



Operator:

Good morning, ladies and gentlemen. At this time we would like to welcome everyone to the Suzano Pulp & Paper 1Q07 earnings 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, please press *0 for an operator.

Today's speakers will be Mr. Bernardo Szpigel, CFO and Investor Relations Officer; Mr. Rogério Ziviani, Head of Pulp Business Unit; Mr. André Dorf, Head of Paper Business Unit; and Mr. Ernesto Pousada, Expansion Project 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. Bernardo Szpigel, who will start today's conference call. Thank you.

Bernardo Szpigel:

Good morning, everybody, thank you for the participation in Suzano's 1Q07 results conference call. One correction, Mr. Maciel, our CEO, is conducting the call, and I will start by asking him to give the highlights for the quarter.

Antônio Maciel:

Good morning, everyone. Thank you very much for the participation today. I will go through the highlights, and after that Bernardo and other Officers here will complete the first phase of the presentation.

The first thing that we would like to tell you is about the acquisition of the remaining 50% of the Embu unit. As you know, it is a paperboard plant that we bought from Ripasa, and now, at the end of March, we completed the acquisition of the remaining 50%. So, today, the Embu plant is fully integrated to our operations, and we have already started to capture the synergies in this market, which is very important for us.

At the Mucuri project, everything is going very well. Most of the civil works have been completed, erections continue as planned, so we have good news from Mucuri, again, another quarter with very good progress. We are moving forward, and Mr. Ernesto Pousada will tell you some more details about this project.

Another good news of the quarter was the new tax incentives granted by the federal government to our Mucuri project; in fact, this is a consequence of actions that the Brazilian government has taken to reduce the cost of investments here, and we have received in the first quarter this incentive. Mr. Bernardo is going to talk to explain better



these incentives, which will generate very good cash improvements for us from 2007 on.

We have some good news on the prices, the uncoated papers as well, 3.1% higher than last quarter in the domestic market. And the trend is a good trend, we are recovering partially the price that had decreased last year. We have a pressure of energy prices and some raw materials, and everybody knows that pulp prices are higher than last year's, also. So we have a good trend in the recovery of uncoated papers, and Mr. André Dorf will talk about that shortly.

The follow-on equity offering that happened in the end of January, beginning of February, was very well conducted, had very good results. The free float increased to 42.3%; so this is another step forward in our actions to become more and more a good and important player in the capital market here in Brazil.

Sales and administrative expenses experienced about 20% of reduction, compared with the 4Q06. We have more details to show, and Mr. Bernardo is going to talk about them, but this is a trend that we will maintain as part of our efforts to reduce our costs, and to be competitive, even with the exchange rate that is 2.0, comparing the real and the USD.

And we had a record production volume, 450,000 tons in the quarter, which is very good news as well.

I will pass the floor to Bernardo, who is going to talk about the incentive first, and just after that, Ernesto Pousada will talk about the Mucuri project.

Bernardo Szpigel:

Moving on to the next slide, the new tax incentive to Mucuri, as a result of a new law that passed in Brazil in 2005. We were granted accelerated depreciation for our Mucuri activities. The specific incentives that we are talking about here are the total depreciation in the year of the acquisition of the goods.

This, in fact, is equivalent to a deferral of payment of income tax over the useful life of the assets, which in the case of Mucuri is 35 years. So it is a very important financial aspect, in terms of the present value of tax payments in Mucuri.

This is effective from January 1st, 2006, as the law established; but only recently it was formally... all of the following legal acts were put in place. We received the granting of this on March 29th, 2007, so in this 1Q, and the effects reflected in 2006. So, in this quarter we have not only the effect on the quarter itself, but also the reversal of some figures that we had in 2006.

In terms of cash flow effects, what we had, if we can summarize, we will have no income tax to be paid for 2006 and the 1Q07, more specifically the R\$77 million that we have already paid in 2006, referring to the income of 2006, is going to come back to our cash flow this year, and we will have no income tax to be paid this quarter, and given the rates in which we are investing in the Mucuri project, for this year as well no income tax will be collected by the government.

Some comments on the effective tax, which is important for the valuation that is calculated. First of all, the present value of the deferral is not reflected in the financial



statement; this is a present value effect which is not reflected in the accounting figures. In 2007, in the 1Q07, the resulting taxable profit in fact is zero, because of the amount of the depreciation related to the acquisition in 2006 and the 1Q07.

Because of that, we are not able to use other existing tax incentive, which was a 75% reduction in taxable profit; we cannot use it for 2006 and the 1Q07. The reversal of that utilization in 2006 is now showing in our 1Q07, so the effective tax rate for the 1Q is impacted negatively by the reversal of the 75%.

This effect is just an accounting record, it does not reflect the value of the incentives that we have obtained. Our effective tax rate, if you would like so, is now on a more regular base, would show on an accounting base something like 30%, up from the 25% that we have been showing. But on a present value calculation, it is in fact below 20%, the impact of the deferral of income tax.

I will now pass the floor to Ernesto, to continue with the Mucuri project.

