

Q1 2008 Earnings Call

Company Participants

- Andre Dorf, Head of Paper Business Unit
- Antonio Maciel Neto, CEO
- Bernardo Szpigel, CFO and IR Officer
- Rogerio Ziviani, Head of Pulp Business Unit

Other Participants

- Debbie Bobovnikova, Analyst
- Diago Lofiego, Analyst
- Juliana Chu, 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 2008 earnings conference call.

. There will be a replay facility for this call on the website. (Operator Instructions)

Today's speakers will be Mr. Antonio Maciel Neto, CEO; Mr. Bernardo Szpigel, CFO and Investor Relations Officer; Mr. Rogerio Ziviani, Head of Pulp Business Unit; Mr. Andre Dorf, Head of Paper Business Unit.

We also would like to inform you that statements during this conference may constitute forward-looking statements. Such statements are subject to known and unknown risks and uncertainties that could cause the Company's actual results to differ materially from those set forward in the forward-looking statements.

I will now pass the floor to Mr. Antonio Maciel Neto, who will start today's conference call. Thank you.

Antonio Maciel Neto {BIO 16703850 <GO>}

Good morning, everyone. Thank you very much for joining us this morning. I will start presenting some highlights. I have about six or seven slides. And just after we have all our senior management team here ready to answer the questions. So I will start with slide number two, where we have the highlights of this quarter.

The first one is about the pulp prices. As you know, we reached \$800 per ton in Europe in February and just after we had another price increase of \$40 per ton. So as we speak, the price list in Europe is \$840.

Inventories of pulp, very low, regarding hardwood pulp. In February, we had 34 days. We know that today we are in this range, 34 to 36 range of shipments. So we still have very low levels of inventories. Net sales achieved again another record in sales, BRL970 million, very close to BRL1 billion -- interesting results.

Record pulp sales volume. In this quarter, we reached 348,000 tons. And also another highlight is about the ratio between our net debt and the EBITDA. Now, at the end of March, this ratio achieved 3.48. And compared with 3.74 at the end of the year, in December.

Pulp cash, the cash costs per ton, we achieved -- the number was BRL452 per ton. This number excludes the costs from the scheduled maintenance shutdown. So we had this maintenance shutdown during this quarter. And in fact in March. And excluding that effect, we reached the BRL452 per ton.

Another record on the output of paper in market pulp in the quarter, 634,000 tons. Just on quick highlights about the operation of Line 2 in Mucuri. As you know, we are experiencing the learning curve of this project. And in this quarter we produced 160,000 tons -- 160,000 tons in this quarter. It's important to highlight that during this quarter we had this maintenance shutdown during the month of March.

Also, the net income during this quarter was BRL128.6 million. This is almost 40% higher than the Fourth Quarter and 21% higher than First Quarter of last year. It is important to highlight as well that during this quarter, the exchange rate during -- at the beginning of the quarter and the exchange rate at the end of the quarter was almost the same. It was very flat compared beginning to the end. So we can say that this BRL128 million of results has a very low level of accounting effects like we have seen and have noted before in previous quarters, where we had upper and lower results, most of them due to accounting effects related to exchange rates. In this case, it is just to highlight that at the beginning and the end of the quarter, we had almost, very close, same exchange rate. Flat exchange rate.

Next page, next slide, we talk a little bit about pulp business unit. Mr. Rogerio Ziviani is here and is going to be able to answer questions after this quick presentation. So here we are highlighting the net price for pulp in the export business in our First Quarter. It was \$681 per ton. This is -- we have a typo in that. This is the First Quarter '08, not Fourth Quarter '07 here. Sorry for that. This is in the first bullet. Net price for pulp exports in the First Quarter '08 was \$681 per ton, compared to \$654 in the Third Quarter '07. And then \$588 tons in the First Quarter '07. So this is just to ask you to correct that. So this is the first one in the first line. The first one -- it's First Quarter '08. That's \$681. \$654 is in the Fourth Quarter '07. And \$588 is in the First Quarter '07. So this is -- sorry for that.

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We have a strong demand and constraints related to wood supply and low inventories. So as I mentioned before, at very low levels of inventories because the demand is strong and we have some constraints from the supply side.

