Operator:

Good morning, ladies and gentlemen. At this time we would like to welcome everyone to the Suzano Pulp and Paper 2Q07 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 session. 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. Antonio Maciel Neto, CEO, Mr. Bernardo Szpigel, CFO and Investor Relations Officer, Mr. Rogério Ziviani, Head of Pulp and Paper Business Unit, Mr. André Dorf, Head of Paper Business Unit, and Mr. Ernesto Pousada, Mucuri 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 forward in the forward-looking statements.

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

Antonio Maciel Neto:

Good morning, everyone. Thank you very much for your participation this morning at this call, Suzano Pulp and Paper's call. It is a pleasure to have this opportunity. I will start with a short presentation about the key highlights that we experienced during the last quarter. And, to wrap up, Bernardo, our CFO and IR Officer will go through a shorter presentation, and we will have the time to wrap up with other Officers here to answer your questions.

I will start with the first slide, with key highlights. I think you have this shown already. We are going to show our key ten highlights for the quarter.

Firstly, I am going to start with the net profit. We reached R$172 million of net profit in the 2Q, 6.5% higher than in the 2Q06. We had a strong operation in the quarter, and we had some benefits coming from the valuation of the real.

Going to the EBITDA, we had a strong EBITDA, R$279.3 million, margins at 34%. We would like to underline that this is under a very strong real, so, a combination of price increase and cost reduction led us to achieve this 34% EBITDA margin in the 2Q.

Talking about pulp, Mucuri's pulp cash cost. We had a good increase of this number. We achieved R$446 per ton in the 2Q, which is US$226 per ton. This was a good result, and Bernardo is going to talk a little bit more about these numbers, as we move forward.

Market pulp price. We experienced a US$20 increase per ton in June, and now we are with a new price increase coming in August. Rogério Ziviani will have the chance, for sure, to talk about this as we move on.

Market pulp inventories down to 27 days of shipments in June. So, it is one of the lowest levels of inventories of market pulp in the last years, which is very good for us as we approach the start-up of our line 2 in Mucuri. It is a good time to start new plants, a new line, with a big volume, when we have our inventories at one of the lowest levels in the last ten years.

Mucuri project, Ernesto Pousada is going to talk a little bit about that, but we are very happy to announce that we are on schedule and we are on time, on budget. Nowadays, we are working just following a list of issues to be solved. So, October 1 continues to be our deadline to start the project, to start the line 2.

Also, we have started, as we announced before, the Suzano Pulp and Paper Asia. This is an office that is already helping us a lot in our relationship with our customers in that region, mainly with commercial and technical assistance to our customers in that region.

We also had the start-up of the third turbine of the Amador Aguiar mill, we were, before, calling this mill Capim Branco, now, after the inauguration, we changed the name to Amador Aguiar. This is the final completion of this project, so now this new mill is working at full capacity, and this is very good for our energy hedging, let us say.

We also have to mention that we have a new Chief of Forestry Business Unit Officer, Mr. João Comério, who joined us some weeks ago; he is going to bring very good experience of the Forestry Business in Brazil and in the United Stated as well. João is a good addition to our team, and he is starting his job with the Company during this month.

Market capitalization with US$4.2 billion at the end of June, it is another big record to our Company value, and this is a good thing to communicate as well.

So, as I mentioned before, from now on, Bernardo Szpigel is going to go through the presentation, and after that, we will have the Q&A.

Bernardo Szpigel:

Good morning. Proceeding with the presentation, moving to slide two.

In the Mucuri Project, we have completed all civil works. Election assembly is almost completed; commission is already on its final phase.

On the recovery boiler, we had an excellent result, which is a record in terms of construction timing. The equipment completion time is 20.5 months, its completion. The boiler is already operating, it is already helping to produce pulp in line 1; at the exact time, the existing recovery boiler for retrofitting is already on the way, so it is really operational.

You can see in the photo in the middle of this slide the boiler already functioning, you see steam coming out of it.

On slide four, pulp business units. As a highlight, the average net selling price for pulp in the export market is US$594 per ton in the 2Q07, compared with US$588 per ton in the 1Q07 and US$558 per ton in the 2Q06, showing an evolution in terms of increase of net realized prices for pulp these quarters.