Ernesto Pousada:

OK, good morning, everybody. From the Mucuri project, we are moving quite well towards our target of a start-up in October, assembling and erection of the main equipments are well underway. This last Monday, on April 30th, we just had the first main area, which is water treatment, one of the main areas where we had an EPC concluded, so this area is already operational, and this is an important milestone to the project, as we move on into a commissioning preparing for startup. So lots of tests and running with equipments are starting, and we can see that the project is moving quite well towards a start-up in October.

On the investment side, we have disbursed so far approximately US\$900 million, which represents 69% of the total CAPEX for the project, despite the fact that we have been having a appreciation of the real, we have been able to control this, and we still estimate the total investment to remain to US\$1.3 billion, as shown in the table on page number four.

Moving on to page number five, we can see some photos of the project. You can see on the first one of them, on the left of the graph, causticizing and lime kiln. Then the wood yard through the generator – all civil works are almost done at this point in time, and assembling and erection is quite well, like I said, underway. You can see it on the causticizing and lime kiln. Down on the left, you can see the bleaching area, where you also see all the tanks and everything else, as well as on the last one, on the cooking site, on the lower right photo, you can see that. Right now we have over 6,000 workers on the site, and we move quite well towards our scheduled start-up.

I will pass on now to Rogério Ziviani for the pulp update.

Rogério Ziviani:

Good morning. Going to slide number six, the 1Q average price of pulp, this price was the same as the ones announced in November last year – US\$716 in the United States, US\$680 in Europe and US\$650 in Asia.

Our average pulp export was, in the 1Q07, US\$588, very much in line with the 4Q06, thanks to the demand. The demand was quite well all over the world, except a little bit



in Asia, where we had a seasonal adjustment of this New Year's, during the month of January, and also because of some tax regulations on the VAT that they had implemented in January, but as of April 28th they dropped down, which was very well reflected in the market, in terms of pulp demand, as we could see in the last few days. So that also made the pulp prices stable, even though we had some new capacity coming in, especially from Chile.

The global shipments of eucalyptus during this quarter, compared to the same period of last year, went up about 5.9%, almost 6%, showing that the new capacity is coming up from Chile and some other debottlenecking, putting eucalyptus today as the leading pulp of the world, in terms of market pulp.

That also increased the spread between the price of softwood and hardwood, which today is around US\$100, and our forecast and the forecast from the main analysts from the market is that these prices will continue to be widening, and also it is a good chance for the eucalyptus, as we go on higher substitution, as we can talk later on.

Going to slide number seven, as we can see, during the 1Q the pulp sales volumes were around 174,000 tons, very much in line with the production, which was exactly 174,000 tons as well, of market pulp, which was higher than in the 1Q06; against that, that was about 133,000 tons, and during the 4Q06 we had 145,000 tons.

Looking at distribution, in terms of percentage, we continue to have Europe as our main market, with about 56% to 60%, as we maintained that. Asia with 29%, North America with 11% and Latin America with 4%. Why is Europe so concentrated? Because we have the FSC, and the FSC certification is well required in that area, spreading also to other markets like Asia and North America as well.

Our cash cost was US\$219 in the 1Q, less than in the previous quarters, as you may recall, but still a little bit higher, as Bernardo can tell you later on about it. But we continue to work on the trending down of this, despite of the USD exchange rate and everything.

In terms of export market, it continues to be responsible for 80% of our total sales. During this quarter, it is important to mention that we launched the new brand of our pulp, which is the Suzano Pulp, all over the world, and we are now heading to Montreal during this weekend, where we are also going to display and announce all this to the market in a Convention that is going to take place there.

I pass on now to André Dorf, who is going to talk about the paper unit.

André Dorf:

Good morning, everyone. On the paper side, we have seen some price increases in the main regions, mainly Europe and in the United States, and we have just announced another price increase of US\$66/ton in the cut size in the United States, and another US\$40/ton in Europe, to be implemented in May, this week.

We have been able to reach... We reached in the 1Q almost US\$900/ton in the export markets, and R\$2,400 in the domestic market, in prices. 50% of our volume was sold in the domestic market, and it is worth to mention that we had lower volumes in the domestic market; I mean, the domestic market had lower volumes compared to the 4Q06, because of the seasonality, and also compared to the 1Q06 as well.



Another highlight is the volume increase that we had in our exports. We exported 37% more, compared to the last quarter, and this is mainly due to a shipment delay that we recovered in the 1Q, that we missed in the 4Q06, and also due to the lower volumes in the domestic market; we were able to divert them to the export markets.

It is also worth to mention the Embu acquisition. As Maciel said, we paid US\$20 million for the remaining 50%; it is a very good asset, just revamped in the beginning of last year. We added up 48,000 tons of paperboard to our current capacity.

Moving to page nine, in the chart of the left hand side, we can see the growth in exports that I just mentioned, and our volumes in the domestic market remain pretty much the same, compared to the same period of last year. Although it is worth to mention also that we improved a lot our commercial approach, and we just launched in March a commercial policy towards our distributors. So, we are organizing our sales and commercial approach in the domestic market. We will be able to capture some value in the forthcoming months.

On the right hand side, there is the breakdown of our exports. We are still focusing on Latin America, Europe and North America. In all three regions we had an increase in volume, and we expect to focus more on North America, from now on.

