

Q1 2013 Earnings Call

Company Participants

- Alberto Monteiro de Queiroz Netto, CFO
- Alexandre Yambanis, Pulp Business Unit Officer
- Carlos Anibal, Paper Business Unit Officer
- Ernesto Pousada, COO
- Walter Schalka, CEO

Other Participants

- Alex Sciacio, Analyst
- Andres Pinheiro, Analyst
- Carlos de Alba, Analyst
- Felipe Koh, Analyst
- Marcelo Aguiar, Analyst
- Renato Antunes, Analyst
- Thiago Lofiego, Analyst
- Vincenzo Paternostro, Analyst

Presentation

Operator

(Interpreted) Good morning, ladies and gentlemen. Thank you for waiting. Welcome to Suzano Pulp and Paper conference call to discuss the results for the First Quarter of 2013. Participants will be in a listen-only mode during the conference introduction, made by Walter Schalka, CEO of the Company. Later, we will conduct a Q&A session, when further information will be given.

We would like to inform that each participant can make only two questions. (Operator Instructions) I will now give the floor to Mr. Schalka, who will begin the conference call. Thank you.

Walter Schalka {BIO 2099929 <GO>}

(Interpreted) Good morning. Good afternoon to all of you. Thank you for attending our teleconference. Thank you for being with us. Let me make my presentation, showing a conservative optimism vis-a-vis Suzano's position.

We had a positive evolution in the First Quarter with an EBITDA of BRL307 billion in the first semester, an increase of 37% over the First Quarter of last year, a percentage margin of 27.9%, 4.9 percentage points above the 23 points that we had last quarter.

In the last 12 months, the Company has an EBITDA of BRL1.371 billion, i.e., an increase of BRL90 million over last year. The main drivers for better results were a gradual improvement of the pulp price, which started to carry a few months ago, and it's still going on.

This quarter, we had an increase of the bulk price, 3.1% over last -- the last quarter of last year, 11% above the First Quarter of 2012, the increase participation in the domestic market, higher share, and also the increase in paper in the domestic pipe -- paper prices in the domestic market, which today accounts for 68% of total sales in Latin America.

In the non-positive side, we had an increase in the cash costs, BRL606, excluding the downtime, that has a direct relation with the higher price in woods, which, as you are going to see, had an impact of BRL45 vis-a-vis the First Quarter of 2012.

Also, on the positive side, we had a reduction in SG&A compared to the First Quarter last year by 4.4%. In other words, in addition to a reduction to non-transferring of the inflation to expenditures, we managed to reduce expenditures by 4.4%, which is a very important aspect.

Another very important point of the quarter is the fact that we are now announcing that the Maranhao Project is still within schedule. We are going to start the project in the last quarter of this year when we commission the plant at that point. We are going to have pulp by the last quarter of this year, and the investments are still within the same parameters that we had announced, the same parameters of invested value.

Another positive aspect is our financial solid position. We had BRL4.3 billion in cash. In spite of the net debt, which has increased to BRL6.8 billion, the investment method of BRL750 million this semester in the operations in Maranhao.

With all that, we managed to maintain a very positive cash position. And even in spite of the higher net debt, the EBITDA grew to BRL361 -- BRL1.361 billion as maintained our leverage by five times. In other words, we managed to offset the increased debt with the increase of EBITDA which is a very positive sign.

And to the sales volume and net revenues, the highlight on the slide, the fact that we had an increase of revenue of 13% vis-a-vis the First Quarter of last year, and in spite of a smaller amount of volumes, with 711,000 tons in this quarter.

This has to do, on the one hand, with the maintenance of the pulp volume in the export market, which is the same as last year, at the same level exactly, with a slight decrease of 7,000 tons in the domestic market in pulp sales, an increment or an increase in paper sales of around 8% in the domestic market vis-a-vis the First Quarter of last year and a

significant drop in sales in the foreign market due to a more strict discipline vis-a-vis prices in the export market for paper.

As to cash cost -- and this is really great trend to have here at Suzano, we had a higher cash cost, which is a result of two events, the first of them the cost of wood. As you can see on the left-hand chart, we had an increase of BRL45 vis-a-vis the First Quarter of last year. This owes itself to a greater share of third-party wood vis-a-vis our own wood, with the increase of the average radius of the wood, so these two impacts.

And also, the downtime that we had in Line 2 in Mucuri, which was a very successful one because it occurred within the time and cost expected. But this leads to certain OpEx and there are some results which are not included in the costs of this downtime.

It's very important also to review the downtime policy that we're going to adopt this year. In the second half of the year, we are going to see downtime into Suzano's plant. And in the Third Quarter, we're going to have Mucuri's downtime and Limeira's downtime.

In the Fourth Quarter, we're not going to have any downtime of our operation. We've had no downtime -- nonscheduled downtime for this year so far. The plants are very stable, operating with good productivity levels, and this is something quite positive the way it's being conducted.

