



Operator:

Good morning, ladies and gentlemen. At this time we would like to welcome everyone to the Suzano Pulp & Paper 4Q06 earnings results conference call.

Today, we have a simultaneous webcast with slide presentation on the Internet that can be accessed at the site www.suzano.com.br. There will be a replay facility for this call on the website.

We inform you that all participants will be able to listen to the conference during the company's presentation. After the company's remarks are over, there will be a question and answer section. At that time, further instructions will be given. Should any participant need assistance during this conference call, please press *0 for an operator.

Today's speakers will be Mr. Antonio Maciel Neto, CEO; Mr. Bernardo Szpigel, CFO and Investor Relations Officer; Mr. Rogério Ziviani, Head of Pulp Business Unit Executive Officer; Mr. André Dorf, Paper Business Unit Executive Officer; and Mr. Ernesto Pousada Expansion Project Executive Officer.

We also would like to inform 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 forwards 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:

Good morning, everyone. Thank you very much for attending this conference call. We will start with a brief presentation, which will be presented by Mr. Bernardo Szpigel, our CFO, and, after that, we will have a group of Directors, already announced, and we will be available to take questions. So, I will ask Bernardo to start with the presentation.

Bernardo Szpigel:

Good morning, everybody. We will be using the presentation that is available on the Internet, starting with slide two, the highlights for the year and the quarter. We had stable pulp prices in the 4Q06, eucalyptus pulp prices are US\$680/ton CIF Northern Europe.

The Mucuri project is on time and on budget. Assemblage of the equipment has already started, in line with the schedule. We had, in the quarter, investments,



at the CAPEX, of US\$239 million, totaling US\$773 million already disbursed for the project.

Share liquidity increased significantly. We had, in the 4Q06, US\$7 million/day, and our free float, after the follow-on offer, February, is already 42% of total share.

Moving on to slide three, the status of the Mucuri project. The US\$773 million already invested represent 58% of the CAPEX, we also have all of the civil construction completed in infrastructure, and the assemblage of the equipment is already well on the way. You have also on this slide, the breakdown of the funding for the project, 78% of the project's requirements are being funded with very good conditions, that you have in this chart, long-term and low cost.

Slide four, some photos; the position as of January of this year. Some of the equipment is already there, for example, the dryer, the second photo on the top, as you can see there, is already 40% of the dryer already assembled. This is going to be the largest dryer in the world.

In the fiber line, the bottom right photo, is a very efficient fiber line, with very low chemicals consumption and quality of the pulp, so the "project" prices (4:14) are in very good shape.

Moving on to slide five, some highlights of the pulp business. The average pulp export price in the 4Q06 was US\$594/ton, compared with US\$587/ton in the 3Q06, and US\$504/ton in the 4Q05. Demand and inventory levels maintain very good industry fundamentals in the 1Q07, world demand for pulp increased 1.5 million tons or 3.9% in 2006. Eucalyptus increased even more than that, a 12% rate.

We also had, in the year, capacity closures of 1.8 million tons, as the market was in very good balance, supporting good prices throughout the year. As of February, we have the spread between softwood and eucalyptus pulp at US\$80/ton, supporting pulp prices in general.

Moving on to page six, inventory cost. We had world inventories of 31 days, stable (5:25) and low inventories, in general. We had a cash cost - this is a negative note in the quarter - increased to US\$229/ton for us, as a result of non-programmed stoppages in our recovery boiler and the lime kiln. For the year of 2006, cash costs were good, at US\$204/ton, including the 4Q, the negative 4Q conditions.

On slide seven, moving now to the paper business, we have a very positive outlook for the sector: the domestic market stable prices in the 4Q06 and an announcement of price increases for January of this year. In the export market, stable prices in the beginning of 2007, with a positive outlook, reflecting also the restructuring of the players in the Northern Hemisphere, the very high cost producers shutting down capacity.



Domestic sales reached 66% of total paper sales in the 4Q06. The average for the year was 63% above the average for the previous year, 2005, at 57.5%. So this is very good, contributed to improvements in the margin. We also had the acquisition of Embu, a smaller unit, it is a paperboard producing unit of Ripasa, and we acquired VCP's participation in that for US\$20 million, this is the 50% stake that VCP has invested. This matches our current assets and portfolio, and these are very high-quality assets, with a capacity of 48.000 tons/year of paperboard.