I will pass back to Bernardo Szpigel.

Bernardo Szpigel:

Moving to slide ten, comparing now 1Q07 and 4Q06, some key indicators here. Mostly, it was a positive quarter when we compare the two quarters. The only negative point, if you like, is the paper sales volume in the domestic market, and this is more of a seasonal effect, since the 1Q of the year is a weaker quarter in the domestic market, compared with the 4Q. The seasonal effect of the school year is reflected here.

All of the other indicators are positive. I would like to point out that net income is up 17.7%, despite the fact that in the 1Q07 this is reflecting a reversal of income tax in some periods, of R\$45 million that we had in the 4Q for the year of 2006, and this is reversed in this year. If we did not have that, the profit would go up to R\$140 million, an even greater increase.

Pulp cash cost is a positive aspect here, improving from R\$499 to R\$462, so there is improvement here, but not yet reaching the levels which we think are more normal. Still in this quarter of 2007, we had a quarter that was impacted by stoppage in our drier, in Mucuri, which still had some impact in terms of higher cash costs.

For EBITDA, both in reais and USD, it is a positive development, increase of 5.3% in reais and 7.4% in USD, the difference here is the further appreciation of the real in average terms in the quarter. The margin went up by 1.2 p.p., which is good, despite the fact that we had a stronger real this quarter. And net debt/EBITDA remains somewhere around 3.7x net debt/EBITDA, despite the fact that we are in process of investing in Mucuri, so this is a good development.

If you look now to slide 11, comparing 1Q07 and 1Q06, it is important to remember that here the comparison cannot be fully made, because in that quarter of last year we were consolidating 23% of Ripasa, and we started consolidating 50% of Ripasa as of May



last year. But, anyway, what we see here is a very good development. In terms of paper volumes in the domestic market, as you can see here, that is practically the same volume, 149,000 tons this quarter against 151,000 tons one year ago, which is the seasonal effect that we have already referred to, and the improvements in EBITDA margins in reais and USD, and the improvement of 0.9 p.p., despite the appreciation of the real.

On the next slide, just looking at the share liquidity, on slide 12. Liquidity starting 2H06 improved significantly. We are now, this quarter, running close to US\$7 million per day, in terms of volume, and 250 trades per day, which is a significant improvement from where we were one year ago.

With this, we conclude our slide presentation, and move on to Q&A.

Marcos Assumpção, Merrill Lynch:

Good morning, everyone. First question goes to Rogerio Ziviani. Rogerio, I would like to know if you are hearing anything about the Canadian producers restarting some operations in the Northern Hemisphere.

Rogério Ziviani:

Good morning, Marcos. Actually, I am in North America right now, at Suzano America, speaking with you. We have not heard anything regarding restarting. As a matter of fact, we can see some problems in the supply of ships and supply of wood. So, on the contrary, we do not expect to see anything new. Maybe, after Montreal, we can hear something new and then we can come back to you.

Marcos Assumpção:

Great. Second question to you again, regarding your main competitor supply of new entrance this year, but will be bought this year or next year. What are you hearing, when you talk to your clients, Rogerio, regarding the entrance of this new capacity? Do you believe that they will enter the market in the 4Q, as everybody is expecting? Or they could delay a little bit their new supply of wood?

Rogério Ziviani:

Well, Marcos, maybe Ernesto Pousada could give us an update on what he has been hearing from the suppliers of the products, suppliers of the machinery and everything. But, as we heard last time, they were still forecasting to start during the 4Q. From the market point of view, I would say that we can see they are making some movements in Europe, especially to try to place their start up tonnage, but besides that, we have not seen much of them into the market. I think a great portion of their production should be used by their own mills, or associated.

Ernesto Pousada:

Just to confirm what Rogerio said, what I have heard, the latest news on their start up, it is in December, October, so it should be at about the same time as ours.



Marcos Assumpção:

OK. And Rogerio, the last one for you. You just mentioned that in North America producers are having some problems in terms of supply of fiber. We are also hearing that in Russia, the wood producers are also implementing the export taxes. And in Indonesia, there are some new paper machines that are also taking out some wood from the market. Do you confirm all this three pieces on information? If this continues in the 2Q, this could lead to an even tighter supply for the main market for hardwood, and even if there is an increase in prices, in the 2Q, or you believe that prices should remain stable?

Rogerio Ziviani:

Well Marcos, we confirm all the three point you mentioned. Regarding prices forecast, I think, as I mentioned during the Portuguese version of this call, we saw that the experts, into the analyst experts, they put up a price forecast during the end of last year for this year, and they revised last month, for about U\$15 – U\$20 plus, on the average of the year.

It is very difficult for us to make any assumptions, but we are more confident, 1Q will be a quarter with more tonnage coming into the market from the Chileans, and we did not suffer any pressure in prices, except a little bit, in Asia, as an adjustment of the seasonality being a little bit lower. But, on top of that, we are more confident today than we were at the end of last year. That is what I can tell you right now.

