Q1 2012 Earnings Call

Company Participants

- Alberto Monteiro, CFO and IR Director
- Alexandre Yambanis, Head of Pulp Business Unit
- Antonio Maciel Neto, CEO
- Ernesto Pousada, COO

Other Participants

- Celina Merrill, Analyst
- Daniel Sensel, Analyst
- Denis Parisien, Analyst
- Josh Milberg, Analyst
- Juan Tavarez, Analyst
- Pedro Grimaldi, Analyst

Presentation

Operator

Good morning, ladies and gentlemen. At this time, we would like to welcome everyone to the Suzano Pulp and Paper First Quarter 2012 earnings conference call. All participants are in a listen-only mode during the conference's introduction that will be made by Mr. Alberto Monteiro, CFO and IR Director. And later, we will conduct a Q&A session when further information will be given.

We inform that each participant can make only two questions. (Operator Instructions) Now I'd like to pass the call over to Mr. Alberto Monteiro, who will begin the conference call. Thank you.

Alberto Monteiro {BIO 1527328 <GO>}

I would like to thank everyone for participating in today's conference call to discuss Suzano Pulp and Paper First Quarter of 2012 results. I will present the result and then we will open the call for a question-and-answer session.

On slide three, I will present the highlights of the quarter. It's important to -- in the First Quarter of 2012, Suzano has produced 765,000 tons of market pulp and paper and 725,000 tons were sold. Average net paper price in domestic market increased 5.2% over 4Q '11. It's important to point out several consecutive pulp list price along 2012, an increase of $78 per ton from December through March 2012.

In March, global pulp inventories came to 31 days of production, lower than historical average. Industry fundamentals allowed pulp prices increase in all regions as of May 1st for $40 per ton in Europe and North America and $30 per ton in China.

Net revenues was around BRL1 billion in the quarter. EBITDA was BRL238 million, and net income BRL72 million. In March 31st, '12 Suzano's cash position was BRL3.6 billion and the leverage ratio stood at 4.8 times in the end of the quarter.

On the next slide, I will further explain the Company's result as well as the Maranhao project development. Suzano -- as you can see, Suzano sold 448,000 tons of market pulp on the first Q 2012 versus 508,000 tons in the Fourth Quarter '11. Sales were negatively affected by the unscheduled downtime that happened in the January in the Mucuri unit.

The main sales destination were Asia, 35%; Europe 29%; and Brazil 23%. The share of sales to Europe and Brazil increased in relation to the previous quarter. Eucalyptus pulp shipment fell by 8.5% over 4Q '11, and increased 3.8% from First Quarter '11 shipment.

The lower shipments when comparing the First Quarter in 2012 to the Fourth Quarter '11 is explained by a high comparative basis of Fourth Quarter '11, when (inaudible) new paper capacities in the anticipation of purchase due to the Chinese New Year.

Paper sales of Suzano in the First Quarter of 2012 reached 277,000 tons and reflects the seasonality of the industry. The sales growth, when comparing to the First Quarter '11, is a result of Conpacel and KSR integration.

The share of domestic market in the paper sale mix was of 62%, an increase of 1.5percentage points in relation to the Fourth Quarter '11. South and Central America, Suzano's leading market, absorbed 77% of Company's sales during the quarter.

During the First Quarter 2012, the Brazilian paper industry sales of printing and writing, paper and paperboards were flat when comparing to the First Quarter '11, while imports fell 27% in the same period. The combination of these two factors is responsible for the demand shrinking when comparing to the same period in 2011.

On slide five, I will comment on the consolidated results in the First Quarter of 2012, where net revenue in the quarter was around BRL1.1 billion, basically driven by reduction of pulp and paper sales volume, down 20.3%, due to the seasonality in the paper segment.

Increase in the average paper net price in the domestic market, up 5.2%; increased participation of paper sales in the domestic market, 62%; stability of the average pulp net pricing in reais versus Fourth Quarter 2011; and the FX, down 1.7%, which impacted the income from exports.