As to EBITDA, we had an increase of EBITDA last year and we also saw an increased margin, a quite significant one at that. This a result to a combination of effects, which had to do with prices, expenses, and a very important reduction of expenses which occurred along this quarter, and it's also got to do with a more strict stance as to the margins in paper and pulp, thus improving the distribution curve with the (inaudible) customers, our clients.

At the bottom part of slide number six, we give you the guidelines as to the focus that we're going to have as far as EBITDA is concerned for the next months. We're going to keep on being very strict in terms of price policy, quite disciplined. We have announced a price increase for the beginning of May of BRL30.

We are indeed applying the prices, so is an increase in trend for pulp prices. We also focus on reduction in cost and expenses (inaudible) operations have already occurred, and this will gradually help us reduce costs.

We also have been working on our working capital in order to reduce our indebtedness, because we extract capital from our operations. And as they have been more negative impact, we have finalized Capim Branco operation this week. We've had the approval of ANEEL this week. We had already gotten BNDES' approval, so next week these funds will be transferred to Suzano, in other words, they are going to conclude the operation.

And also, we're going to have more than BRL300 million in cash into the Company to reduce the debt. The counterpart of debt is that we have done energy contracts from

now until the end of this year when we have Maranhao's operation starting. We'll have to buy energy we're hedged. We won't have to buy energy at the market at higher costs.

On the other hand, we have still some wood coming from third parties in our mix, and this pushes the prices up. So in 2013, '14, and part of 2015, we'll have the situation which will have an impact on our results for this period.

As to the financial aspect, on page number seven, our debt is a little less than BRL6.8 billion. This is our net financial position. Our long-term debt has an average of 4.5 years with an average cost of 8.7% in reals and 6.6% in dollars.

And we are now working towards a reduction of these figures in the Second Quarter. There are two events that will lead to cost reduction. We have proceeded to the prepayment of debentures in the beginning of April. This was -- this represents a very high interest rate.

And in the beginning of this week we received the funds from ECA, Export Credit Agency, that was projected for Maranhao, was a \$480 million [ph] and with the cost of LIBOR 1.6%. Our horizon for liquidity is more than six months. This means that we are very solid, financially speaking.

In addition to BRL4.3 billion in cash, we have \$2 billion to receive on March 31 from BNDES and ECA. ECA will [go to receive this week]. And we have another BRL300 million to receive relative to Capim Branco. This should occur next week. This is more than enough to finish with Maranhao Project and the indebtedness for the next year.

Financially, the position is therefore very sound and we now need to work very strongly, and this is what we have been doing. We have seen positive impacts. We have been working to improve EBITDA on the current asset base of the Company.

As regards the Maranhao Unit, we've had good news. The project is still on time and on schedule. We are going to start up in the last quarter of this year. And as you can see in the pictures on page eight, you see the situation in April 2013.

More than 10,000 people are working in the construction and we do not foresee any problems or difficulties, although it is a big challenge. We will -- we expect to start up in the last quarter of the year. BRL621 million have been disbursed in the First Quarter of this year in the Maranhao Project.

As regards the civil construction, it is almost over. There are still some areas which have to be completed, some 10%, and the focus now is on the electromechanical assembly, which is progressing well. 31% of it had been completed on March the 31st.

And on the last page, on page nine, I would like to talk about our focus in the Company. There are two fundamental activities -- one of them is to focus on the management discipline of the booteen [ph] so we can capture the gains of efficiency from different

areas. We have opportunities in the forestry area, in logistics, also in distribution of paper and pulp in all of the areas of the Company and in the plants. We have opportunities to capture efficiency.

Our vision is to develop projects that will be both structural competitiveness so that in the long time the structural costs of operation can be optimal and be increasingly competitive. To that end, we will present projects every quarter which have been approved by the board to create this structural competitiveness.

I would like to announce today four projects which have been approved, and some of them will be executed. The first one is the biomass boiler in Mucuri of the Line 1, which will give rise to a reduction in the consumption of oil in our operation and a major reduction in the operating costs of Line 1. That's our most expensive line.

Then, we will begin to produce this year cut size paper at the Mucuri plant, and this will give us two advantages. We will be able to use the tax credits of Mucuri. We export pulp, and therefore we have ICMS credits. And on the other hand, it will allow us to better distribute cut size paper in the Northeast of the country.

The third project is a retrofitting effort at our Suzano plant, and we are going to have a new digester at Suzano, using the same technology of impera3 [ph] and Mucuri and beemada [ph].

Therefore, the operations of the continuous bio-digesters will no longer be in batch, and we will have this new digester to decrease the consumption of gas in the plants, and we will be able to product more pulp because the drying facilities of this pulp will be better. This is a very important project, which will be completed only in 2015, but we are going to start the process now. And this will reduce our operating costs in Suzano as well.

Also, the next project we are engaged in is a project that was approved at the board level, and it's a project to connect the power grid of Mucuri. This is a project for Line 1. And once the biomass boiler starts working, we will have surplus energy in Mucuri. And the idea is to have a 5 or 10 mega in the grid. Some 5 mega would be contracted, but the total is 8 megawatts, and this will improve our competitiveness at Mucuri.