In terms of paper sales, moving to page eight, in the quarter, we had 272,000 tons of paper sold in the quarter, compared with 292.000 tons in the 3Q06, and 257.000 tons in the 4Q05. The destination of our exports in the 4Q, Latin America representing 46%, followed by Europe, with 25%, and then Asia and North America.

The re-tax expand also belongs to Suzano, and we are using that together with our Report plan for cut size paper.

Financial highlights, moving on to slide nine, first comparing 4Q06 with 4Q05. We would like to point out that, we had higher volumes in the domestic market for paper, at the rate of 20%, and lower export volumes of pulp. Pulp cash costs, in the quarter, we had an increase of 5%, moving from R\$475/ton to R\$499/ton. Net income improved, we had a loss of R\$3 million in 2005, and a net income R\$90 million in 2006. EBITDA increased both in Reais and in USD, Reais, 20%; USD, 26%. Margins increased 4 p.p., from 28.6% to 32.7%. And net debt/EBITDA, on a pro forma base, including 50% of Ripasa for the last 12 months, moving from 2.6x to 3.65x.

Slide ten, the same analysis, comparing now 4Q06 with 3Q06, and here, what we see is basically decrease in volume of sales, especially exports of pulp. We had cash costs increasing by 11.6%, from R\$447/ton to R\$499/ton, that was a negative quarter. Net income decreased from R\$98 million to R\$90 million, 8%. And following the facts mentioned above, we had a decrease in EBITDA both in Reais and in USD, a rate of 12%, and margins decreased by 2.3 p.p. Net debt/EBITDA increased from 3.27x to 3.65x, reflecting the CAPEX for the Mucuri project in the quarter.

Moving on now to slide eleven, highlights, then comparing 2006 with 2005. Improvements in the volumes, especially in sales in the domestic market, a 29% increase, which is very good. Net income, you should move the figures that we have for net income. Pulp cash costs are in the line that is net income, so, for pulp cash costs, we went from R\$477/ton to R\$455/ton. This was a decrease of 4.6%, so a good improvement in cash cost for Mucuri overall. Remember that we have the start-up of the optimization of the Mucuri plants at the end of 2004, so 2005 was a learning curve year, and 2006 was already a stabilized year, with better cash costs.



Now, looking at net income, and please, switch then the figures with the line here. Net profit went down from R\$500 million to R\$444 million, basically reflecting the slower improvement, or strengthening of the real in 2006, compared with 2005. EBITDA improved both in Reais and in USD, in Reais, 14%, and in USD, 27%. We are now operating at US\$478 million, close to US\$500 million/year, which is a significant improvement if you compare the conditions before Ripasa. The margin improved 0.7 p.p., from 32.8% to 33.5%, and net debt/EBITDA moved from 2.6% to 3.65%.

Slide twelve, debts and liquidity. Liquidity is very good for the company, we now have R\$1.5 billion in cash and equivalents in 2006, we also have a standby facility of US\$200 million for six years, the three first years for the withdraw and three years for repayment. The average maturity of long-term debts moved to 4.2 years, and this will continue to increase as we move along with the project, because as the funding for the project is long-term, the average ratio of the project funding is eight years.

Finally, on slide thirteen, share liquidity, you see here the significant improvements. In the 4Q06 and 1Q07, we are running at US\$7 million/day of liquidity, which is very good.

With this, we conclude our remarks, and I pass on to the question and answer section.

Debbie Bobovnikova, JP Morgan:

Good morning, gentlemen. A few questions from my side. To begin with, maybe, can we talk a little bit about the outlook for pricing for both your pulp and paper business? Pulp with more the global outlook, and paper on the domestic outlook. I know you said there were price increases in January, I just wanted to get an update on that, please.

Rogério Ziviani:

Good morning. I will start this talking about pulp. Overall, we are having the first two months of this year, January and February, are very much in line with the 4Q06. We are foreseeing the price for March as being stable as well, there are some announcements for softwood that were done during this week and last week, so we have to wait until the middle of the month to see how this is going to be reacted to in the market. As far as demand is concerned, it continues to be positive, so, price-wise, we are still confident that, during the 1Q, we will continue to be on the level that we are today.