The unscheduled downtime in Mucuri unit contributed to the increase in cash cost in the quarter, which was BRL554 per ton due to lower dilution of fixed costs. The EBITDA in the

First Quarter of 2012 was BRL238 million, reflecting the effects on revenue and cost recognition through the presentations, besides the increasing administrative expense and results from the sale of fixed assets.

The unscheduled downtime in Mucuri unit contributed to the COGS increase. EBITDA margin reduction of 10percentage points versus the First Quarter '11, mainly due to lower pulp prices of $100 per ton lower in 2012.

The good news in the price increase are being implemented. The announced list price for Europe is $800 per ton. And the FX with reais depreciation should contribute for a margin increase. So the upcoming quarters is a positive perspective for us.

In another slide, on slide 6, I will cover the composition of Suzano's debt. On this slide, I would like to mention our adequate debt profile, which has competitive cost and an average term of four years as well as a comfortable liquidity horizon of 25 months.

In March 2012, Suzano's gross debt was BRL9.3 billion and the debt in foreign currency represents 50% of the Company's total debt. The increase in gross debt was mainly due to the contracting of new credit lines in the quarter, for instance, export credit notes and prepayment agreements of around $120 million. The net debt to EBITDA ratio ended the year at 4.8 times, as I mentioned, with a cash balance of BRL3.6 billion.

The Company is working on various fronts to improve its EBITDA with projects to increase productivity and reduce costs and the deleveraging initiatives already announced through asset sales and partnerships. In the last chart are the highlights of Suzano's investment on the quarter of BRL394 million, explained mainly by the Maranhao industrial units and sustain of currency operations.

In 2012, the estimates for expansion CapEx is BRL3 billion, which consists of; first, the forest and industrial investment at the Maranhao unit; second, the minimal investment required for forest formation in the state of Piaui; and third, the investment of Suzano Paper and Pulp -- Pulp and Paper in Suzano Renewable Energy, which will be made through the transfer of acquisitioned land and forests.

Investment in Suzano Renewable Energy will continue to depend on the definition of the capital structure. And the Maranhao -- the start up schedule in the Maranhao project status is in the next chart. Maranhao's project is maintained for 4Q in 2013, and 30% of overall physical progress of the works completed is earth-moving and piling in boilers area are now concluded. There are already more than 5,000 people working in forest formation and construction of Maranhao industrial unit.

Construction is advancing at full speed and financing has been arranged through long-term credit lines with a grace period and gradual amortization aligning with the project's cash flow. Around BRL1.5 billion has already been invested in Maranhao project, which includes both forest and industrial CapEx. Now I pass the call over to the operator to start the Q&A session.

Questions And Answers

Operator

Ladies and gentlemen, we will now begin the Q&A session. (Operator Instructions) Juan Tavarez from Citi.

Q - Juan Tavarez {BIO 15083199 <GO>}

My first question is to touch on prices, for pulp specifically. If you can give us your view on whether you believe this May price increase could be the highest price for this year or do you believe that there is more momentum towards the upside for pulp prices this year?

A - Alexandre Yambanis {BIO 16470785 <GO>}

Yes. Hi, Juan. This is Alex Yambanis. Well first of all, we don't give guidance on prices. But I can give you some, let us say, fundamental information how we see the markets, but of course without disclosing what is our specific price expectation.

The May price increase is being implemented with some difficulty, specifically in China, and this is due to the fact that the Chinese -- which is a normal and circumstantial event in the Chinese market. It happens, I would say, almost every year.

Chinese traders, who are speculators by nature and do a very good job in speculating with pulp, have been buying pulp in the last quarter or so, and of course, are now starting to de-stock their inventories. This is normal, I would say, and I repeat myself; circumstantial event happening in the Chinese market within the cycle. In the up cycle in the down cycle you have the same effect.

Of course this is putting some difficulty in the pricing implementation, but we remain -- we remain bullish in terms of fundamentals. Why is that so? Well China is building, as we speak, 2.8 million tons of tissue capacity this year and the next, besides the printing and writing capacity.

If you add both, you come to around 5 plus million tons to be built in the next 20 months, which is a huge incremental capacity that will absorb a need of first class pulp such as eucalyptus.