We mentioned for the pulp business, as well, the market pulp record production, 351,000 tons. And in the same way have record volume of 348,000 tons during the First Quarter '08. Then the -- excuse me? Yes. That we have production, the first one and sales, the second one.

In the cash costs, we have -- before, I mentioned BRL452 as our cash costs for the quarter. And excluding the shutdown, the costs related to the scheduled maintenance shutdown, including that specific cost, the cash cost was BRL488 per ton.

Next slide. You see there's some graphic information. The first one is about the pulp sales volume. And by the middle, you see the 348,000 tons of pulp sales volume, compared with First Quarter '07 of 174,000 tons. This is the growth that we have experienced to Line 2 in Mucuri now experiencing the learning curve.

At the same one that you see the graphs related to the pulp net sales. In the middle, you see BRL407 million, compared with BRL212 million First Quarter '07. So it's very interesting. Also, I think you start noting that the growth of the participation of Asia in our sales, pulp sales. Asia now is in this First Quarter, the first time was 38%. Europe 52%. Europe is still our main destination to our exports of pulp. North America, 8%; and Latin America, only 1%.

Next page, you see some information highlights about the paper business unit. Here we have also a typo problem. The volume, the first bullet, please correct it for us. The volume that we experienced in the First Quarter '08 was 271,000 tons of paper in this quarter, 271,000 tons. This is 1.8% higher than First Quarter of '07. So this is very much flat compared with last quarter, close to 2% growth.

I just want to highlight about the markets. We estimate the growth compared with last year, the same period, of 8%. And our sales were 3.4% higher, excluding (Ripada) units. As you recall, we sold some of the Ripada units after the First Quarter of '07. So at that time, when we compare First Quarter '08 with First Quarter '07, we need to exclude the effects in the volumes that regarding to the Ripada units.

Average net price decreased 5.5% in reals and increased 14.6% in dollars, comparing to First Quarter '07. So here we have within some effects of the exchange rate and also some pressure in the local markets. But it is interesting to see that in dollars, compared to the same period, there was almost 50% net increase in our net price.

And the final bullet in this page is related with the participation of the domestic markets in our total sales. During this quarter, we had 54% of participation on the domestic markets, especially due to the seasonal effects. Andre Dorf is going to have the opportunity to talk about this later. But this Fourth Quarter of the year in Brazil is the hottest quarter for the paper business. And the First Quarter is the weakest. So during the First Quarter, it's

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common for us to export more in the percentage base than normally we export. You know that we have an average of 60-40. This quarter, we have 54% in the domestic market to the seasonal effect.

Next slide, the same as we have mentioned to the pulp business unit. Here, the paper business unit. We have some graphic incorporations. In the First Quarter of '08, we had paper sales volume of 271,000 tons, compared with 266,000 tons First Quarter '07. The same for revenue, BRL562 million versus BRL584 million. Here, the effect of the price and behind the effect of the price, some important effects of exchange rate variation against the price.

The same it's interesting to note, the destination of our paper, the exports of paper. Latin America with 40% and North America with 20%. You see here we have 60%. And so in the regional market, compared to this, let's say, 60% that's normal market and domestic market, plus 40% of 40, we have here almost 6% to 8% in the Latin America and up to (8%) if we say North America. So as we have mentioned, the paper business is going to be more and more regional, Latin America or America's business, than compared with the very global business in the pulp world of markets.

Okay, my final slide here is just to highlight some numbers. Here I am using the same framework that we have used in the last calls. So let's go through one by one, very quick.

Sales volume in the First Quarter of '08, 619,000 tons. This is 40% higher than what we had in the same period last year, First Quarter '07. Paper volume in domestic markets, 146,000 tons. This is a 2% lower level than compared with '07, First Quarter '07.

Pulp volume in the export market, 286,000 tons. That's 105% more than what we had last year.

Net revenue, BRL970 million, almost 20% higher, net income of BRL120 million. That's 20% higher than last year.

Cash costs, BRL488, including here the maintenance shutdown cost, compared with last year for the same period of BRL465. If we use here BRL562, which is the number of our cash cost, excluding the scheduled maintenance shutdown, BRL552. So then we will note a reduction compared with last year same period, when we had BRL465.

EBITDA in reals, BRL341 million. In dollars, \$196 million. So 24% higher in reals and 50% higher in dollars. That's almost \$200 million EBITDA. So you can say that we are running on an annual basis about \$800 million of EBITDA as we speak.