So, again, growth in the world demand and it is combining some reduction of high-cost producers that happened in 2005 and 2006. This enhances an optimistic outlook for the start-up of this mill, as Maciel has already pointed out.

The production of this quarter, in terms of market pulp, is 167,400 tons. And we had cash cost of US$225 per ton in the 2Q, which is a very good result. We had a reduction in terms of the cost in reais per ton to R$446, and the appreciation of the real led the cost in USD to US$225.

Moving now to slide five. We have some data here comparing our sales volume, in the three quarters, and also net sales. We have been operating at this level of roughly 175,000 tons of market pulp per quarter, which is our sales capacity.

In terms of exports, Europe continues to be our main exporter nation, with 62% of our exports, and Asia representing 25%.

Moving now to Paper Business Units, slide six. The average net selling price was R$2.179 per ton for all market. Of the sales, 60% of the volume sold in the quarter was to the domestic market, which is an improvement compared to the previous quarter, this is a seasonal evolution.

Paper sales volume in the domestic market was strong: 0.7% higher than in the 1Q07, and 2.8% higher than the 2Q06.

The highlight is for paperboard sales, which was 16% higher than a year ago.

On slide seven, in terms of paper sales, we had a very good quarter: 282,000 tons of paper sold in the 2Q07, compared with 266,000 tons in the 1Q07 and 262,000 tons in the 2Q06.

Of our exports – remember that 40% of the paper sales are exported – of this 40%, 45% were to Latin America.

Moving on to slide eight, some figures on the results comparing the three quarters, 2Q07 against 1Q07 and 2Q06, on a percentage basis also. It was a mostly positive quarter. Sales volumes were up by 4%; paper volume, as mentioned already, 12.8% up against the 1Q, and 2.8% against a year ago.

Pulp volume, this is a normal variation from quarter to quarter, not very significant; we have been increasing capacity in the last quarters.

Net revenues, following the evolution in terms of the prices which moved quite well in this quarter compared with the others, and also suffering all the negative effects of the appreciation of the real in our exports.

Net income showing a very good result, of 62% to 66% increase over previous quarters, not only in the operational performance, but also – it is very significant – we had in this quarter a further appreciation of the currency, from the beginning to the end of the quarter, which impacted the value exposure in our balance sheet.

Cash cost was R$446, as already mentioned, a very good result, 3.5% below 1Q07, a very positive evolution, especially compared to the end of last year, when we were having a higher cash cost for market pulp.

EBITDA, R$279 million, showed an increase of 1.7% against the 1Q07 and 6.2% against a year ago. In USD terms, it reached US$141 million. We are running, right now, considering the last twelve months, at US$540 million of EBITDA, which is a very good result. Of course, this also had an impact in the further appreciation of the currency, as we have shown.

EBITDA margin increased to 34% against 33.9% in the 1Q, and 33.4%, a year ago.

It is very good to note, also, the net debt/EBITDA ratio. We are, of course, implementing the Mucuri project, a very large investment is being performed in the previous quarters, and we are practically maintaining our net debt/EBITDA ratio at 3.7 times, which is a very good result for the Company, as a whole.

So, with this, we complete the presentation and we will move on to the question and answer session. Thank you.

Marcus Assumpção, Merrill Lynch:

Good morning, gentlemen. My first question goes to Mr. Antônio Maciel. It is regarding the potential reduction in cash cost per ton of pulp, after the learning curve of the Mucuri project. I do not know, Maciel, if you could quantify a little bit what could the reduction of cash cost per ton of Suzano overall be after the learning curve of Mucuri project, assuming a flat tax rate?

Antônio Maciel:

Marcus, first, I think your question… I would like to say that we expressed this reduction of our cash cost this quarter, as we have anticipated in the last call, federal actions that we are taking to reduce this cost.

Now, in the next quarter, we are going to announce, to the end of the year, we will have some variations in this cost because we will have a maintenance period in Mucuri, for about ten days.

We are also going to see full integration of line 2 into the site, making the connections and the links between line 2 and line 1. So, we have a very interesting period, a lot of excitement going around that. In this period, when we will have this maintenance period, we will have the completion of all the connections and links. So, we will see variations in the coming quarter, and probably some improvements, already, in the end of the year.