When you switch to Europe, despite the macroeconomic scenario in Europe, which is quite questionable I would say, Europe is -- inventories in Europe are low, both at the ports and in the hands of customers.

So we don't see any, I would say, negative event occurring in Europe other than the usual cyclicality for June, July and August, where European mills take heavy downtime. But this happens again every year and it's part of the demand scenario, which we have already projected as we do for every year.

North America is -- demand is normal and which is basically and mostly tissue demand in North America, which doesn't follow the very, very short-term, I would say, cyclical shocks as we can see in other markets. So in a nutshell, I would close by saying that we continue bullish for the rest of the year despite this short-term circumstantial effect of de-stocking in China.

Q - Juan Tavarez {BIO 15083199 <GO>}

Okay. Great. And in terms of your downtime schedule, because I suspect that you'll be taking some maintenance downtime soon. Would you give us a little bit more clarity on when you're taking that downtime?

And also if you would consider if the market does get weaker, if the China information starts to become much lower than what you've been expecting and Europe is a bit weaker, would you take market related downtime? Would you consider extending your maintenance downtime?

A - Ernesto Pousada {BIO 15951890 <GO>}

Hello, Juan. Good morning. Ernesto Pousada speaking. Actually, our planned downtime for Mucuri Line 2 we have already done in April. Everything went very well, and we were back to production as planned. We now have -- for Line 1 of Mucuri we have a planned downtime for August. August, we have also the planned downtime for Limeira. And in June now we have our planned downtime for Suzano mill.

We are not considering at this time any market downtime due to any conditions from the market. As Alexandre Yambanis mentioned before, we are rather bullish than considering any need for a downtime.

Q - Juan Tavarez {BIO 15083199 <GO>}

Okay. Great. Thank you.

Operator

Denis Parisien, Deutsche Bank.

Q - Denis Parisien {BIO 20333702 <GO>}

Thanks for taking my question. Considering what seems to be in understanding the First Quarter on your CapEx to get to your guidance level, it should go up above BRL1 billion per quarter.

And considering the price environment and your overall business conditions, the cash burn that I see -- and given that -- I calculate your cash burn in 2011 around BRL4.8 billion. Given that approximately 28% of your debt matures this year, you'll have to roll over.

I see -- I calculate that your significant cash cushion will disappear quite quickly this year given that quarterly estimated cash burn. Your leverage levels are very high. I think there is a significant risk of significant new ratings downgrades and a significant hit to your debt in the market if Suzano does not announce soon some form of equity participation, secondary equity offering, significant assets sales.

Could you -- obviously, your lawyers would tell you that there's only so much that you can say there. But given the stress situation that I see, could you give us some kind of color on the timing of such events that will help de-leverage the Company in the short-term? Thank you.

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

Denis, this is Maciel. I would like just to say hello to everybody. Thank you very much for everybody participating in the call, as Alberto already did.

Let me go to your question. You are looking at the expenditures that we are going to have, but you are not looking at the sources that we have for those expenditures. So let me come back to this situation. We have about BRL2 billion to be rolled over this year. We have been able to roll this to renegotiate those debts without any difficulty. We had an excess of BRL800 million that we had renegotiated in the First Quarter.

We have extremely good relationship with the banks. Most of the banks are working now, just considering that after 2013, the end of '13 we are going to have an excess of 1.5 million tons more. So we are going to be a much bigger Company as we move forward to 2014.

So first point is, we don't have any difficulty to roll over this first BRL2 billion. We have about BRL3.5 billion of CapEx this year, and so we have about BRL3.1 billion, BRL3.2 billion as we move forward during the year it's that true.

But we -- you need to consider that most of this expenditure is already financed by BNDES. So in BNDES we have 13 years to pay -- 12 years to pay, three years of grace period. So we have the source to finance the Maranhao project, our rates contracted and moving forward without any difficulty.

On top of it, you need to consider that we are going to have our EBITDA generation that looks better than what we had last year due to better price in pulp and paper price and a much better exchange rate, as we see the new scenario for the exchange rate. And that we have a BRL3.6 billion at the end of March in our cash.