EBITDA margin, 35.2%. Exchange rate, as we mentioned before, BRL1.74, compared with BRL2.11 last year. The same, as I mentioned this morning on the call in Portuguese, that it's very hard for us to remember when we had this BRL2.11 as the exchange rate. At that time, we are very concerned with this level. So today with BRL1.74 you can imagine that we are a little bit more concerned than what we were last year.

And the net debt, the ratio between net debt and EBITDA, 3.48, compared with 3.72 last year at the same period, 3.74 last year. So here you see, it's easy to note that we have had a sharp decline in this ratio, due mainly to the higher volumes and the higher revenue and the much higher EBITDA, as compared with the same period last year.

Having said that, I will turn back to the questions. And so at the end I can come back and say some things too additional.

Thank you for this -- for the attention. And we'll be all delighted in answering your questions.

Questions And Answers

Operator

(Operator Instructions)

Your first question is coming from (Diago LoFiego) of Merrill Lynch.

Diago, your line is live.

Q - Diago Lofiego

Hello, can you hear me? Hello?

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

Yes. We can hear you.

Q - Diago Lofiego

My question is regarding your potential new growth project on pulp. Do you have any timeline for the announcement. And then could you give us an idea of when you would be planning to start operating? Thank you.

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

Diago, as I mentioned this morning, we don't have the timing to be announced. However, we would like to highlight that we have a full-time dedicated team that worked very hard on this. We have very good options. We do have a very strong plan for this organic growth. We are not ready to announce. But I can tell you that we are working and we have a very good perspective.

Our balance sheet is organized very good for this organic growth. And to support the organic growth and you guys have all the numbers to calculate how this balance sheet will be much stronger as we move forward. So Suzano is fully committed with the organic growth, mainly in the pulp side.

We had the plans to announce and to have this concluded last year. We decided to maintain our strategies and to postpone a little bit the final decision. But I would like to tell you that we are fully committed. The change in plans hasn't changed anything. We are going to move with this. However, unfortunately, I can't give you any dates for the announcement and for the conclusions of this stage of the project.

Q - Diago Lofiego

Okay. Thank you.

Operator

(Operator Instructions)

Our next question is coming from Debbie Bobovnikova of JPMorgan.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

Hi. Good morning. A question on your costs. You mentioned in the quarter there was a big effect from the maintenance downtime. Can you remind us how you account for maintenance, if you accrue any of the expenses during the year, or do you take a one-time charge in the quarter? And also, if you can just remind us what your maintenance plans are for the rest of the year and if there are any other impacts on costs that we should be looking for for the rest of the year? Thanks.

A - Bernardo Szpigel {BIO 2080745 <GO>}

Good morning, Debbie, this is Bernardo here. We account for the maintenance costs in the quarter in which it occurs. So the effect that you see here is related to the maintenance that occurred in March of this year. There is another scheduled maintenance shutdown that is scheduled now for the Third Quarter of the year. So it's a smaller shutdown and also the cost will be less.

The cost of the maintenance shutdown in this quarter was BRL11 million, which was something like BRL36 per ton. It's also important to mention that because of the maintenance and the way we are doing the learning curve of the pulp production, we also had some effects on the cost of the production, on the cash costs, excluding the charge for the maintenance or shutdown, regarding things related to increase in chemical consumption or fuel consumption.

So the BLR452 that Maciel referred to, it still affected us negatively in the quarter because of the instability of that. So this is the level that we are moving. We anticipate that we continue to give as an indication of where we are heading in terms of cash costs. We have been saying that we are moving toward levels of BRL400 to BRL410 per ton as we move along in the learning curve and stabilizing the process. And what we have seen in the First Quarter of the year is very much in line with what we anticipated. And we think that it's probably the BLR400 to BLR410 is a good figure, which is fairly conservative.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

And just to make sure I understood that correctly, for the BRL452 cash cost, you're basically saying that that takes out the impact of maintenance related to fixed costs. But that still has the impact of higher raw material and chemical costs in the quarter, correct?

A - Bernardo Szpigel {BIO 2080745 <GO>}

Go ahead.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

I'm sorry. So that still has some kind of a maintenance impact in that BLR452 number?