André Dorf:

In terms of paper, the market grew significantly last year, way above the GDP, and our prices in the last quarter of the year were pretty much stable compared to the 3Q, and also we implemented an average price increase of 5% in the



very beginning of the year in the uncoated grades and we are comfortable that we are going to have this new price implemented.

Debbie Bobovnikova:

The 5% uncoated grades, and flat for all other grades. Is that correct? Because I saw coated prices, actually, decrease for you in 4Q, is that right?

André Dorf:

Yes, you are right. We had a slight decrease in the coated prices in the 4Q06, mainly due to the increase of the imports, so, we have not announced any price increase in the coated side.

Debbie Bobovnikova:

And also, just going back to the pulp side, we saw the latest inventory global data, and they seem to be quite a bit disconnected between what is going on in the softwood supply demand balance versus hardwood, but hardwood inventories increased significantly to 38 days. Just wondering if you think if that will have a big impact on pricing going forward for the hardwood you collected this grades.

André Dorf:

Yes. The analysis is right, but also we have to consider that we had two mills starting up in the 4Q06 in Chile, and this is placing some tonnage into the market, and of course that also helped a lot in the increase of the inventory. For the time being, demand continue to be good and all the orders for the month of March in Europe, for instance, are already there, are already placed, with our regular customers.

In Asia, we had the New Year's, during the last ten days and the market is reacting now. Of course there was some turmoil because of the situation in the stock exchange market, but, for the demand of pulp, as far as we can see, the trend continues to be the same as we saw in the last couple of months. So, we continue to be confident on the positive side.

Debbie Bobovnikova:

Maybe, a question more towards the long-term plans. You have mentioned in the price release you are considering alternative growth plans. You have Mucuri Project starting up later this year, and after that your CAPEX really dropped off, because we do not have any big plans announced yet from your Company . But in terms of what you are thinking for future growth, I know probably nothing is official or decided, but just to get an idea of what type of projects you are considering for the future, if you could, please, just elaborate on that, that would be great.



Antonio Maciel:

We, during 2007, we have the big challenge, as you have already mentioned, which is to deliver the Mucuri project on time, on budget and producing the learning curve that we have planned. So, this is our number one priority related to growth and related to our plans here. We have also the integration of the the Embu plant, from Ripasa, which we have just bought, and this is a good acquisition, we are going to add more valued-added products in the paperboard, which is a market that we are doing very well. And also, we have several other activities related to productivity, and this will represent some growth as well.

As we deliver our fundamentals and our key projects in 2007, we will be analyzing another alternatives related to growth. Growth is our main driver now, and we are looking for alternatives related to organic projects, like an additional pulp line; and also, we have paying attention to opportunities in the M&A side. So far it is very difficult to tell you, we cannot disclose anything we are considering. But I can tell you this is our top priority with regards to strategic planning. So, we are paying a lot of attention, we are spending a lot of time internally discussing our next movement, and I can tell you that if we move in another big project, it will be related to additional pulp production for exports.

Debbie Bobovnikova:

Perfect. And one last question for now. Just in terms of the secondary offer that you had at the BNDES, there is a lot of anticipation ahead of the deals that there is going to be significant improvements in Suzano's corporate governance in terms of minority rates, tag along rates etc, maybe increase levels on the Bovespa, and we really have not seen anything. Just wondering if there are still some things in works, and, basically, what is the Company's outlooks or plans for improving the corporate governance?

Antonio Maciel:

This is also another subject that we are looking and paying attention internally. As you have already mentioned, we had good success with this follow-on offer, and we have plans, we are paying attention to the demands and the market. So far, we are not going to announce anything, however, we can tell you that we are analyzing alternatives to improve our corporate governance, and there is a very clear reason for that. As I have mentioned in the question before, we are looking forward considering growth opportunities, and growth opportunities will demand Suzano plain, more and more, being a strong player in the capital market, on the capital markets in Brazil and outside. So, we are paying attention to the opportunities, and also the demands from the market. However, we are not going to announce anything so far.

Debbie Bobovnikova:



Thank you for your answers.