So we are not in a stress condition, like you said. This is wrong. We are in a position that we don't have any cash flow problems in the coming 20-24 months, because we have the financing. Because if you look only for the utilization, the uses of the resources, it's correct. However, you need to take a look at the sources as well.

So we don't have any liquidity problem in the coming 20-24 months. Maranhao is fully financed by BNDES and other suppliers' facilities that we have arranged. We have -- we are in negotiations, some partnership, some pieces of the plan that can be built by our partners. And this is going to reduce the pressure on the cash flow.

So having said that, I like to mention we don't have any cash flow problem in the short-term. We are not in the stress cash position, because we have a lot of utilization, but we have all the sources.

Most of the sources are already financing and a big cushion off of BRL3.6 billion in our -- is sitting here in our cash to finance. However, it is true that our leveraging is going up, 4.8. As we move forward we doubt -- even though we are having good EBITDA or have a good prospects for the EBITDA, as we move you are going to see the leverage going up.

Leverage is one thing. Cash flow stress is another thing, completely different. Leverage is going up, so -- and this gives us another perspective on the timing. The timing we are going --as you don't have any cash flow problem, you can move. But you have the leverage going up, and we don't like seeing the cash flow in this position.

And as we have mentioned before, we are going to work out to make this leverage in more balanced and more reasonable situation. As you look to the financial -- if we -- like, probably, you'll know better than me, this indeed is scenario perspective. You're having a scenario, but the agents, the persons will act as the scenario moves. It's not an -- there is not an impact perspective on the scenario in the future.

So what we are going to do and what we have mentioned -- and we are going to do in the timing, not in an urgency. We don't have urgency, but we need to move this as soon as we can. We have three actions to be taken to reduce the leverage. First of all is we have considered asset sales. We have considered partnerships to reduce investment, and we have considered also an equity offer to banks.

Those three pieces of the stresses have been worked out. We have our teams internally working. We have banks hired and committed. Different banks are working in the three different areas. We have a perspective, we have talked. We have dedicated a lot of our time on this. We had a Board of Director meeting the day before yesterday, where we took this conversation.

Coming days, beginning of next week, we are going to have another Board Meeting to discuss this, to understand and to consider. So we would like to do this sooner than later. And we can have one of the three pieces of the strategy. We can have a combination of those pieces. And therefore, we are going to work. We are going to reduce the leverage. We are going to manage this.

In short, no liquidity problem in the short-term. No stress on the cash flow in the short-term. However, it's true, leverage is very high. On the other side, we will need to see the Maranhao project moving on track, on budget. It's a very good project, a very outstanding perspective for the project that will come on-stream at the end of 2013. So leverage is really a problem and we are going to work on this.

Operator

Daniel Sensel, JP Morgan.

Q - Daniel Sensel {BIO 16854713 <GO>}

Quick question regarding the debt. Can you tell us how much has the BNDES dispersed regarding the Maranhao line that they gave to you last year? I think, if I am not wrong, at the end of last quarter you had available BRL2.4 billion and also you had another credit line with BNDES, the (Foreign Language) for BRL80 million has been -- did BNDES make any disbursement on that?

And the second question is -- if I just mentioned that you are considering three options to reduce leverage. My question is, would you like to go back to the 3.5 target that you have in your internal policies or just want to be below four times in order to be in compliance with the debentures covenants? Thank you very much

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

What we have just -- Alberto is going to talk about the BNDES credit lines. Let me just talk about the leverage. What we have mentioned before that we have been a very capital intensive Company. We would like to be below 3.5.

However, these two very big variations and volatility that we have seen in scenarios, that in the short term we have debt -- no cash. But accounting variations in the debt when we mark to -- we mark our debt to the current exchange rate, 50% of our debt are denominated in dollars.

We have been working between 3.5 and 4.5 during the peak of the project, so the range between 3.5 to 4.5 during the peak of the project. That's where we are now and will be mainly next year, is where we are working for sure; that after this deleverage is strong, as we did last year when we deleveraged from the investment in Line 2 Mucuri. And after that -- and before the acquisition of Conpacel, we went to 2. That's the leverage number that's comfortable for a Company like us.