What we are looking at with these actions is to reduce our structural costs and you will see other actions in the next few months. We are studying all the options, and this is also included in the CapEx for 2013. We are not exceeding the CapEx budget for 2013 because we do not want to increase the exposure of the Company to debt.

On the other hand, in time we will see a benefit on the EBITDA of these operations. And also, we look for increasing operational efficiency in our plants, in our operations, in all the areas, and this will also give rise to gains in terms of cost reduction or gains in margins that we will capture throughout the years.

So this was the presentation for this quarter, and I would now like to open for the Q&A session.

Questions And Answers

Operator

(Interpreted) Excuse me, ladies and gentlemen. we will now begin the Q&A session.

(Operator Instructions) Our first question comes from Mr. Renato Antunes from Brasil Plural.

Q - Renato Antunes {BIO 17439917 <GO>}

(Interpreted) Good morning, to all. Thank you very much for the call. My first question has to do with costs. Walter, you talked a lot about costs. Can you help me understand two things? Maybe you could focus on the long-term.

I know that it's difficult to give a number, but in the beginning of 2013, what have you seen that can be improved and what can you achieve from a structural point of view as regards the costs for pulp and paper in the next few years? I'm not thinking about 2013 or '14 only, because of energy and wood. So this is my first question.

Then, the domestic market of paper, what about prices? We saw in the last of the Fourth Quarter and beginning of the First Quarter an increase in prices. How do you see prices going this year?

A - Walter Schalka {BIO 2099929 <GO>}

(Interpreted) I'm going to take the first part of your question, Renato. Thank you very much for attending our call. Then, I'm going to pass the floor over to Carlos Anibal, who is going to talk about the prices of paper.

From a structural point of view, Suzano can become a benchmark in costs. If you look at our assets in Sao Paulo, in Bahia, and in Maranhao. There is no reason for us to not become a benchmark in terms of costs. We do have to make some investments -- industrial investments, but there are opportunities to reduce costs in forestry harvesting, transportation.

We have opportunities to reduce costs in our plants, especially the variable costs in all of the plants which are now operating. And the Maranhao plant is going to be very competitive once it starts up. And we also have opportunity to reduce SG&A.

I cannot give you a guidance, but what I can assure is that we are optimistic about the potential for cost reduction in time for all of our operations. And this is our focus. We are giving efforts to reduce costs from a structural point of view and also management efficiency and when we manage the good team of the Company. Now I'm going to turn over to Carlos and he's going to take the question on paper prices.

A - Carlos Anibal {BIO 19090865 <GO>}

(Interpreted) As you can see, our prices in the domestic markets rose 4.8% relative to Q4 2012 and 4% relative to the First Quarter of 2012, excluding the effects of the reduction of payroll charges. This price increase has to do with an increase in one of the lines. And in the Second Quarter, we have an increase in cardboard paper. This was announced in March, and we are working now to implement it as of April, which is going to have an impact in the Second Quarter.

For the other lines for now, we are monitoring the market supply and demand. And if there are opportunities, we are going to try to improve our average prices.

Q - Renato Antunes {BIO 17439917 <GO>}

(Interpreted) Thank you very much.

Operator

(Interpreted) Our next question comes from Mr. Thiago Lofiego from Merrill Lynch.

Q - Thiago Lofiego {BIO 16359318 <GO>}

(Interpreted) Good morning, to all. I have two questions. The first one has to do with the cash costs for the production of pulp, BRL660 compared. What can we expect for the next quarters? You had downtime for maintenance scheduled, so can we expect the cost of woods to drop or the mix will improve relative to the purchase of wood from third parties?

And can you also make some comments about the pulp market? In the last week, saw ForEx flat prices, and they are far from the expected \$850 for May. Are we going to see prices converge to those levels, or is it difficult to enforce those prices?

A - Ernesto Pousada {BIO 15951890 <GO>}

(Interpreted) Good morning, Thiago. This is Ernesto speaking. Thank you very much for your questions. As regards the cash costs, actually, the cost of wood structurally for the next two, two-and-a-half years will remain at very high levels. And although we have other downtime scheduled, we are not going to stop in Limeira or Mucuri, which are the main components of the cost cash that we disclosed.

And the effect from the point of view of the industry on this quarter had to do with the general stoppage, the general downtime. We had non-recurring items, which are included under OpEx, so we can expect the cost of wood to continue at those levels. But the costs that you see as a whole is not a structural cost. Obviously, we expect those costs to improve in the next quarter as regards the industrial part [ph].

Q - Thiago Lofiego {BIO 16359318 <GO>}

(Interpreted) I'm sorry to interrupt you, Ernesto, but BRL550, BRL600, would that be reasonable as an average for the year?

A - Ernesto Pousada {BIO 15951890 <GO>}

(Interpreted) Yes. And that region would be a good indicative figure.