A - Bernardo Szpigel {BIO 2080745 <GO>}

The BLR452 is excluding the costs that are specifically related to the materials and services that we have. These are one-time. What I am saying as well is that the BLR452. And we exclude this. This is still to some extent affected by the shutdown. So it could be lower.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

Okay. And for the BLR400 to BLR410 target that you're giving, what is the timeframe to reach that target?

A - Bernardo Szpigel {BIO 2080745 <GO>}

What we have been saying is that from a learning curve period, we think there is a learning curve period in terms of volumes and this is -- we expect to be at capacity around the Third Quarter, beginning of the second half of the year. As for the chemicals consumption and wood consumption and others, this is normally -- normally it takes longer than that. It could be six months more. Probably we're talking here end of this year, beginning of next year. This is what we have experienced in the past.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

And this would be already your consolidated cash costs, including all of your Line 1, Line 2 in Suzano?

A - Bernardo Szpigel {BIO 2080745 <GO>}

No. We are giving you figures for Mucuri and this is Line 1 and Line 2.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

Okay. Great. Thank you.

One question on your paper front. You mention in the press release about the packaging business -- hello?

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

Yes.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

The packaging business, facing import pressures as well. Could you explain a little bit more about the evolution of imports in packaging rates in Brazil and who are the main importers?

A - Andre Dorf {BIO 15460232 <GO>}

Yes, hi, Debbie, this is Andre. Regarding imports, we are facing the higher volumes in the coated segments. The coated imported papers accounted in the First Quarter for approximately 45% of the domestic market. So that's where the most -- the greatest impact is. Regarding in paperboard, which is the bulk of the paperboard is (inaudible) into packaging, we are facing or perceiving a 9% -- approximately 9% of the domestic market imported, mainly from the U.S. and Asia.

On the other hand, we have seen those markets -- actually, all the markets that we are on, growing significantly this quarter. They in total grew approximately 8%. And we were able to capture 3.4% of this growth if we adjust the First Quarter of '07 for the divestitures of (Remira) and Cubatao, the two production units that belonged to (Repaza). And talking specifically about the paperboard, we presented a slight decrease in our volumes compared year over year due to mainly the sale of Remira, as I said, one of the former Repaza's production units. And also because of the new capacity addition that we had in the domestic market.

So these two effects combined affected our domestic sales, which we don't foresee for the future.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

And this 9% share of imports, it's been relatively stable throughout the year?

A - Andre Dorf {BIO 15460232 <GO>}

Yes.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

Great, thank you.

Operator

(Operator Instructions)

Your next question is coming from Pedro Grimaldi of Goldman Sachs.

Mr. Grimaldi, your line is live. (Operator Instructions)

Our next question is coming from Juliana Chu of BES Securities.

Q - Juliana Chu {BIO 1551904 <GO>}

Hi. Good morning, gentlemen. I have a question. You had commented in the Portuguese conference call that you intend to reduce 5% your administrative expenses. I would like to know if you can give us more detail in how would you like to obtain that reduction? And also, if you are making other efforts regarding reduction of other expenses, other operational expenses? Thank you.

A - Bernardo Szpigel {BIO 2080745 <GO>}

Juliana, this is Bernardo. I think you have a good point there. Well when we talk about 5% reduction, in effect we are attacking all the components of SG&A in this respect. Of course, a larger portion of that is related to labor costs and wages and all of this. So productivity is -- and I'm not talking about a per-ton basis. That's in general, the total, the gross amount. So we have efforts in that and also in other -- in a number of fronts.

I mean, all of them are being attacked. We have this -- we call a matrix budget here, in which we have people who are responsible for each of the administrative components and they have specific plans. The 5% amount that I referred to is what we had been obtaining in the last years. If you look at the total amount for 2007 and compare it with 2006, you'll see these levels of reduction. And we have plans and we can see how this is done. Then we can see the ways to be done.

And your question is also related to the question of other fixed costs. And we are also in the -- and these are mostly industrial costs. We have efforts to reduce and (redo) efficiency in maintenance costs and other components of fixed costs. We have a very strong effort going on in operational efficiency, very well organized, where we tend to have important reductions. We have been obtaining them already. We are starting to see them coming to the results. And we are very confident that this will bring very interesting results. So on all of the fixed-cost components, or SG&A, we have -- we are moving with specific plans for all of them.