Marcos Assunção, Merrill Lynch:

OK. Good morning, gentlemen. My first question goes to Rogério Ziviani. I just would like to know if you are seeing any type of restart in the Northern Hemisphere, meaning Canada and United States, due to the high price of pulp in these regions right now.

Rogério Ziviani:

Good morning, Marcos. No, we are not seeing. There are some rumors that there are some Chinese looking to some of these operations in North America, but so far we have not seeing anything conclusive on this respect. And, due to the currency, also, the CAD, I do not think this will be feasible, and also for the lack of wood that they are suffering, specially in the British Columbia. So, I think, for the time being, we will not see any reopening of those mills.

Marcos Assunção:

Do you have any expectations for further shutdowns in the region, given the current prices?

Rogério Ziviani:

We have some expectations discussing with some of the analysts of the market, they also do, but nobody is putting any names on the list, because the situation on the market, that would be very dramatic for some operations on the labor side and everything. So, but we are working, yes, with some expectations we have in our long-term planning, we had some closures that are listed due to many reasons, cost is one of them, and lack of wood is the second one, and the third one is environmental. So, there are some mills that are going to be shutting down, in our view, during this year.

Marcos Assunção:

OK, great. Second question goes to Antonio Maciel. When I looked at your CAPEX breakdown, I found that you spent R\$250 million this year in force acquisitions and industrial modernization. I would like to know if you could breakdown this number and tell us how much, specifically, did you spend in force acquisition during 2006.

Antonio Maciel:

What we have, in the total breakdown for CAPEX for this year, we had R\$248 million, included in this, I would call, maintenance CAPEX. This includes both industrial and forestry, harvesting and planting. For the forest portion, that was



something like R\$150 million, representing both land acquisition and planting. On the top of that, for the Mucuri project, we have already mentioned what we have spent this year, totaling US\$718 million. When you look at our consolidated figures, we had from Ripasa another US\$35 million, that was our share included there, R\$70 million, also for our investment CAPEX in Ripasa, only for maintenance and forestry plantation.

Marcos Assunção:

OK. Maciel, one last question. You have mentioned a lot during this call and the previous call, in Portuguese, about the future growth of the Company, the cash generation that this company is going to have for 2008 onwards. What is your expectation, you do not need to give a specific date, but an approximate one with regards to the announcement for new pulp expansion plans that the Company has in the future.

Antônio Maciel:

Marcos, we are not prepared to announce anything today and to set up a date, of when we are going to have it. The only thing that I can tell you is that this is on top of our priorities, our strategic priorities, we have invested a lot of time talking on that, we have our people studying, traveling, looking for alternatives, and, during the year, probably, we are going to take some decisions. But, so far, we cannot tell you anything, because we have not decided anything.

Marcos Assunção:

OK. Thank you very much.

Juliana Chu, BES Securities:

Hi, good morning, gentlemen. I would like to know if you have any expectation of when we may see the Americana consortium approval, and, even without this approval, if you are able to achieve all the synergies that you were expecting priorly. Thank you.

Bernardo Szpigel:

We are now pending the final approval from the federal tax authorities, we expect the approval on that front in this 1H07. In terms of synergies, in fact, we have obtained most of the synergies already, very little spending on this restructuring, because we are already operating with the Americana plant in a way that we are reselling the Americana's products through Suzano and VCP, each one in a 50% basis. So, from our cost point of view, we are already operating as we would have in the consortium. The only thing that is pending, really, is the final approval of the federal tax authorities.



Juliana Chu:

OK. Thank you very much.

Marcelo Luna, Deutsche Bank:

Good morning, gentlemen. I am just wondering if you could comment on the outlook for the average cash and cash costs for the rest of the year, if you would expect the cash cost to be in the same level that it was in the 4Q, and if you could expand on the cash cost increase from the 3Q to 4Q06. Thanks.

Suzano:

Yes. Marcelo, in fact, in the 4Q06, we had an increase in our cash cost at Mucuri, from levels of R\$450 to R\$490 per ton. This was, basically, the impact of the stoppage that we had in the recovery boiler and the line kiln, this increased our costs in the quarter. But if you exclude these effects, it comes down to the R\$450 per ton in the upcoming quarters. So, this was a one-time effect and we are coming back to the levels that we had. Average for 2006 was R\$450 per ton.