A - Alexandre Yambanis {BIO 16470785 <GO>}

(Interpreted) This is Alexandre. Thiago. Good morning. I would like to take your question on the markets. You're right, we announced a price increase for May the 1st. Our price is now \$850 for Europe, \$750 for Asia, and \$900 for North America. And what we see is a continuation of a market that is in balance with a positive bias for the producers.

And I say this because the inventories are at 41 days. And although they are at 41 days and slightly above that rule that says that inventories had to be at 33 days, we still have a pricing power. The main market today is Asia, and the lead time to purchase pulp in Asia is longer than you could say pulp in Europe or the US. So 41 days is a balanced inventory now.

Then we have the startups of paper machinery, especially in Asia and especially in China for paper tissue. The market is absorbing that, but this is very modern machinery from Scandinavia, from Italy and the Chinese market, especially for tissue.

It's a depressed market, at least, there is better [ph] demand. There is pent-up demand. And you see the consumption of tissue in China of 3.6 kilograms per capita relative to 20/25 in the Europe and in the US. The consumption of tissue in China is they produce 6 million tons. The consumption in Taiwan is 8 kilos per ton.

So just a few things that the Chinese will consume as much as the Taiwanese, and we think that's going to happen very fast. We are talking about seven addition -- 7 million tons of additional paper tissue in China in the short-term. 2 million are being built, so the market will continue to be balanced with demand coming from Asia and the level of inventories that can be considered balanced despite the 41 days for hardwoods.

And about the fix [ph], the fix has huge distortion, fix is placed on a sample of producers and clients with a lot more clients, which tend to distort the number. And including too many political markets. The research is still -- is done by phone and picks people as clients how much they're paying for pulp today. That's all they need. So our prices have been consistently above the picks price in our markets.

Q - Thiago Lofiego {BIO 16359318 <GO>}

(Interpreted) Just as curiosity, in the last two years, this has changed a little bit. I expect just normal for you to announce a price increase and then this increase would converge in the ForEx, \$850, for example, we would see that happen in three to four weeks. So that has changed in recent times, right?

A - Alexandre Yambanis {BIO 16470785 <GO>}

(Interpreted) I'm not in charge of that. I can only tell you that ForEx is not reflecting the price levels that the market is practicing or that Suzano is practicing in the market. Now,

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since Suzano's practicing the pricing, I would tend to believe that the market is doing -- is actually doing these prices, or something close. So I think ForEx has a bias. They probably should review their pricing methodology.

This is something that is a hurdle for us, because in spite of the fact that this is a theoretic bias, it doesn't happen in practice -- in practice, we are way above -- ForEx should review their methodology for pricing.

Q - Thiago Lofiego {BIO 16359318 <GO>}

(Interpreted) Thank you very much for your answers.

Operator

(Interpreted) The next question comes from Felipe Koh, Citigroup.

Q - Felipe Koh {BIO 17962174 <GO>}

(Interpreted) Good morning, everybody. My question, in terms of the initiatives that you mentioned, what we're going to see in each quarter, are there any news? This quarter, was there anything new and do you have any guidance? Could you give us any figures, just to understand what the first step would be, what would be the first thing that we're seeing in the next four months -- or three months?

A - Walter Schalka {BIO 2099929 <GO>}

(Interpreted) Thank you. This is Walter. The four competitive structural competitiveness projects were approved by the board, and they are beginning to be executed. For the present time, we are going to have the funding at the beginning of the Fourth Quarter.

The biomass boiler also, we're going to fund it at around the same time. The digester is only projected for 2015. And the connection for Line 1 with the Mucuri grid, the funding will come after the Second Quarter of 2014.

However, other initiatives are in the pipeline to be analyzed, and we are going to keep on analyzing all these alternatives for a reduction of structural costs in our operations. And we do see lots of opportunities in some areas of the Company. I cannot really say anything right now because we have not submitted anything to the board. So as soon as these are approved at the board level we are going to share them with you.

Q - Felipe Koh {BIO 17962174 <GO>}

(Interpreted) But what about figures? Can you give us an order of magnitude so we have an idea of what we should expect?

A - Walter Schalka {BIO 2099929 <GO>}

(Interpreted) We do have some figures in the Company, but we'd rather not give you any guidance right now.

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Q - Felipe Koh {BIO 17962174 <GO>}

(Interpreted) In terms the BRL3 billion CapEx that you maintained, with the new initiatives that you are thinking of taking to the board, do you expect any changes in terms of CapEx for this year or beginning of next year?

A - Walter Schalka {BIO 2099929 <GO>}

(Interpreted) Not for this year. No changes are expected. We are still going to work with BRL3 billion the projects -- part of the purpose [ph] for these projects will be this year, part will be next year, but it always is the amount that was given to you last quarter of BRL148 million of investments in operating improvement.

So we don't see any changes in total CapEx. But for next year, we still don't have the figures. However, I'd say that it will certainly be above the sustaining CapEx for next year.