Marcos Assumpção:

OK. Thank you very much. Another question, to Andre Dorf, regarding the sales mix of paper during the 1Q, we saw the mix a little bit worse than during the 4Q, and I would like to know what are you expecting for the sales mix in the 2Q, since I believe that the main reason for the worse mix was the weak seasonality. So, do you expect the mix in the domestic market to come back to 66%, which was the level observed in the 4Q06?

André Dorf:

You are right. The mix has to do with seasonality. Historically, the 1Q of every year represents something between 21%-22% of our annual sales, and we expect to recover that in the 2Q, but mainly in the 3Q and 4Q. It happened every year in the past. But our target is to maintain this 64 ratio throughout the year.

Marcos Assumpção:

OK. Thank you. And my last question goes to Bernardo. Bernardo, I think the impact of the accelerated depreciation is quite clear for the years of 2006 and 2007, but I would like you to explain further, what is going to happen in 2008, when you do not have much of the acquisitions of equipments anymore and probably will start to use your benefit from ADENE already, in 2008. And you will probably be using the combined benefits, both from ADENE and from the accelerated depreciation.

Bernardo Szpigel:

Marcos, your statement is quite correct. The new inspective incentive had a special impact in the years of 2006 and 2007, when we were investing in the Mucuri project, so



all of the investments here that can be depreciated are being depreciated in these two years. Moving forward to 2008 what we will have is the depreciation of what is invested in Mucuri, for all of the other reasons, like maintenance, CAPEX, and so on. We will have, then, taxable profits, starting again in 2008 and, of course, reflecting the new volumes that we are going to be selling from that, and will resume the utilization of the existing of the first tax incentive, which was a 75% reduction on income tax, proportional to the sales of Mucuri.

As a combined effect, it is, of course, the maximization of the benefit, using both tax incentives, when they apply and when they are best for the Company.

Marcos Assumpção:

And do you already have a better estimate for the net present value of this benefit, the deferred income tax?

Bernardo Szpigel:

Of course, this would depend on the number of factors that you use on the projection that you have for the future income tax that you have there. Our assessment, so far, is that from a financial point of view, let us say, in present value terms, we will have the effective tax rate, this is not the accounting effective tax rate, but the financial. We have no income tax in this year, 2006 and 2007, so we have just the social contribution. So, if you like the effective tax rate in those years, it is 9%, just the social contribution.

But if you project this into the future, a calculation, you can do it by just differing income tax from this year to 35 years, you get to something between 15%-20% effective tax rate, including social contribution.

Marcos Assumpção:

OK. Thank you very much.

Debbie Bobovnikova, JP Morgan:

Good morning. My first question is on the cost. We saw an average cash cost increase about 4%, quarter-over-quarter. I know that your pulp cost decreased. So, I am wondering how the pulp cost and paper cost do, quarter-over-quarter, if there is any pressure there. Thanks.

Suzano:

Good morning. I think you are referring to 4Q06 and 1Q07. Is that correct?

Debbie Bobovnikova:

Yes.

Bernardo Szpigel:

OK. So, what we saw was a decrease in pulp cash cost from R\$492 to R\$462 per ton, and when you look at the cost of goods sold, there is an increase in the volume there, because we sold more, and there are two other effects here. One is reflecting cost of



transportation for our exported goods, which are part of our... When we consolidated the business part of our cost of goods sold. And the other portion is just concentrated in this quarter, it is a change in criteria for PIS/COFINS. We were using it on a cash basis, so we were taking the credits in the same quarter, of all of our acquisitions, and now we have moved to the utilization of consumption of these materials and inputs. This is an R\$8 million impact quarter-over-quarter, and this will be just in the 1Q07. After that, we move on to the normal cost of goods sold.

So, in the comparison, we have a more positive view for the 4Q06 and a more negative view for the 1Q07. But this is just in these two quarters, from now on, this transitory effect comes down, and our cost of goods sold comes back to levels that we used to have, in fact, with some improvements, compared to what we had.

Suzano:

Just a quick comment. With respect to the transportation cost that Bernardo has just mentioned, it seems to reflect a greater portion of exports in our sales' mix. It is not that the transportation costs are increasing.

Debbie Bobovnikova:

Great, thank you. And what about you SG&A? That decreased a lot in absolute value and also in terms of percentage of your sales. Is that kind of the new level we should expect going forward?

Suzano:

Yes, when you compare this significant improvement, something like R\$20 million, and when you compare to them, something like R\$11 million is already the new level of reduction, both including what happened to SG&A and commercial. Some of the other improvements, some of the other changes are reflecting the SG&A that we had in the 4Q06, which was higher than average. So, of the total R\$24 million improvement, R\$11 million are permanent.

Debbie Bobovnikova:

What do you expect for next quarter? Do you expect slight increase, or this is the new level?

Suzano:

When you look at SG&A for this quarter, for example, because of the reduction in sales in the domestic market, our sales expenses went down a little bit. So this will come back to normal levels. This represented something like R\$6 million reduction, and this will come back on a seasonal basis. So, what you can see for the year, as a whole, is a reduction of something like R\$11 million times four, year on year.