So in short, yes, 3.5 has been our direction. We have -- during the peaks we can go to 4.5, something like that. That's what we have considered as adequate.

A - Alberto Monteiro {BIO 1527328 <GO>}

Hi, Daniel. This is Alberto. It's important to say that we have raised around BRL350 million from BNDES over the last one year.

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

Out of the BRL2.7 billion we have committed with them.

A - Alberto Monteiro {BIO 1527328 <GO>}

Yes, yes

Q - Daniel Sensel {BIO 16854713 <GO>}

Can you repeat? Sorry. BRL350 million out from how much?

A - Alberto Monteiro {BIO 1527328 <GO>}

We have raised BRL350 million.

A - Alexandre Yambanis {BIO 16470785 <GO>}

Out of BRL2.7 billion.

A - Alberto Monteiro {BIO 1527328 <GO>}

Out of BRL2.7 billion.

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

That is the contract and is the committed money that they have for Maranhao. Exclusively for Maranhao we have a contract for BRL2.7 billion. We have already in our books BRL350 million. Okay?

Q - Daniel Sensel {BIO 16854713 <GO>}

Okay. Thank you.

Operator

Celina Merrill, Credit Suisse.

Q - Celina Merrill {BIO 6748233 <GO>}

Just a couple of follow-ups on the debt side and then a question about the paper market. At the end of the year, I saw that you had about BRL2.3 billion of debt coming due in 2012. So can you just confirm again how much of that has already been renegotiated and rolled over so that it does not mature this year?

A - Alberto Monteiro {BIO 1527328 <GO>}

Right now the maturities of the Company is around four years and we are very comfortable to renegotiate our debt profile. And we are working right now to refinance around BRL1 billion in this year, and we -- as we have said, we have a solid cash position around BRL3.6 billion and so we are comfortable with our position right now.

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

I think that's just -- complete in the press release. Page 12 we have the credit numbers. As for 2012, we have BRL2 billion and for 2015 we have BRL1.2 billion. And this we can roll over or pay, it depends on this.

We have in a program, as Alberto mentioned, that BRL1 billion is already been in the pipeline to be renegotiated. We are going to continue this with the --.

A - Alberto Monteiro {BIO 1527328 <GO>}

Our huge cash position is to repay all this debt for the next two years. And even if we want to refinance most of that, we are confident to get this money from retail banks from Brazil. And there are a lot of liquidity in Brazil to support us.

And as I told you -- and if you have the net debt profile for the next two years -- BRL3.1 billion -- and we have BRL3.6 billion in cash. We have repaid this debt. Even if we don't have to get another funds from -- to raise the funds from other banks. But we are confident to do that.

Q - Celina Merrill {BIO 6748233 <GO>}

Okay. Thank you. Then my second question was just regarding the paper market, internally within Brazil. How are you seeing now I guess in April and May the demand side in pricing and volumes?

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

This is Maciel. As you know, the paper market in Brazil has a lot of seasonality. First quarter is always the lowest volume during the year, then we start seeing to rebuild.

What we have seen is -- now is really that the markets in the Second Quarter in all the grades that we participated the behavior is better than in the beginning, in the First Quarter. So we're seeing higher volumes as we move forward.

Another phenomenon I think is important to stress is about the reduction of the imports. As we talked here several times we had a lot of negative, a lot of tax problems, tax evasion, mainly in the ports. This is a (inaudible) paper. That's a paper that's directed to produce books and the cultural products.

And this has been out control for a long time, and governments are working very hard. Several governments and mainly state of Sao Paulo government, recently state of Panama government as well. They are pushing very hard on this, because this is unfair competition for the national news, but mainly because this is a big source of money for them, for the government to collect the taxes coming from this.

I think we are seeing now big effects on these actions and activities to reduce. Then we are seeing -- like just to give you one -- in printing and writing papers and coated freesheet, we had 10% imports First Quarter last year, now it's 6%. So in the First Quarter one year ago. So we have seen this reduction.