As we have the learning curve completed, which we expecting to happen in between six to nine months from the start-up, we are really going to see a whole reduction in the cash cost of our pulp produced in Mucuri.

Our initial estimates are considering from 5% to 10% of the current levels that we have, 5% to 10%, this is what we are considering that is going to be possible, considering the new technology that we are using there, a lot of usage of microelectronics. This is a new equipment, new technology, and this is going to provide a lower cost than we had before.

It is important to underline that our line 1 is very good as well. It is one of the newest in the world, and now we are adding the newest technology to the newest line. So, we are considering that 5% to 10% will be a good number after the learning curve.

Marcus Assumpção:

OK. Perfect. And the second question, maybe to Bernardo, is regarding the maintenance CAPEX for Suzano after the pulp expansion project. What will the next level be for maintenance CAPEX, Bernardo?

Bernardo Szpigel:

As we have told for all the mills, on a consolidated basis, we are working with US$150 million of maintenance CAPEX.

Marcus Assumpção:

I am sorry. Can you repeat that?

Bernardo Szpigel:

US$150 million per year for all the mills after we reach… With the second line of Mucuri.

Marcus Assumpção:

OK, thank you. And my last question goes to André Dorf. I would like to hear from you if you have any comments in the recently announced merger between Bowater and Abitibi in the US, and if this could have any impact in terms of prices for paper in the uncoated segment or any other segment in the US market and, actually, if this could potentially impact your sales as well.

Andre Dorf:

Hi, Marcus. Both players are more focused on newsprint and low-weighted coated rather than P&W, cut size or paperboard, which are the grades that we export to those markets. We have seen the US market strengthening a little bit after the countervailing tariffs, the financing tariffs against the Asians, causing less pressure, especially on the coated side. So, we expect a better 2H of the year, better than we have had in the first one, for the printing and writing grades.

Marcus Assumpção:

OK. André, just to clarify here: are you still suffering pressure in terms of prices in the domestic market, coming from imports, for the 3Q?

Andre Dorf:

Apparently, the grade that suffers more pressure against the imports is the coated one. And, apparently, the imports stabilized at the level of 40% of our domestic market. So, we do not expect any increase, or further increase at these levels, in terms of import. And we expect to sustain our current prices looking forward.

Marcus Assumpção:

OK, great. Thank you very much.

Tereza Mello, Citi:

Good morning. A quick question regarding your long-term outlook for leverage: after the conclusion of the Mucuri mill, you do not have any clear project starting in the next few years. What is your leverage target? Do you think you are going to be unleveraged, or you plan to pay higher dividends with this additional cash that you are going to be generating in the next few years? Thank you.

Antonio Maciel:

I would like to say that we are going to have this deleverage very quickly, very fast, due to the cash generation that we are going to expense with the second line launches. So, this is why we also have mentioned that before the year-end we are going to announce our growth strategy or, at least, a growth project, regarding the market pulp.

So, we are considering a new cycle of growth, we are finishing a cycle in which we have some debottlenecking, we have the acquisition of Ripasa, and we have this big project in Mucuri. As we conclude this cycle… We are working now in the next cycle of the growth. We are not committed… the same commitment with this number of net debt ratio versus EBITDA, mainly because we would like to consider new projects, new opportunities, and to have some acquisition opportunities to work.

We are at 3.73 times now, but this level is going to grow a little bit during the year, and then it is going to go down. We think that 3 times is a good number for a Company like this. Investment grade has been achieved with 2 times or 1.5 times, so we are considering 3 times as a number for us, 3 times or less than 3 times is a good number, but we are not setting as a commitment, because we would like to consider new opportunities for acquisitions or new projects.

And also, just to conclude the statement: we have now a much better condition to play a good role in the capital market, so we are not going to have only the debt market for the growth, we can have other alternatives to the capital market.

Tereza Mello:

OK. But do you have any level that you consider to be unleveraged, and at that point you would remain for a very long time? What do you consider your optimum capital structure? If you do not have any project, or if takes too long to announce these projects, would you go to a net debt/EBITDA of 1x?