And the order of magnitude of 5% a year is reasonable. We could of course be working for more than that. But at least in the next two years, something of this order can be obtained.

Q - Juliana Chu {BIO 1551904 <GO>}

Okay. So just for checking. So I can see probably in the future additional reductions besides the 5% SG&A, 5% reduction in (inaudible).

A - Bernardo Szpigel {BIO 2080745 <GO>}

Yes. These are the plans.

Q - Juliana Chu {BIO 1551904 <GO>}

Okay. Thank you.

A - Bernardo Szpigel {BIO 2080745 <GO>}

Sure.

Operator

(Operator Instructions)

Our next question is a follow-up coming from Diago LoFiego of Merrill Lynch.

Q - Diago Lofiego

Hi, just a follow-up question here. I just want to see an update on your views on the potential consolidation of the sector in Brazil. And how do you think you're going to take part on it, if you are. Thank you.

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

Diago, this is Maciel. We cannot add anything on top to what we have mentioned before during the calls or during conversations with the press and events of our industry.

What we have mentioned is that it's very easy for everybody to see that worldwide, our sector is not consolidated yet. It's very easy to compare with all of the let's say commodity sectors. If you see steel, aluminum, copper, (you name), we have much more to consolidate to the situation. So worldwide perspective, it's very easy to analyze and see that something is going to happen.

What we have mentioned, that we don't know when and we don't know who is going to pull the trigger first. So we -- this is something that we don't know when it's going to happen and where it's going to start and from where.

So it's not a Brazilian case. This is an international and worldwide case, international case that's going to happen. We don't know when, if it's this year, next year or in five years.

So what Suzano is doing, from one side, is improving revenue and reducing costs to have a strong, as you have seen the improvement, very strong operational results. As a result of that, we are improving our balance sheet, mainly in considering also the startup of Line 2 in Mucuri.

So we are improving our operational results. We are having a stronger balance sheet. And we will be ready to participate in a potential M&A process.

We are not targeting anything as we speak. And our shareholders, controlling shareholders are for sure considering in the study the situation. But we don't have

anything to add for now on top of what we have mentioned before.

We are working hard to be a strong player in the global market of pulp and paper. And we have very strong organic growth planned that we are moving forward with a very strong and dedicated team working very hard on that. And if some opportunities come in front of us, we'll be ready to analyze.

Q - Diago Lofiego

Okay. Thank you.

Operator

(Operator Instructions)

Our next question is coming from Pedro Grimaldi of Goldman Sachs.

Q - Pedro Grimaldi {BIO 15750214 <GO>}

Hi. My first question is that you said on the Portuguese conference call that you expect price increase for uncoated paper. Could you be more specific on that, or how much do you expect for your uncoated mix of price increase?

A - Andre Dorf {BIO 15460232 <GO>}

Hi, Pedro, this is Andre. We've heard in the market that some of our competitors have already announced some price increase for this and next month. And we are analyzing the more -- the appropriate timing and amount of the increase. But we are very positive that this will happen this next quarter, with the effect in the Third Quarter. But we are not disclosing the amount of the increase and the right timing, as of now.

Q - Pedro Grimaldi {BIO 15750214 <GO>}

Okay. And my second question, we have news on our local wire, saying that the Brazilian development minister may reduce cut sizing (port) tariff from 16% to zero. Do you think that will be implemented. And which is the current domestic price premium for the segment, for the cut size segment?

A - Andre Dorf {BIO 15460232 <GO>}

Actually, the cut size market is somehow tight in every market. We have seen the U.S. market presenting some price increases in the last month. And, as well, some European regions, in spite of the appreciation of the euro.

In respect to our tariffs here, we've seen the imports growing. So our domestic prices adjusted to freight, lead times and services are okay with the import levels. And so, we don't see any need for tariffs decrease in the short term.

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Q - Pedro Grimaldi {BIO 15750214 <GO>}

Okay. Thank you.

Operator

(Operator Instructions)

Our next question is a follow-up coming from Debbie Bobovnikova of JPMorgan.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

Yes, just wanted to check in with you on your outlook for pulp pricing. We have the April price increase announced. I guess one thing is just to get your thoughts on why you didn't move with as big as a price increase as the rest of your competitors. And if that means you have a slightly more cautious outlook on the pulp market than Aracruz and VCP.