Debbie Bobovnikova:

OK, perfect. And a question on the paper side. I know you said that this quarter was weak due to seasonality, but it also seems to be weak year-over-year. I just wanted to understand the competition pressures you have seen in the domestic paper market



right now, and how you expect the market to perform over the year, both in terms of volume and pricing.

Suzano:

Yes, right, Debbie. We have seen a weaker beginning of the year compared to last year, and this has to do with some price increases that we implemented throughout the quarter. We let the price increase over 6% in the uncoated market, and our actual figures do not reflect that, because they were also affected by a certain tonnage that we sold to the notebook exports at a more competitive price, which affected our average price. Excluding that effect, our price increases surpass 5% on the uncoated.

Also, we call this quarter a transitioning quarter, because VCP sold the Luiz Antonio mill to IP, and we have seen some extra volumes, extra inventories to the market, and some uncertainty from the buyers as well. So, we expect the margins to recover from this quarter on, both in terms of demand and prices, until the end of the year.

Debbie Bobovnikova:

Great. And one more question: in terms of the tax benefit, I know you talked a lot about it, but I just want to make sure. The reversal that we saw this quarter in terms of ADENE benefit, that was just a timing issue, right? You are expecting a return of that amount and some more from this new tax benefit plan some time this year. Is that correct? Whatever you just paid this quarter ADENE is actually going to be reversed.

Suzano:

Yes, you are correct. The impact in this quarter is limited to this quarter, it is the reversal of R\$35 million that we had in 2006. We are not going to use it anymore because of our taxable income standing became negative, so we can use only the 75% reduction when we have a positive taxable income. So, this is just reverting what we had in 2006, and then, from now on, we continue as known.

Debbie Bobovnikova:

OK. One final question: in terms of your land holding, do you have sizeable lands in the state of Maranhão? That seems to be quite far from your existing pulp mill. I am just wondering what is your strategy for holding land in the state, do you think down the road you can consider building a pulp mill there, or is it something that you think would be viable as wood could go by ship to your existing Mucuri mill?

Suzano:

Debbie, this is something that is there for a future mill that may be possible, but further down into the future. We do not expect this to be our next mill because of lack of infrastructure. These are land holdings for future pulp production.

Debbie Bobovnikova:

And in terms of Mucuri, you expanding now to 1.7 million tons, or roughly that. What is the largest size that you can see Mucuri getting to, or is that something like 3 million tons? Is that technically possible? I am not saying that you are going to do that, but...



Suzano:

It is technically possible, we would reduce even further fixed costs, this is one possibility, of course. Our discussion here is the availability of wood to supply in very competitive conditions. There are significant advantages in building another mill in the same site, which could be compensated for higher average transportation distance if we are going to supply that mill with wood.

Debbie Bobovnikova:

Supplying it from Maranhão is not an option, that is too far away?

Suzano:

That is too far away.

Debbie Bobovnikova:

OK. So Minas Gerais and other area?

Suzano:

Yes.

Debbie Bobovnikova:

OK, great. Thank you.

Victoria Santaella, Santander:

Hi, good morning, gentlemen. I have two questions, as most of them have already been answered. The first one is regarding the average price for your exports of pulp. Obviously it is a little bit below the international average. If you can elaborate a little bit more in terms of how much in this count can we expect going forward. And the second is of your new plan: how much of the new production has already been engaged in long-term agreements with other companies?

Rogério Ziviani:

In terms of price, I think our price is in line with the market – do not forget this is the average liquid price, net price, that is after discounts and everything. So, if you look into other publications, from other players in the market, our price is in line with or higher than. So, these discounts, as we have today, for the volumes that we have today into the market, they are in the lower end of what is practiced in the market, I can tell you that.

Now, in the coming years ahead, with more volumes – of course those volumes require a little bit more discounts, it all depends on the kind of contract that you have. Today, we have established for the new project already 60% committed with long-term contracts, which is very much in line with our plan. We are targeting to have, by next year, around 80%. So, everything is under control, is on schedule, and contracts are being discussed as we speak, so we intend to conclude them by the end of this year, beginning of next year, to achieve our goals.



Victoria Santaella:

Excellent. One last question, regarding the land, is there any plans to continue acquiring more forest land in Brazil?

Antonio Maciel:

We have plans to grow, growth is our main strategic intention, we have opportunities, because we have very low cost, and we feel that we are very competitive worldwide in the pulp market, so, we have plans to continue to grow. However, we are now concentrated in the launch of the Mucuri plan, and we are studying alternatives, where, how and when we are going to grow, mainly in the pulp production. So, we do not have anything to say for now, any concrete actions, buying land or defining a new site, or expanding the existing sites, however this is on top of our discussions here, on top of our list of strategic issues, and, during this year, we will take decisions about that.

Victoria Santaella:

Thank you very much.

Gabriel Marzotto, Unibanco:

Hi, good morning, again. My question is regarding soft and hardwood spreads. How do you expect the spreads to be for the next quarters? Actually, we are US\$60 or US\$70 above the starting average. Do you expect that this will be a trend, about US\$100, or something like that?