Q - Felipe Koh {BIO 17962174 <GO>}

(Interpreted) The second question, relative to your debt costs, you're receiving the money from Capim Branco and you paid for the debentures. So the figures that you showed in your presentation, is this after the payment of 18.7% [ph] per year and \$5.6? Or can we expect a decrease in this average rate?

A - Alberto Monteiro de Queiroz Netto {BIO 5193422 <GO>}

(Interpreted) Felipe, this is Alberto here. The figures do not reflect the disbursement from the BCAs [ph], which occurred in the beginning of this week of BRL460 million. And it does not reflect what we are seeing as an evolution in terms of new operations for reduction and longer rates.

So with the disbursement of -- with the disbursement of BNDES, the expectation is to have longer terms with BNDES. For example, 10 years, and, as Walter said in the beginning, these funds have more competitive costs, so we are going to naturally see a reduction of costs in the Company.

Q - Felipe Koh {BIO 17962174 <GO>}

(Interpreted) Do you have any projections, any estimate as to how much you would be able to reduce in terms of base points?

A - Alberto Monteiro de Queiroz Netto {BIO 5193422 <GO>}

(Interpreted) I cannot give you these figures right now, but the reduction of debenture, which was IGPM plus eight, and the entrance of BCA 1.60 and BNDES operations, which is actually a basket of prices for all these operations, I couldn't tell you right now because there are other initiatives also -- we are pursuing other initiatives in 2013 and perhaps we'll have more details for the next call.

We do see a convergence of these rates going down with a lower increase of the indebtedness of the Company, both in dollars and in reals.

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Q - Felipe Koh {BIO 17962174 <GO>}

(Interpreted) Thank you very much.

Operator

(Interpreted) The next question comes from Marcelo Aguiar from Goldman Sachs.

Q - Marcelo Aguiar {BIO 3721791 <GO>}

(Interpreted) Good morning. Thank you for the call. Thank you for the opportunity. I'd like to discuss a little bit the cash cost horizon for money. Walter, could you give me an idea of how this cash cost for Maranhao will behave with the pulp already on board?

How will this compare to your operations in Mucuri, particularly in Mucuri, and especially in the first years when you have a different mix of wood? Then, after you normalize the wood mix, what will happen?

A - Walter Schalka {BIO 2099929 <GO>}

(Interpreted) Thank you very much for the question. This is Walter speaking. Our cash cost for Maranhao will initially be low due to the fact that we're going to have our own wood at the beginning with a low cost of harvest, because we have invested a lot into that, but low transportation costs, and with state-of-the-art grant.

So our cash costs in Maranhao will not be a problem in the first years because the cash costs will be very low. Transportation and logistics for (inaudible) were negotiated. So with all that, we're very comfortable with Maranhao's cash costs at the beginning of the project. We do see a challenge of wood supply along the time in Maranhao. But for the first years, I'd say the cash cost is Maranhao.

Q - Marcelo Aguiar {BIO 3721791 <GO>}

(Interpreted) Okay. What about the paper business? How do you see the demand, the margin, the part of cardboards vis-a-vis the beginning of the year? Do you see an acceleration -- a deceleration? Could you share with us what you see in terms of growth for the year, in terms of demand growth for all these lines?

A - Carlos Anibal {BIO 19090865 <GO>}

(Interpreted) Hi, this is Carlos. In terms of print and write in the First Quarter, we had a very good increase of 3.5% vis-a-vis the First Quarter of last year, and our expectation is to have something close to this in the next quarters.

Cardboard, we had a lower increase, 1.5%, but what we have noticed in the last days, in the last 45 days, especially, is an increase, especially, in the channel that meets the demand of the consumption industry. So I think we're going to have better quarters ahead.

Q - Marcelo Aguiar {BIO 3721791 <GO>}

(Interpreted) Thank you.

Operator

(Interpreted) Our next question comes from Carlos de Alba from Morgan Stanley.

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

Thank you. Good morning. The first question is how do you see the evolution of your net debt to EBITDA in 2014 and 2015 as the Maranhao Project starts to produce and generate EBITDA? And the second question is it seems your realized price implies a higher discount to the list price that has been announced in Q1.

So could you explain a little bit what may be behind this, what are the dynamics that are influencing the realized price? Do you have to do further discounts given the conditions in the industry?

And also, how do you reconcile given that you are a bolt-on [ph] paper producer -- or an integrated paper producer and also sell market pulp? How do you reconcile the continuously increasing pulp prices in the last few months and the very narrow, very slim margins that paper producers are making in the world, and to what extent does this limit the potential for further increases in pulp prices? Thank you.

A - Walter Schalka {BIO 2099929 <GO>}

(Interpreted) Hi. Thank you very much for your questions, Carlos. The first question refers to net debt and EBITDA. We're going to have an event in the second half of the year, which is the sale of Capim Branco.

Capim Branco will bring us an increase in EBITDA and we're going to have a realization of that. But this is a non-recurring event. In the next presentation, next quarter, we'll have to present this, talk about the recurrent EBITDA and total EBITDA.