And if this trend of exchange rate stays, this is going to be a big, big difference. So consider that we had 15% to 18% valuation. This is in the cost of the imported product. This is a big hit on the margins of those dealers that are working mainly with imported products. Because this is a much more -- three, four times a bigger margin that they will need now to pay with the new exchange rate level if this continues.

So in short, we see a better movement or better demand in Second Quarter. The prices, we have increased the price since First Quarter. You'll see an average in excess of 5%. But we are still far below the price that we had First Quarter 2011. And depending on the market conditions, we are going to see if we can recover the First Quarter 2011 price.

Q - Celina Merrill {BIO 6748233 <GO>}

Okay. That's very helpful thank you.

Operator

Pedro Grimaldi, Barclays.

Q - Pedro Grimaldi {BIO 15750214 <GO>}

I just want to explore a little more. In the case if the Company decides to actually do the equity offering, all the consequences for the minority shareholders. So if I remember right, the Company last year issued a convertible bond to the main holders -- are the current controllers of the Company and the BNDES, with a face value of BRL1.2 billion.

If I'm right these bonds must be converted in December of 2013 at a price that could range between BRL16.4 to BRL17.4 per share. In the case of an equity offering, I just want to understand if those holders they have the right to convert at the equity offering price? And also, if the Company talked with them to see if they actually will exercise their rights? Thank you.

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

Pedro, this is Maciel. Everything you said is correct. The debenture -- the size of the debenture issue was BRL1.2 billion and the convertible date is December 2013. It's about BRL16, is correct also.

If we go to the equity offer, those debenture holders will have the opportunity to convert on the offer price. We have not talked to BNDES about that, because they have a big piece, the controller shareholders. And we had some minority positions as well, not too much.

As you remember, the debenture was offered to everybody, 100% offer to the minority shareholders. They had the opportunity to buy the debentures. This is, what, a public offer. Its priority for sure for the -- and we had -- BNDES gave us at that time underwritings for this volume that the minority shareholders at that time didn't want to buy, to take. So it was a public offer. Everybody -- all the minority shareholders had opportunity to buy the debentures.

However, it's true that most of the debenture were bought by the controlling shareholders. At that time, they bought exactly a bigger percentage of investment. The shareholders -- many shareholders at that time they didn't move a single debenture above their participation.

So they (inaudible). They had rights to buy the debenture. And we did the offer. Minority shareholders a piece of them who tried to buy these debentures, and big piece -- most of the minority shareholders at that time didn't want to buy.

So now if we move to offer as part of the capital risk fluctuation that we need to go through to reduce the leverage, not to solve short-term cash flows problems, but to solve the leverage problem in the future these debentures would be converted at the price of the offer. But in short, going straight your question, we have not talked to BNDES or other minority shareholders of this, because we have not decided yet to move with the offer.

We are considering this they (inaudible) should hear. We are working the three pillars of our restructuring. We are meeting with the banks. We always take this opportunity when we have a Board meeting to go and re-check everything.

We are going to have another Board Meeting in the coming days to go straight to this point. And so, if we decide, then we need to talk and we would like to see most likely if we have an offer. The share price today is far below the BRL16. Probably everybody is going to convert on the offer then.

Q - Pedro Grimaldi {BIO 15750214 <GO>}

Thank you, Maciel. That's very clear.

Operator

Josh Milberg, Deutsche Bank

Q - Josh Milberg {BIO 2004065 <GO>}

I just had a question related to your pulp cash production cost. I think your latest guidance for this year was that you'd have a 50% dependence on third party wood and that you wouldn't return to a normal level until after 2015.

If that's correct, what I was wanting to better understand were the factors behind this elevated level, because I understand that part of -- as part of your belt tightening measures that were taken back in 2009, you consumed more of your own wood. But it does seem like you are paying a somewhat excessively heavy price for that today. So I just wanted to understand a little bit more the dynamics there.

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

Yes, Josh, this is Maciel. We have several -- and firstly, to tell you that your numbers and your recollection about what we have said before is correct, okay. This is perfect. We said up to 2015 or even 2016, we are going to be in this higher level of 50% of third parties. What we had is the several factors behind that. We had a -- first of all, we had a much more consumption during the crisis 2008-2009, consumption.