Antonio Maciel:

I think 1.5x is a good number. From 1x to 1.5x is the number that we have in the market; we have seen the companies without these big projects, very well analyzed, it is a good number from 1x to 1.5x. As we move, we are going very fast, below 3x. But we will have projects, and we are going to confirm that.

I will ask Bernardo to talk a little bit about this.

Bernardo Szpigel:

Tereza, just completing what Maciel has just said, if we do not have projects, of course we are going to be down to 1x or 1.5x. So, this is a very comfortable level in terms of capital structure for the Company.

For a Company like ours, where we have sometimes large projects, like the Mucuri project, we can leverage the project with very good funding, as we have done in the case of the Mucuri, and we measure up with the projects above these levels, provided that we have a good funding and we are providing a good return to shareholders.

You know that with the leverage of funding that we have obtained for the project, where are leveraging shareholders very significantly, sustaining the project with 78% of very good debt.

A project like the ones that you… If you see, for example, a new mill, it also has an impact that, in the first years, it is just the formation of the Forest Base, not a very large CAPEX in the initial years. Only when you enter the construction of the mill itself, with investments above US$1 billion, then net debt/EBITDA will go up.

This is the figure you have seen for Suzano, ourselves. We were running, before we acquired Ripasa, at 1.5x net debt/EBITDA, and getting ready for the Mucuri mill. Also, with the acquisition of Ripasa, we went up to something like 2x, 2.5x net debt/EBITDA.

The optimum net debt/EBTIDA ratio, of course, depends on the kind of project that we can have.

Tereza Mello:

OK, thank you very much. If I may ask just another question, what pulp prices are you currently using to analyze projects in the long term? I ask that because of this change in the Brazilian currency over the last few years. Do you believe that we are going to have a higher pulp price in the long term? Have you already moved to a higher pulp price, or not?

Bernardo Szpigel:

Our outlook for the market continues to be one in which we see room for new capacity, very competitive capacity. In Brazil, we are considering… We are continuing to have cash costs which are competitive worldwide, and we continue to see growth in the market for eucalyptus, for example, growth rate at 5% to 7% a year.

Prices that we have been using for our studies have moved up in the recent years. By the time that we were performing the feasibility studies for the Mucuri project, we normalized the prices below US$500 per ton, US$480 for wood prices. Now, I think that almost everybody agree that we are talking about US$550 or more, on a normalized basis. Of course, this also reflects some weakness of the USD. A relatively competitive position, not only against the USD, but against the USD and other currencies, some of our competitors and our main customers as well.

So, new projects at these levels continue, in our case, to show feasibility and are adequate to compare to our recent average cost of capital.

Tereza Mello:

OK. Thank you very much.

Verena Wachnitz, T. Rowe Price:

Good morning. My question is regarding SG&A expenses. We saw a reduction in your G&A expenses this quarter, both, year-on-year and quarter-on-quarter. Can you comment on what is that growth reduction and if that is a runway going forward. And then, selling expenses did increase, if you could also comment on that. Thank you very much.

Bernardo Szpigel:

Good morning. We saw a reduction in G&A expenses. G&A is showing efforts in terms of cutting costs, administrative and fixed costs. We are working to get some improvements. We would expect to continue to move this reduction as we move ahead.

On sales expenses, we had a non-recurring item, which was an increase in bad debt provision of R$5 million, which increased our cost on a non-recurring basis. In general, we also increased selling expenses because of volumes sold, which were higher in this quarter.

But, in general, we also would expect to have some improvements on that side as well, as we obtain larger volumes in our business, we are also negotiating some improvements in the percentage costs that impact our selling expenses.

Verena Wachnitz:

OK, thank you.

Operator:

There appear to be no further questions. This concludes the Q&A session. At this time, I would like to turn the floor back to Mr. Antonio Maciel Neto for any closing remarks.

Antonio Maciel Neto:

OK. Thank you very much for the participation in this call this morning. We are very happy with the results and very excited with the coming quarter, where we have the start-up of Mucuri and several challenges coming in. We will be always ready to answer questions through our IR department, or directly with us, with the Officers here. Thank you very much for the participation, and good morning.

Operator:

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