Talking about recurrent EBITDA in our operations, we understand that gradually we're going to capture more value, more and more value, and EBITDA will grow. On the other hand, the net debt is also growing due to Maranhao's investment. So our role here is to mitigate the increase of net debt increase to an increase with EBITDA a longer time.

We are not going to give any guidance as to where we want to be at by the end of the year, but some market analysts or some financial market analysts would say by -- so by the First Quarter we would increase our indebtedness, and we are going to -- and we manage to maintain our debt at five times EBITDA.

So since it's something that we're focusing very deeply in the First Quarters, with the entry of Maranhao, we're having a quick deleveraging because the operation will generate EBITDA and the net debt won't grow anymore. It will decrease at that point. So

we're going to have both positive effect with a quick process of deleveraging the Company.

A - Alexandre Yambanis {BIO 16470785 <GO>}

(Interpreted) Now let me talk a little bit about the price for pulp. Hi, this is Alexandre Yambanis here. Relative to the first part of your question, the variation for discounts, Suzano has not seen variation in discounts. Our net prices for the First Quarter of 2013 against the 2012, we saw an evolution of 26.5%, in other words, a very substantial evolution.

Our discount -- our contract discount, dinner [ph] discount, we contract about 80% of our sales, so these discounts still occur. And what may happen from one quarter to another is a mix of variation, a variation in the geographic mix, which may result in an apparent weight [ph] discount because of total sold. In the First Quarter, we sold a little less in Asia, a little more in Europe, and this distortion occurred due to the difference in mix.

And to your question, how the pulp prices increases vis-a-vis an international market that is currently depressed or low, you have two components. You have supply and demand. The print and write market has seen a low consumption because consumption has decreased, first due to the structural occurrences, which is occurring in Europe and in the US, and the second reason, due to paper machines that are closing down due to the structural competitiveness of the P&W market due to the competition of digital media.

On the other hand, we have the supply. So in spite of an increase in pulp Greenfield plants, we have seen the closing of 1.200 million tons of pulp of hardwood closing. So Jari [ph] will be turned into soluble pulp. Cocklin south [ph] in US is closing with 450 tons of tons -- of pulp. And Tufta [ph] in Norway will be closed in June, and that's another 400,000 tons. So this has had an impact on the increase of supply.

On the demand side, again, in spite of less capacity in the P&W, we have seen a very healthy growth in the tissue market, chiefly in Asia. So one thing has offset the other, and this is magic. This is why pulp prices are still on the way up, growing gradually, in spite of the fact that P&W international markets are undergoing structural problems.

Operator

(Interpreted) The next question comes from Alex Sciacio from Santander.

Q - Alex Sciacio {BIO 16118415 <GO>}

(Interpreted) Good morning, everybody. My first question is about CapEx. When we see the figure of BRL153 million for the First Quarter with a cash flow and with the addition of success [ph] is BRL400 million, so there was a relevant difference vis-a-vis what has been actually disbursed. So I'd like to know where the difference comes from and whether it's going to be offset in the next quarters.

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A - Walter Schalka {BIO 2099929 <GO>}

(Interpreted) Thank you for your question, Alex, and thank you for your observation. We're actually now proceeding to analyze our CapEx according to the CapEx committed during the quarter. It has to do with cash and disbursements.

We actually invested in Maranhao BRL621 million, and the total project, around BRL750 million, so disbursements were a little lower maybe other quarter due to maturity dates. Sometimes the dates fall on the next quarter, sometimes you have the payment terms, which have an impact on disbursement levels.

Q - Alex Sciacio {BIO 16118415 <GO>}

(Interpreted) So is it fair to say that for 2013 you should actually disburse BRL3 billion in CapEx for 2013?

A - Walter Schalka {BIO 2099929 <GO>}

(Interpreted) Yes. It's fair to say. This is what we have. This is our plan. What could happen in the last quarter is that we may have something flowing over to the next quarter.

It's hard to anticipate that at this point because we intend to have Maranhao Project commissioned by the end of the year, but we cannot tell you right now whether all of the disbursements will indeed occur by the end of the year. So it might be that something migrates in the First Quarter of next year, but this is not material. This is not a significant amount.

Q - Alex Sciacio {BIO 16118415 <GO>}

(Interpreted) Thank you very much. And the second question, in terms of SG&A, we saw a very substantial reduction in the First Quarter. You looked at a number of reductions with marketing, consulting, outsourced services.

Could you tell me what the dynamic will be for the next quarters? Are you going to start working from a much lower base, from the Fourth Quarter last year, and what do you have to do, what do you have to improve in this line?

A - Walter Schalka {BIO 2099929 <GO>}

(Interpreted) The Fourth Quarter compared to the First Quarter this year is not a fair comparison because we had many non-recurring events in the Fourth Quarter last year which impacted the results. But we can compare the First Quarter of last year to this year, and our philosophy is going to be reducing SG&A.

And we understand that there's still opportunities, sound [ph] opportunities have already been captured in the First Quarter. Look, there are still other opportunities that could be captured. Therefore, we do expect a new basis for expenditures in the organization.