We at that time we -- in the big crisis of 2008, we -- several companies took actions. Some of our competitors decided not to plant anything. You know that we have a -- our competitors decided not to for one or two years not to plant anything, just to allow the eucalyptus plants to come back after the harvest season. And for sure, we saw 20%, 30% reduction in the productive decision. Our decision was to use some of our own forest and to buy (inaudible). This one of the key factors, and it's a very important key factor.

But we had others as well. We have events of productive, a little bit of productive as well, different productive because we had a very dry season during the last year. Everything's back, but we had some reduction in productivity. We had some -- also we lost some wood in the past. That's fully controlled now, but we had rubber, good material rubber, and some -- but this is not the big numbers. That's just to give you full clarity.

So we had a combination of factors, mainly driven by the utilization of what we had in 2008-2009 during the crisis that we are paying. At that time we saved a lot of money, but we are paying a little bit earlier -- not much more now, because we are losing third party areas.

We are working hard since then. End of 2000 -- 2010-2011 we are working very hard. You saw the volumes that we have planted. That's a lot. Last year Suzano planted a funded project, and for Mucuri we covered -- we planted in excess of 90,000 hectares in one single year.

This is by far the highest level of plantation in the world, wherever. And so what -- we are very positive on that. In 2005 we -- in 2015 on we have the Mucuri. But up to there, we will use third parties up to 50%.

We are -- if needed, Josh, we can work out on this afterwards a little bit more. We would like to for you guys to understand where we are in this, incoming calls we can be more -- give you more clarification. But this --in short, it's true, 50% now on up to '15. Key reasons is a balance of three key of our factors.

But the most important one that is utilization of our own -- an excess of utilization of our own woods during the crisis is fully planted back to give us this level of comfort. Balance of 70% to 30% that we have in our model between what we have for in our own areas and what we buy from third parties.

Q - Josh Milberg {BIO 2004065 <GO>}

Okay. Just one quick related question, does part of that 50% level continuing through 2015 reflect Maranhao itself that you don't have all the wood that you'll need for the startup of that plant at the end of 2013? Or is that separate and fully covered?

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

That is separate, Josh. What we are talking here is about Mucuri, okay. This is Mucuri, that's the biggest part of our production. Now as you know, that the cash cost that we show in our presentation is all Mucuri related.

Here in San Paolo, for our plant in Suzano Limeira we have a much more that's in excess of 70% to 80% of our own wood. So Sao Paolo Limeira is much more. And exactly the opposite about Maranhao.

In Maranhao for the start up of the plant we have -- we are going to use almost 100% of our own forest, because in the beginning we are going to use the forest that we bought from Vale -- from Vale that they had before that -- you remember that when we signed the deal with Vale there were three contracts.

One is that we bought their forest; that was at that time 36,000 hectares of planted forest in an area of 74,000 hectares. So we have a very mature forest, very good quality, 66,000 of eucalyptus wood ready to be used. So in the beginning we are going to use almost 100% of our -- its 100%. In the first year -- first, just to give as a confirmation, in the first year we are going to have 100% in Maranhao with our own wood coming from it.

Then as we reduce this, it goes to the second contract that we had with Vale, the Vale forest where Vale has a commitment with us to plant 50,000 hectares to supply our plant. They have planted already 36,000 hectares. And this is exactly the same number coincidence of what we have, but what they have planted so far.

And this is -- they are going to start replacing pieces of our own wood with the wood that they have there. So with -- and this is what we have for Maranhao. So this is completely separate, three very different and clear situations. In Mucuri, this 50% that's hitting -- and this is the impact most in our cash cost because this cash cost is fully Mucuri.

Sao Paolo is much more controlled situation we have. In fact we have excess of wood in Sao Paolo for everything that we need. In Maranhao first year, it's going to be 100% of our own forest for the start up.

Q - Josh Milberg {BIO 2004065 <GO>}

Okay. Thank you very much

Operator

The Q&A session is now over. I'd like to pass the call over to Mr. Monteiro for his last statements.

