direction because we had the finance in place, including the cash restructuring in place with the mandatory convertible debenture.

For Piaui, we are in stage one where we are moving and with the plantation. We are going to have to take the decision of the Piaui maintaining this schedule that we have considered before, this is in the beginning of next year. So we have at least 12 months to decide about the acquisition of the project. So far we are maintaining, we are moving with the forest investment. This is not going to hurt us.

So we don't need to take any action before First Quarter of next year, during 2012, to protect or to avoid some big event. We have all the actions we can take up to that. But so far, 2011, beginning of

2012 we don't have this [in there].

Everybody continues to talk to us and to look at our equity, our investment, we have an excess of 7,000 investors in excess, Suzano. We -- they talk -- I think the projects are outstanding, very good, very good. Nobody has enough pipeline of projects like Suzano has using a lot our forest-based assets, outstanding forest-based assets we have.

However, how we are going to finance? As we have done before, we are going to finance one by one. And considering this situation we have so far now, we delivered the 2, the net debt/EBITDA that we are planning for this year.

Now we bought Conpacel, we are moving with Maranhao in the port project. Next year we are going to take the decision on the -- to continue Piaui, the forests continue to move forward, and we are going to find some.

So not the case that we are very, very comfortable this year to concentrate our efforts in the question what we have instead of looking for some other action. We don't need to put more money in our cash doing this because we don't have -- what we are going to do with this, and then we are going to address this as the problems comes, and we have a lot of other solutions for that.

Having said that, I would like to thank you everyone for this participation. And we will continue here, always available for additional questions and clarifications. Thank you very much.

## Operator

The Suzano Pulp and Paper conference call is now over. We thank you for your participation. And have a nice day.

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