Q - Alex Sciacio {BIO 16118415 <GO>}

(Interpreted) Thank you very much, Walter.

Operator

Our next question comes from Mr. Vincenzo Paternostro from Credit Suisse. Mr. Paternostro, your line is open.

Q - Vincenzo Paternostro {BIO 17670256 <GO>}

(Interpreted) Good morning, to all. Thank you very much for the call. My first question has to do with the G&A. We saw that there was a 6% reduction year-on-year on the G&A line, excluding sales expenses. And I would like to understand if this had to do with the tax relief on the payroll charges or if you already see the impact of crados [ph], the projects, you map out the G&A costs and reduce costs. What can we expect in terms of G&A for the year?

My second question has to do with the pulp price, and that goes to Alexandre. Do you think that in the very short-term there can be an increase in pulp prices given that May and June appear as where there is downtime and stoppages for maintenance in Brazil and Chile, whereas paper machinery continues to run in Europe? So from a seasonal point of view, is there room for new pulp increases -- pulp price increases?

A - Walter Schalka {BIO 2099929 <GO>}

(Interpreted) Thank you very much, Vincenzo. I like the accent of the interpreter when she says your name. Thanks very much for attending. The philosophy of the Company is a philosophy to seek efficiency in all the areas, including G&A.

Therefore, we did have an impact of the tax relief on the payroll charges. But if we exclude that, we saw a reduction in G&A in the First Quarter. And we are going to continue to work along this line because that's when we see opportunities to reduce costs.

It is our understanding that this is an effort that will take us to a new level of costs. We have no guidance to give you, but our internal targets are very much in that direction. I'm going to turn it over to Alexandre.

A - Alexandre Yambanis {BIO 16470785 <GO>}

(Interpreted) Buon giorno, Vincenzo. This is Alexandre speaking. Thanks for the question. Well first of all, you are very right in what you're saying. It is a time for closing in the northern hemisphere. They are unable to close during winter, especially in Canada, the US, and Scandinavia, where there are lots of producers for hardwoods and softwoods.

And during the cold season they cannot start their plant because the pipelines freeze. So they do the maintenance downtime in Spring and those stoppages are now going on. There is major downtime in pulp plants in the northern and in the southern hemisphere as

well, and this will help us implement the new prices, I would say, in a gradual manner, as we have been doing.

We enforced our price increase in May, even though it is summer in the northern hemisphere when the paper plants tend to stop. So one thing offsets the other, but we expect, as I said before, that the market will be in balance with the positive buyers [ph] on our side, on the side of producers, and we will continue to implement gradual increases in prices.

Q - Vincenzo Paternostro {BIO 17670256 <GO>}

(Interpreted) And just to wrap up, do you expect new increases in addition to the increase in May? Do you expect new increases in the very short-term, like June, or do you think it is impossible because of the inventories or the margins of paper producers which are saying this type of discussion that makes some people be more on the negative side?

A - Alexandre Yambanis {BIO 16470785 <GO>}

(Interpreted) We don't give guidance for pricing, so I cannot give you a guidance for the mid-term relative to price increases. What I can say is that we are very much aware of the costs of our clients. They have to do their homework as well. We do not intend to increase prices in an unreasonable way, but what we do have today is the price of May, which will be gradually enforced.

Then we will analyze supply, demand. We will analyze the condition of our clients. Our clients are our partners, I would say, and we want them to be healthy as well, to have a healthy bottom line, because we depend on their healthy bottom line as well. Okay?

Q - Vincenzo Paternostro {BIO 17670256 <GO>}

(Interpreted) Thank you very much.

Operator

(Interpreted) Our next question comes from Mr. Andres Pinheiro from Itau BBA.

Q - Andres Pinheiro

(Interpreted) Good morning, to all. I have two questions. The first one has to do with pulp. I would like to understand the vision for the spreads of hardwoods and softwoods; this question goes to Yambanis. And I would like to understand we are being enough [ph] Yambanis about the outlook for spread going forward and the potential implications for short fiber.

A - Alexandre Yambanis {BIO 16470785 <GO>}

(Interpreted) This is Alexandre speaking. The spread from long fiber to short fiber is 30 dollars, 35 dollars on average. And in China, it's even below that. In China, short fibers are being sold above the long fiber in many cases, especially in Russia, with 750 million tons of pulp. Meaning [ph] doesn't have storage facilities in Russia.

They started a plant and they are shipping by train to China. Since the Chinese are very good negotiators, they just wait for the train to cross the bridge to decide the price. So for soft pulp there is a surplus in the supply, which explains the low spread at 25 on average. In China, this spread is negative, as you know.

But this has to do also with the replacement that has been taking place, and hardwoods is being replaced with softwoods, and there is a lower demand for hardwoods than -- for softwood then. So paper producers will take advantage of the lower prices of long fiber and will buy more long fiber.