A - Rogerio Ziviani {BIO 2080739 <GO>}

Hi, Debbie. It's Rogerio speaking. First of all, I think market flows on the prices depending on the mix of your sales and on the types of the contracts that you have in each market. Actually, we announced the same price increase, if you may say so, in Asia and some of our other areas, like Europe as well. But we didn't follow the price that they have announced, especially in the United States, for many, many reasons. And the main one -- one of the main reasons are some of our competitors, they have contracts with much higher discounts than us, selling to the same customers and to different customers also. And this created a big lag between our prices and their costs. And that means that those pressures also came from the contracts that we have, which are much lower discounts than our competition.

So if you look into the net price that is published by all other colleagues or competitors, we have in line or higher, which means that all the time we are very much under pressure from our customers saying that our pulp is the highest cost that they buy. Of course, they are willing to pay a premium because of the (FSC) and our quality. But there are limits for that.

So on the other hand, I think this is normal. We see different price announcements also for other fibers, like softwood mix and hardwood in different places and different areas. And we don't see -- and in the past, we also had some differences in eucalyptus, as well, in Europe and other areas.

So we don't see anything wrong. I think what we have to see is looking to your profile of customers and see the best revenue management that you bring to your own Company. And that belongs -- if the price listed is a little bit different, the revenue management will show that you have a better price net. And that's what we are looking at this moment. And that we think is more important.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

And do you think it's possible to have another round of price increases announced in the next few months?

A - Rogerio Ziviani {BIO 2080739 <GO>}

I think demand in Asia, as we mentioned before, is stronger than in the other areas. So if I may say so, we see the possibility today. Even today, if you wanted to announce a price increase in Asia, it would be very acceptable because of the lack of tonnage available to supply that market. So I think we are going to see some movements in the quarter. I cannot precise to you, if it is going to be next month or the following month. But starting from the demand that we are seeing in Asia, most likely we will see a price increase starting there.

Q - Debbie Bobovnikova {BIO 4684018 <GO>}

Great. Thank you very much.

A - Rogerio Ziviani {BIO 2080739 <GO>}

You're more than welcome.

Operator

(Operator Instructions)

This concludes the question and answer session. At this time, I would like to turn the floor back to Mr. Antonio Maciel Neto for any closing remarks.

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

Okay. Thank you, everyone, again. It was a pleasure to meet you again. We will be always available for additional questions. Bernardo, (Denise or Tim) will be available here for phone calls, e-mails, or personal contacts.

Let me just conclude saying that we are very positive with the coming quarters for Suzano. From the revenue side, you see that we will have more volume coming from the Line 2 in Mucuri as we move forward with the learning curve. So the price on the pulp side will be same price or higher, as we are anticipating possible price increase in the pulp business, still in the first semester, first half of the year.

From the paper side, we also will have -- we have through the quarter, where from the seasonal effects, where we note the lower levels during the year. So we anticipate that we are going to have higher volumes and also better price in the local markets, in the (cost) data. And also we are going to do this next quarters in the extended markets, in the foreign markets, in the global markets, in the price increase that's not only Suzano, that's happening worldwide.

So in the paper business, as well, we are going to see some volume increase and some price movement. So from the revenue side, we are very, very positive on that.

On the cost side, Line 2 volume increases. We will reduce our cash costs, as Bernardo has mentioned before as well. And we are working very hard on all fronts.

It was underlined here about our efforts related to fixed costs. But we have this operational excellence program, where we are working very hard from the basic cost side as well. So from the operational side, we are positive that we are going to see good news from the revenue side and the same from the cost side, improving our margins and results, despite the levels of the exchange rate that we are facing as we speak.

As a result of these very strong EBITDA levels, we are running annually at the level of \$800 million per year. Our balance sheet is improving. We still are (rated) very good. But we are going to have (inaudible) very strong. What will give us, along with the growth of our products, as we see certified products, 100% of planted forest for our products, very good recognition from the customers, very good quality, very good relationships and a long tradition in the market. This will give us and allow us to move and to prepare and to move forward on the organic growth side.

So revenue is okay, cost is okay, growth is ready to go. And we are going to continue working. And very happy and very thankful for all the support we have seen from you guys.

Thank you very much.

Operator

Thank you. This concludes today's presentation. You may disconnect your lines at this time. And have a wonderful day.

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