Marcelo Luna:

Excellent. And in terms of, just a follow-up in the volumes, in terms of volumes, you would expect volumes to recover slightly for the next quarters or you expect volumes to be in the same level they were in the 4Q?

Rogério Ziviani:

A lot of what was left in December was due to shipments and products that were already shipped, invoiced and received, so we are on time, again, and we do not see any problems during the quarter or accumulation for the next quarter, except if we have some other delays in shipments when there is nothing we can do, especially if they occur in the last two or three days of the month and we cannot invoice on the new date with the regulations and the law.

So that is the fact of what we have, and the total inventory abroad of the Company continues to be under control and on the schedule of what we planned. In terms of paper, I will pass on to André.

André Dorf:

Hi. In terms of paper, we had a slight decrease in our volumes sold mainly abroad, and specifically in Latin America; it was partly caused by some delays in shipments and partly due to some spot initiatives from this transition movement related to the Ripasa deal and the VCP deal.

For the future, we expect our volumes to go back to the same levels of this 3Q.



Marcelo Luna:

Great, thank you.

Debbie Bobovnikova, JP Morgan:

Yes, hi. Just following-up on your answer to the previous question, can you explain a little bit more in detail what are these 'spot initiatives'? How did that affect the decline in paper volumes? Just to understand the trends of exactly why you export declined, and what you expect for exports this quarter.

André Dorf:

Yes, we had a significant volumes sold in the 3Q from Ripasa, right before this transformation into this semi-consortia structure, so we had a significant additional volume in the market, especially in Latin America. And a similar move happened in the 4Q, with other players.

Debbie Bobovnikova:

OK, so, basically, the 3Q was pretty strong and confident, and then in the 4Q there was strong competition. Is that the way to interpret it?

André Dorf:

Yes, it is.

Debbie Bobovnikova:

OK. Then I guess another follow-up on your previous answer for growth plans for this year; you said that three main drivers of growth are going to be: one, Mucuri extension to the Embu plants, that you bought 100% stake, and also a part was going to be productivity gains.

I was just wondering if you could explain a little bit more on this third part, the productivity gains. Is that going to come in terms of cost cuts? If so, where is it on the COGS line, on SG&A...? Any kind of guidance you can give on that?

Bernardo Szpigel:

I can give you some general comments on that. As you know, we have this more than 1 million tons of paper production, other 700.000, 800.000 tons of pulp; so we have a huge production.

We are investing a lot in working on the stability of the machines, working on cost reduction, improving specifications and working very closely with our



suppliers, and we are also working on improving our logistics, because we have a big expenses related to logistics.

What is new is the big emphasis that we are setting up on this and mainly adopting the Six Sigma approach as a main driver to our improvement in our performance. So, we have some external help from consultants, and we are focusing with our internal people on working very hard, with very clear targets set internally to this improvement.

As we have this big volume related, every time we achieve a 1% to 3% improvement with regards to the execution of the plants and the projects, and mainly the day-to-day production, we can get some very good results.

So, in short, we are putting a lot of emphasis on execution, and we are adopting, as a big driver to our improvements, the Six Sigma approach in our organization.

Suzano:

And just complementing on the productivity and all of this, what we expect to obtain is improvements in terms of volume production, variable costs, fixed costs, and also SG&A. So, initiatives in all of these fronts, so they will be distributed among all of them.

Bernardo Szpigel:

Even when we talk about CAPEX, we are paying attention to old projects before approving any CAPEX project; we are challenging from the Six Sigma approach what we can do before spending our money to recover machines or improve processes.

So, we are foreseeing, as Bernardo mentioned, more production, better outcome, reducing breakdowns, reducing set-up times, reducing time to maintenance, reducing time for marketing when you have new products. So far, we have some internal targets and we are working... During the next calls, as we move forward, I will be more than happy to update you on the projects.

Debbie Bobovnikova:

But you cannot give us any kind of numbers on those projects, in terms of the cost savings you expect?

Bernardo Szpigel:

Not yet, but during the year, we are probably going to show you some projects.