Suzano:

Gabriel, today we have US\$100 already on top of the spread, average of the market in the past was US\$50, the spread was US\$50, and after that was the substitution. We will see a higher substitution in terms of one to other. What we see today is that there is no more new capacity coming in of softwood, and there is plenty – not plenty, but according to the market, about 2 million tons coming this year as new capacity, but only part of it is going to be start-up, and it is going to be in line with the demand. According to [inaudible] it is going to be 2.2% to 2.5% growth year-over-year.

So, if you take all that into consideration, we may see that this spread can go a little bit higher if we do not see new capacity coming in, as soon as we see some of the operations, some of the machines that are in place. Some of them are old machines, and they need to continue to use a higher content of softwood, and there are also products that continue to be using a great percentage of softwood due to the characteristics of these products.

So, I think the spread should be maintained, or even a little bit larger.

Gabriel Marzotto:

OK. Thank you. My next question is to Antonio Maciel. What can we expect regarding new investments and growth through acquisitions? I know that you already gave a guidance in the last question, but can you be more emphatic in this point?



Antonio Maciel:

Unfortunately, I cannot be more straight and more direct on this answer. We have mentioned several times that growth is our main goal, it is on top of our strategic issues, and during this year you will probably hear more about that. But, so far, we do not have anything to say. The only thing we can assure you is that as we launch – Ernesto was able to show you that we have had so far extraordinary, excellent launches prepared, this is our key focus, you know that everyday we gain, every hour we ought to be very good for our cash in this year, next year.

So, we are fully engaged, we are integrating Embu plant in the paperboard side, the expressive very good news also that we are able to tell you right now, but in the next call, next quarter, our intention is to give you more pieces of information about Embu, also. The Compacel consortium is working well, is fully consolidated, the synergies are being captured.

So, we are completing a very interesting cycle of growth this year, this 1H, and we are preparing, as we said, a new growth cycle. So far, I cannot anticipate anything about that, but this is underway.

Gabriel Marzotto:

OK. Thank you. And I have one final question: I would like you tell me a little bit about your tax rate from 2008 on... Do you work with this range of 15% to 20% until probably 2013, 2015, when the tax rate will be adjusted?

Suzano:

Well, in fact, this is based on a long term of ten-year present value calculation, starting from this year, 2007. So, the overall [inaudible] year until 2017, because it is impossible to... Remember that if you have some of these effects will move on as we... We cannot use them in the same year, we have a tax loss credit which we will be using over the coming year.

Gabriel Marzotto:

OK, thank you.

Paolo di Sora, M. Safra:

Hi, gentlemen. I have, actually, three questions. The first question is what is the outlook for paper demand in Brazil in 2007, and eventually 2008 in terms of growth; and if you could give us a guidance of what is your EBITDA margin for the paper business today, what to expect going forward, and the return on invested capital, specifically on the paper side of your business.

Suzano:

Hi, Paolo. We saw in the 1Q, a slight decrease in demand, and year-over-year, our paperboard market grew 3%, and we were able to grow 6%, and in print and writing there was a slight decrease of 5% year-over-year. We expect this recovery of the demand starting from this quarter, and followed by the 3Q and the 4Q, and that it will



recover this decrease until the end of the year. As I said, the 1Q was a transitioning one, and we had some impact on demand as well.

In terms of 2008, we expect also a significant growth in 2008, as we have seen some more attention and some more investments in education, publications and also of the GDP as a whole. It impacts directly our packaging businesses, and also our notebook and publishing books businesses as well.

In terms of prices, we also see a trend of recovery throughout this year, although we have not announced anything for the short-term, but we foresee a price recovery in the following months.

Paolo di Sora:

Do not you have a multiplier of GDP that you expect in terms of demand for paper in the coming years?

Suzano:

Yes, it depends on the grade. Our packaging grades are more elastic to the GDP, but it varies from 1x t 1.5x the GDP growth.

Paolo di Sora:

Still regarding the paper, I see most of the analysts very negative on the paper side of your business. At the same time, we saw International Paper paying a huge premium on the acquisition of the paper business of VCP. So, I would just like to clarify what is the rationale between your paper in Brazil and, if you could give us a guidance on what is the profitability of this business going forward.

Suzano:

Yes, since we moved our structure to this business unit type of structure, we have been able to analyze the paper business as a standalone business within the company, and we even analyzed our margins in every segment and in every market, and the conclusions are that we have been able to achieve some good EBITDA margins, lower than the pulp ones, but also interesting ones, and good return on the invested capital, because the paper business requires less capital invested, it is less capital intensive compared to pulp and forestry.

So, the paper business is obviously more regional than the pulp one, but it is quite interesting from the cash generation perspective. Suzano is the leading player, is the number one or two in every segment that we participate, we have a good presence, brand recognition and quality recognition in the region, and I mean Latin America, and we have been able to capture a premium and good margins out of this business.

Paolo di Sora:

OK. My second question is still regarding your income tax bracket. I see most of the analysts projecting income tax close to 30% for you in the coming year. Can you clarify again that you are expecting your effective income tax between 15% to 20% over the next ten years on you projections going forward; is that correct?



Suzano:

That is correct, Paolo. What you see in the 30% is the accounting effective tax rates. The income statements and the financial statements do not reflect present value figures, as you know.