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

Okay. Mr. Monteiro asked me to give you the -- for the conclusions of what we have discussed here. So I will make this point. First of all, we have, as you guys know -- I think

Alexandre Yambanis gave you the perspective on pulp business.

Europe, we are not going to see -- in our prospect we see a reduction. Shipments -- overall shipments of eucalyptus pulp to Europe were -- shipments were about 5%, 4.7% below what we had in the same quarter last year. We are not going to see a big, big reduction like we saw in 2008-2009. We think that this will be more controlled as compared with that time.

In Brazil, where we have in excess of 20% of our shipment, we see the industry is very strong. In China there's, like mentioned, we have -- there are a lot of new machines coming on-stream, mainly in tissue. We are very -- we continue to be positive on China.

We have discussed in the Portuguese call about this -- when you talk about the growth in China, that everybody has 10% of growth in a place where 9, 10 years ago when China had $1 trillion of national product. Now they are in 6.9 -- last year $6.9 trillion, let's say, $7 trillion.

So 10% now. At that time, value added was $100 billion, now it's -- if they continue to grow 10%, there is going to be a value add of $700 billion ever year.

Of course, this is not what's happening. But with 5%, 6%, 7% growth of the base products like tissue, print and writing paper, paperboard, this is going to continue. The consumption per capita in China is still very low compared with the standards that they will like to reach. So we continue very positive in China, and this is why we think that this is the main demand for the new projects, mainly for Maranhao and also for orders.

In the paper I have already mentioned, we see some better perspective on the local market. We have seen price increasing in Europe as well in the US for paper. We have seen -- and we are increasing our prices now also.

So this -- volumes remained a little bit better, and with the new exchange rate. Normally, we think here in Brazil when we talk about our exchange rate, we only think about exports, the impact on exports.

But in the business model that Suzano has developed, we have exchange rate impacts; the exports of pulp, exports of paper and the local market, the domestic market of paper, where we have 60% of our sales of paper in -- then excess of 30% of the total market share in Brazil, because it depends on the situation of the exchange rate.

The imports play a very important role. And so the combination of actions -- government actions against the tax evasion, along with exchange rate variation that the real is weakening, as we have seen during the last weeks.

This gives us a better perspective. On discussion in the Portuguese call, we mentioned that every $0.10 in the exchange rates, the impact on our EBITDA is around BRL140 million. So that's a big, big impact. As we move in now, we are seeing the exchange moving in the direction that is positive for us.

As we had opportunity to talk, we don't have any liquidity problems in the short-term. We have -- very few companies that I know in Brazil have a 20-24 months of liquidity. Very few companies have a very big project like ours in Maranhao with the financing.

But not only that, (inaudible) of the finance. Also, the terms and the cost of the finance that we have in Maranhao. So we are in a good trend. We need to overcome this two years, let's say up to the end of 2013 when we are going to have a Maranhao start-up.

And the problem that we have and that we fully agree is that the leverage at 4.8 is higher. It's very high number. It's moving. If we do not act, this is going to continue to grow. However, you guys can be sure that we are going to act and we are going to work on the three pillars, the three centers that we have discussed before. Asset sales that we have very good assets, very good liquid assets.

Partnerships given to suppliers pieces of the plants and the CapEx that we need to develop. Also an equity offer that can be considered depends on the situation or a mix of it. The same is for the Suzano Renewable Energy Company, that outstanding move, also on the relationship with customers, relationship with -- the conclusion of engineering projects and the cost of the equipment and also the forest development.

So -- but with this we are going to work also on bringing some investor as well. So liquidity is not a problem. Leverage is a problem. We are fully concentrated on this. And we have time. And in appropriate time, in discussion of management with the board of directors, we are going to take action. So we have our offers. We have alternatives. We have a menu of alternatives to be taken, and we are going to take actions sooner than later.

Thank you very much for the participation. And we will continue available for questions to our Investors Relations team. Thank you very much.

Operator

The Suzano Pulp and Paper Conference call is now over. We thank you for your participation. Have a nice day.