Debbie Bobovnikova:



OK, great. And then just my final question is, going back to the long-term growth plants, I know you said there is no decision, but just to understand more of Suzano's policy and out views in your strategic growth going forward. Maybe you can give us just your general guidelines for what you look for in terms of both organic growth and acquisitions, if there are some things, some products or some regions that you find more interesting than others, or some regions or products that you rule out in terms of further growth, just so we have some kind of guidance as to what you are looking at, or how you view the Company moving, going forward.

Bernardo Szpigel:

We have the perspective that the pulp business is a global business. We know that, considering the natural resource we have and the widely experience on biotech and technology applied to our forest business, Brazil is extremely competitive in eucalyptus pulp production.

So, we are looking at opportunities to produce more pulp in the future, in Brazil, and to supply the world market, this is the key point. We have the opportunity to improve our production, to have more production in Mucuri, the site is prepared for that, but we are looking for other sites, also, where we can develop some green fields. We have areas where we have forests already, or green fields.

So this is open about related to pulp, and the demand is to the global market.

On the paper market, we approach more and more the Latin American market; paper for us is a very important business, we are playing four or five segments – depends on how you classify the segments, but in all of them we are number one or number two in the regions. So we are playing, you know that paper has several segments. The segments in which we are playing we are either on the leadership in the market or number one or number two.

So, we are looking for the opportunities, we just have to confirm this strategy, it is our acquisition of the Embu plant on the Ripasa, where we are adding now 48,000 tons of paperboard high-level, upscale products.

From the demand perspective, we are looking for more regional and Latin America-related market.

Debbie Bobovnikova:

Great, that was very clear. Thank you.

Marcelo Luna, Deutsche Bank:

Thank you, gentlemen. I was just wondering if you could comment on a very interesting discussion on the productivity gains and the programs you are implementing; I was just wondering if you could comment on when you would



expect to see those gains coming into, showing results, maybe as early as the 3Q07, 2Q07 or 4Q07.

And also, we have previously estimated that some of those gains could amount to as much as 500 b.p., in terms of your EBITDA margin; I am not sure if you can comment on that.

And then I have another question, but...

Bernardo Szpigel:

Unfortunately I cannot tell you, for now, because we have the plans, we set up the plans, and we need to hear more discussion internally for the delivery of this information to the market.

But I can tell you, and I can assume a commitment with you, that in the 4Q, when we have the full year of 2007, we will go back and show you the projects that we achieved in 2007, related to productivity gains, comparing 2006 and 2007. This is a commitment I have with you, just to show where we are going.

In the following months, in the upcoming calls, probably we can go back, address and give you some more examples of what we are doing. And probably we can, considering the coming year, after the 1H of the year, we can adjust this together and we will invite the analysts to talk about the productivity.

Because this is really something interesting, important, along with the innovations and actions to be more innovative; I think that will be a good differential for Suzano in the market.

Marcelo Luna:

OK, thank you very much.

Operator:

There appear to be no further questions. I will now turn the floor back over to the Company for any closing comments.

Bernardo Szpigel:

OK, thank you everyone for participating in this call. Despite a weak 4Q, if we compare to the previous quarter we have a very good year. If we compare also the 4Q06 to the 4Q05, we had an outstanding improvement as well.

So, from our perspective, we had a very good year, with very strong delivery in most of the parts of our business. The key points in the Mucuri project – which is our key project related to our growth initiative, our growth perspective – as we have mentioned before, is on track, on budget, very well-managed; Ripasa is



integrated, we had the acquisition of Embu announced, which is very good also; and this was a very good year when we see the impressive evaluation of our shares in the market place.

So, we added this outstanding performance, better than competition, better than the market in general. So, we are very happy with the strong year we had, and as we look and pay attention to 2007, we have a very good motivation inside the Company, good energy, with the consolidation of this cycle that we had and the start of our next cycle of growth, as we have discussed before.

So, we are going to focus on the execution, we have this very good and strong pressure on delivering our commitments, and along with this strong attention to the execution of the projects and the challenges we have, we are going to pay attention and define the next growth cycle of the Company during the year.

So, thank you very much. 2007 will be a very busy and strong year for Suzano, and we will be more than happy to share with all of you the progress, during the next calls. Thank you very much.

Operator:

Thank you. This thus concludes today's Suzano Pulp and Paper 4Q06 earnings results conference call. You may now disconnect your lines, and have a wonderful day.