So, since we have an effect of deferral of income tax, from an accounting point of view this does not make a difference in terms of your accounting and effective tax rates, no change because of that, it is the effect of deferral. When I mention the 15% to 20% is when you discount on a cash flow basis than this is the amount of effect that you get, 15% to 20% effective income tax rates in social contribution and for present value purpose.

Paolo di Sora:

OK. That is the importance for cash-flow point of view. And my third question is regarding pulp prices. Most of the analysts are also projecting a very strong reversal on pulp cycle in the 2H of this year and into 2008. Can you give us a guidance of what is your view on pulp cycle going forward if you could share with us what could be the worst case scenario for pulp price in your view into the 2H of this year and also next year?

Suzano:

OK. You are right. As I told you before, I think some of the analysts are revising their prices for this year compared to what they have forecasted at the end of the last year and I think that we are doing the same thing due to the fact that even with the new tonnage coming in from Chile and the lower demand in the first seasonal quarter. In China the demand continues to be very good and also the demand for paper in the end is also good. If you take it in consideration that in the European market the exchange rate to the dollar also is helping some of the local producers.

All those factors and there is new paper machines coming in and big ones in Asia, all that putting together the demand continues to be positive on a 2.2% to 2.5% per annual forecasted. Everybody is forecasting a better year as a whole.

Now looking to the 2H, as you mentioned the worst scenario, I think is very difficult to predict but from the demand side and the supply side as we can see today and the currencies around the world, the stable prices of petroleum and everything we can see this price can be more stable than an upper side than it is today.

Paolo di Sora:

OK. Thank you very much.

Felipe Reis, Santander Investment:

Hi. Good morning gentlemen. My question is regarding the competition in the Brazil market of paper. I mean the question is regarding actually more focus on international paper business in Brazil. You mentioned in a previous answer that you expected higher paper prices going forward this year. So my question is: even with this, in my view, tough competition can you be able to increase prices or I am wrong the competition is



not strengthening and we should not see a tougher market environment for paper in Brazil?

Suzano:

Hi, Felipe. Actually we were able to implement some price increases in the 1Q and we expect to do so from now on. Actually what happened is that the balance between supply and demand did not change with this move from IP. We do not see any additional capacity in the market, it is just the existing capacity changing hands. So, we do not expect any change, any fundamental or structure change in the domestic market from now on.

Felipe Reis:

OK. The second question is going back now to long term strategy. I know that you are still working on the plan but just a quick question. Should we expect any growth plan in the paper side of the business or the project that are on your desks are all related to pulp?

Antonio Maciel Neto:

We are considering in short term growth more in the pulp. We have some actions in the paper side related with productivity, debottlenecking and other acts, but new investments as considering as a huge investment we are considering only in the pulp for the short term.

The reason is very easy to understand. In Brazil about 30% to 35% of the production is exported nowadays. So, for us to have an internal market to absorb another big investment in paper is more difficult as we have as our key business. We see in the future paper business more regional in the Latin America rather than global business.

So, not only for us but for our competitors as well is more difficult to consider big expansion as we have already substantial part of our production being exported. From the pulp side we see our market as a global market and with the competitive advantages that we have developed here in Brazil we see more space for the growth in the short term.

Suzano:

As we commented, we do have some debottlenecking projects on the shelf, as soon as the market presents some substantial demand growth.

Felipe Reis:

OK. Thank you.

Marcelo Luna, Deutsche Bank:

Good morning gentlemen. Just a couple of follow up question: the first one on your margins, it sounds like they have been working successfully in reducing your cash cost. I just want to have a sense for where would you see your EBITDA margin, Suzano's EBITDA margin going towards the end of the year?



Bernardo Szpigel:

In terms we will continue to pursue cost reductions and improvements, and we expect that margins will reflect those. In fact we are now operating with the assumption that the exchange rates will be at these levels of R\$2 or even below that, this is a possibility. So, we are revising all of our cost structure, Maciel has mentioned in this occasion and in previous occasions all of the movements that we are doing to increase productivity.

We expect that our margin will improve from where they are now even with a strong real. For this year, this will be mainly from this productivity increases and starting at the end of this year and in 2008 we will have an improve of EBITDA margin because of the new capacity coming from Mucurí, that is pulp news and Mucurí is very competitive.

We are moving for that additional capacity with EBITDA margins in the range of 45% to 50% EBITDA margin. This is what a very competitive mill can produce in Brazil. So, for this year on, we will be based on increase productivity and cost reductions and a new important step then starting in 2008.

Antonio Maciel Neto:

I would like to add what Bernardo has already mentioned that EBITDA comes from cost and price and Bernardo has already mentioned the costs efforts we have been developing. From the price side we have [inaudible] on the pulp the substitution effect we shared this morning some interesting data in Europe, in the 1Q we had 2.5% growth in the demand for the market pulp and we had 10% increase year-over-year in the same period of the shipments of the pulp from eucalyptus.