So as I see it, the spread in the balance is \$70, \$75 dollars. That has gone to \$200 -- I don't know if you remember that. Long fiber was \$200 above short fiber. There was a move to replace that, and now I think the situation in a balanced position is \$70, \$75.

Q - Andres Pinheiro

(Interpreted) My second question has to do with the paper market. Anibal, can you make any comments about that? We saw that the share of imports increased in this First Quarter relative to the Fourth Quarter. How do you see imports behaving in 2013 at this level of exchange rate?

A - Carlos Anibal {BIO 19090865 <GO>}

(Interpreted) As regards to the imports in the First Quarter of 2013, we had the smaller percentage share when we consider all the product lines that we have been selling since 2010.

So in the First Quarter of 2013, 18.3%, a smaller percentage since 2010. It is natural to see an increase in imports in the First Quarter relative to the Fourth Quarter of last year because it occurred in the Fourth Quarter as the strongest in the domestic industry.

So there's an increase in the sales domestically and increasing demand. And because imports are never in line with the same intensity, there is a drop in imports in the First Quarter and then the percent of share increases. We don't see any trend towards growth in imports in the next few quarters. But as we move and Bruselpa [ph] is working very hard, we expect a percentage decrease in the share of imported products.

Operator

(Interpreted) Our next question comes from Mr. Marcelo Aguiar from Goldman Sachs.

Q - Marcelo Aguiar {BIO 3721791 <GO>}

Thank you very much for the call. It's just a follow-up question. Walter, as regards to cost reduction that you have been mentioning, it's in the middle of the beginning of the process, from a qualitative point of view when we look at the cost/cash of the Company as a whole in paper and you have labor, logistics, then chemicals and other variable costs, how do you -- where do you the biggest opportunity to reduce costs in the Company?

Is it labor? Is it logistics? Can you give us an idea, from a qualitative point of view, which areas give more opportunities? Let us not put woods, because it's more in the long-term, it has to do with the year of the harvest and so on.

A - Walter Schalka {BIO 2099929 <GO>}

(Interpreted) This is Walter speaking. As regards woods, we have two effects. As you said, there is a structural effect. We have third-party woods, we got greater share; this is not going to be changed.

And there are two big accounts that we can work on as regard to woods -- the cost of harvest and the cost of transportation of the woods to the plants. These are two big opportunities and two big levers of value that we are going to work on.

In the industrial area, we have an opportunity in the changes in the structure of costs. We are doing this in a gradual way. We are not going to capture those gains right away. It's a gradual and continuous process, but the efficiency gains that we've seen in the plants is huge. It began last year, in the middle of last year, and this will reduce costs throughout the years. And also in G&A, there is a great opportunity that we are going to work on. So these are the three major levers that we are going to push to reduce our total costs.

Our cash costs in the long-term should not be higher than the cash costs of our competitors; there's no reason for that. In the short-term, our cash costs will be higher because of the effect of the third-party woods.

Q - Marcelo Aguiar {BIO 3721791 <GO>}

(Interpreted) I thought that the logistics part in paper gave good opportunity to cut costs. Is that not the way you see?

A - Walter Schalka {BIO 2099929 <GO>}

(Interpreted) Yes, I failed to mention that, but we have an integrated logistics area in the Company, which started to operate in April. And today, all of our logistics -- forestry, in-bound, out-bound, distribution -- everything is now organized by a consolidated area, and we see great opportunities there to have efficiency gains in the logistics of paper.

Q - Marcelo Aguiar {BIO 3721791 <GO>}

(Interpreted) Thank you very much, Walter.

Operator

(Interpreted) We'll now close the Q&A session. I would like to turn the floor over to the Company for their final remarks. You may proceed.

A - Walter Schalka {BIO 2099929 <GO>}

FINAL

(Interpreted) This is Walter speaking. I would like to thank you all very much for participating and I would like to convey a very positive message to all of you. The team is gearing to transform the Company. We are very motivated. The progress made in the First Quarter was [one stat] we have to be humble, but we have to be steadfast also in seeing other opportunities and capturing them.

I want to be very honest and transparent as I have always been. I don't see a dramatic improvement in results in the short-term, but I do see a continuous process of evolution and progress.

You will see the results every quarter, every month, as you see the actions we are taking in different areas in the Company. The team is motivated, it's ready to do it, and this is [seeping through] the plants, our priority operations, and our commercial operations in different geographies in Brazil.

And our challenge now is the challenge to capture value from the asset base that we have and to have Maranhao start up with the appropriate ramp-up at the right costs at the right time. This will allow us to deleverage the Company as well as of the start-up of Maranhao. This is our vision for now, and every day here makes me more motivated and happier to see that there are opportunities to be captured.

So that was the message that I wanted to convey to you, a cautious optimism. I'm very optimistic [in the moving to] long-term. In the short-term, we have to address challenges. But we have to work on the opportunities that we have, and that's what our team is doing. This is the message I wanted to convey to you all and thank you very much for attending.

Operator

(Interpreted) Suzano Papel e Celulose's conference call has now ended. Thank you very much for participating and have a good day. Thank you.

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