So we have seen substitution as a reality, we have talked to our suppliers, in fact in we are organizing the CEO meetings in Mucurí. Some weeks ago we have opportunity to talk with most of the CEOs worldwide of our suppliers taking the advantage of this, we are ready to have a final agreement in the final commitment with the amount and they have told us that they have received a lot of requests from paper producers asking for technological solutions to replace long fibers to short fibers. So eucalyptus is a good alternative and we have seen some substitution.

Growth of the demand is natural because in China the new machines are much more flexible so they can use more eucalyptus pulp so we have seen demand growth and substitution growth.

As we talked about price in the pulp and in the paper side it is important to underline that the dollar currency has weakened not only against the real, we have seen this phenomenon happening against all the currencies around the world. As we increased prices to recover some of the margins lost during the currency effect our customers will not need to increase their price to their customers.

Normally the price increase is very difficult because our customers as we increase our prices, all the industries need to increase their prices at least to maintain their margins to their customers. Now as we speak our price increase will not reflect anything for their customer if we add at the whole of the currency effect.

We will be continuing working on the cost side but we are paying a lot of attention in opportunities on the price, we do not have guidance to tell you exactly the EBITDA year



end but we have already introduced and we have already changed our management numbers here, that is everything we thought to use the new exchanges rates to real. We are not going to be here fighting against the reality. We have adopted this new numbers and we are going to work to support the increase of the EBITDA.

Marcelo Luna:

Thank you very much. It sounds like most of the gains are going to come during 2007 and most of the EBITDA margin gains should come in a way when Mucurí should be full capacity. It sounds like it would be ambitious to assume EBITDA margin close to 40% for the 4Q07, maybe it should be higher than what it is right now but not too much higher. Would that make sense?

Suzano:

No, Marcelo, we are not providing guidance on that aspect but we can say is that we will continue to get improvement from where we are now, as the new capacity from Mucurí factory starts kicking in significantly towards the start of the 4Q of this year but it is going to come in plans will be producing 120,000 in the year but selling something like 60,000 or 65,000 tons in the year.

So the impact is not significant in this year. What you are going to see is in fact from 2008 onwards the significant change in the composition of pulp and paper in our business. Today pulp represents 25% of our sales and it will move to a much higher percentage but only from the year of 2008 on.

Marcelo Luna:

Sure, it is clear. Thank you. The other question is regarding the exactly Mucurí. Could you just remind us when Mucurí should reach close to 100% of capacity utilization in 2008?

Suzano:

Our current plan is again to start up in October this year and our learning curve is planned to take in 12 months so we should be running full capacity in September next year.

Marcelo Luna:

Great. And the last question is regarding to interest expenses, it looks like the financing program is working well. You have very low interest expenses now. When would you expect interest expenses to come to normalize levels, I would say maybe from 2008, but if you could just clarify?

Suzano:

I do not know exactly what you understand by normalize levels. I think we are already getting interesting costs and interesting rates, of course we have for the funding of the project, I will say, exceptionally good rates but also the market has moved into a lower interest rate in general. So we are already reflecting what we call the normalize level of costs and of course we would expect to improve ever further.



Of course, we are talking of a known project related funding which was exceptionally good, but also for our other funding. Interest rates have come down and we expect to enjoy the new conditions of the market as we move forward.

Marcelo Luna:

Thank you.

Debbie Bobovnikova, JP Morgan:

Just one follow-up question to the earlier question on your paper business. You said that you have made some detailed studies on returns. Could you just help us understand, you are saying that returns on invested capital for your pulp and your paper segments are equal, is that correct?

Suzano:

Do you mean the returns? Yes. They are not equal but they are similar. They are not exactly the same depending on the point of the cycle but normalizing they are pretty much the same, they are close.

Debbie Bobovnikova:

OK, Thanks. And in that point you mentioned that paper is in a tough business and in Brazil there is a lot of extra-capacity still where is pulp. I was just wondering if you are going to invest further in growing your pulp segment, would you consider actually divesting of the paper segment in order to be able to fund more at the pulp side which seem that returns are still slightly higher?

Antonio Maciel Neto:

Well, Debbie, we are not considering the investment in this paper business. If you look at our numbers you are going to see the cash generation that we are going to experience after the launch of the second line Mucuri, we will have all the conditions to leverage money required, the resources that we require for the expansion. So, we will have capital market available, we will have the debt market available, we are not considering the investment in the paper tooth and any for developing the pulp side.

We are as André Dorf has mentioned before we are number one or two in the segment we play. We see the paper is a more stable business, nowadays we have a higher price in the pulp. If one price or a cycle goes down in the future, the paper is more stable. So, our leading position in Latin America paper business has a lot value for us and we are not considering any big change in the structure.

Debbie Bobovnikova:

OK. Great. Thank you.

Operator:

Thank you. This concludes the question and answers section. At this time, I would like to turn the floor back to Mr. Bernardo Szpigel for any closing remarks.



Bernardo Szpigel:

Thank you very much. I would like Mr. Maciel to close this presentation please.

Antonio Maciel Neto:

Yes, a few words. Thank you very much for participating the call. Bernardo, my chief of the office here will be available if you have additional questions. We have planned to be closer to investors, closer to the capital market, as we move forward this year. Thank you again and I hope to see you soon.

Operator:

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