



Operator:

Good morning, ladies and gentlemen. At this time we would like to welcome everyone to the Suzano Pulp & Paper 3Q07 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 only be able to listen to the conference during the Company's presentation. After the Company's remarks are over, there will be a Q&A 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 IR 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 would also like to inform you that the 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 over to Mr. Antonio Maciel Neto, who will start today's conference call. Thank you.

Antonio Maciel Neto:

Thank you very much for the participation today. We will start presenting some slides; I have about ten slides to give you an update about the situation of the 3Q results. As soon as we finish, we will move to the Q&A session.

So, I have here the senior management team of Suzano that will be more than happy to answer your questions.

Starting with the first slide, I would like to highlight some of the key points, the key issues, the most relevant facts that we had during this 3Q. The first one is the Line 2 at Mucuri plant, the start-up. We had this 35-day improvement, considering the timing scheduled before for the project, so Line 2 is on time and on budget.

Pulp prices, very good news as well. We are at US\$750 in Europe now, so we had one price increase in August and another one at the beginning of October. Pulp produces at very low levels of inventory, only 29 days, at the end of September, which is very good timing, a very good situation for the start-up of our new plant, the new line at the Mucuri site.

Paper prices increased as well, both in the domestic market and the export market. Here we are highlighting the export prices increase of US\$40/ton; we will talk about this later on.

Here, CADE, which is the national antitrust agency, approved our Conpacel paper and pulp consortium. This is the consortium that we have with VCP to manage the Americana plant. This is the result of the acquisition of Ripasa, and today we have the final approval for the operations and the consortium in this plant.



We have also sold the final two plants of Ripasa. As you can recall, we have bought the Embu plant, which is a paperboard plant, we bought the remaining 50% from VCP, and now, together we are able to sell these two plants, in Limeira and Cubatão. Our part of these assets, the value, was US\$32.5 million.

Other good news for the quarter was our all-time record related to the market cap of the Company: we reached US\$5 billion for the first time, and this is very good news for us.

Also, in the EBITDA the final result of the quarter was US\$266 million, margin at 32.7%. Despite the very strong real, we were able to maintain our EBITDA margins above 32%, it is almost 33%.

The final highlight that we have prepared on this slide here is related to the net income. We reached US\$168 million in the 3Q; it is about 72% higher than in the 3Q06. Here we have the opposite effect of the valuation of the real; this impacted our balance sheet. As the real is strengthening, we have these better results with regards to net income. We have also some operation improvements; however, the largest part of this incremental result came from the exchange rate variation.

The next slide is just a picture of our Line 2 in Mucuri. Ernesto Pousada has shown in different calls pictures of the construction and erection period, and now you have the plant completed. So, it is a very impressive plant, you have here just a snapshot, just an idea about how big and how complex is this new plant. At the right side of the picture you can see this very big recovery boiler, equal to a 38-story building. It is a very big recovery boiler. You can see all the other big parts in the subsystems of the plant.

In the next picture you will see this at night; this is the favorite picture of Bernardo Szpigel, because he says that we are working during the day and at night as well. We can expect to accomplish our commitments here.

On the next page you will see some highlights related to the pulp business, for sure you will have additional questions after that, and Rogério Ziviani will have his chance to participate in the call.

Here my highlights are related to the net price of pulp. We achieved R\$613/ton compared with R\$594 in the 2Q07, and the most impressive difference coming from the comparison with the 3Q06, where the prices were at US\$587/ton.

As I have mentioned before, we have seen a very strong demand on one hand, and on the other hand, we have seen restrictions related to the wood supply in North America and North Europe as well – strikes and other transportation-related problems. So it is a big combination; on one hand the demand is growing very strongly, and on the other hand there are some restrictions to the supply.

Production of pulp during the 3Q was 169,000 tons; we had, as you know, and we also have had before the shutdown for maintenance at the Mucuri plant and at the Americana plant, and also the start-up of Line 2 was part of the process of producing a little bit less than what we have produced last quarter. So, 169,000 tons produced this quarter.



Cash cost of R\$535/ton. Here we can see it compared with the last quarter, an R\$69/ton increase, and we have two main reasons for this increase. One is the utilization of a higher percentage of wood coming from the farmers, our partners; we call them here in Portuguese “fomentados”. So, we have a big increase in the utilization of wood coming from these farmers, and this is because of the R\$24/ton increase in our cost. We are going to talk about this later; if you want, we have more information about that.

We will increase the participation of the local farmers in average and the whole plant at Mucuri, but not at the level that we have experienced, about 50%, that will continue in coming quarters.

Without this additional cost, our cash cost would have been R\$442/ton, in line with the 2Q07. We had also the maintenance shutdown, the highest part. We had the shutdown and we had the local farmers come, and the local reutilization of wood from the local farmers. These are the main reasons for the increase of our cash cost to R\$525/ton.

As we move forward to the next slide, we have on the left bottom of the slide the net sales, in millions of reais, and the pulp sales, in volume.

As I have mentioned, we had these sales; in the 3Q quarter, at the very bottom, we had in the 3Q about 156,000 tons of pulp sold during the quarter, compared with 176,000 tons in the 2Q, and 158,000 in the 3Q06.

So, you see 156,000 tons of sales, and a production of 169,000 tons, because the production happened, the production came out in the very last weeks of the quarter. On the other hand, last quarter, in the 2Q, we had very strong sales as well, and we achieved our lowest level possible of inventory.

So, we have the combination of three quarters, which is going to give us the right average of our pulp sales.

The destination of our exports is maintained almost the same as we had before. We had a small increase to Europe, achieving 67%; Asia is in line, 22%, 23%; North America is a little bit higher, 9%; and Latin America a little bit lower than the historical percentage, at 2% this quarter.

On the next slide, we will talk a little bit about the paper business unit. As I have mentioned before, we had higher average prices this quarter, 1.3%, compared with the 2Q07. In the domestic market, we experienced R\$11/ton increase. In the export market, as I mentioned before, was about US\$38/ton, to be more precise, of price increase.

In both cases, we had a combination of revenue management, regarding to destinations of our products, better mix. And also, as you can see in the bullets, that during this quarter, we had 63% of the total volume sold in the domestic market. In fact, this one is a little bit higher than our plans; the right mix for us is 60/40, 60% in the local market and 40% to exports. In the coming quarters, you are going to see it almost this high, and of course, better prices also.

The volume is other good news; in the domestic market, we experienced a 7.3% increase compared to the 2Q07. So, it is a very good combination of some price increase and a good increase in the volumes that we had experienced in the 2Q07.



Moving on a little bit more, talking about the paper business units, here on this slide we have paper sales, and I will show the volumes sold.

The domestic sales achieved R\$636 million in the 3Q, compared with R\$615 million in the 2Q07. Regarding volumes, in thousands of tons, we had in the 3Q07 288,000 tons of paper sold compared to 282,000 of volume sold in the 2Q07.

Destination of our exports, paper exports: Latin America, above 40%, 41%, to be more precise. This is the target and what we have achieved during the last quarters as well; 25% Europe; 16%, Asia; North America, 18%. So, this characterizes that we had paper business as a good business for us, and it is a more regional business compared to pulp, which is a more global business.

We are going to have two more slides related to results. The first one is the comparison between the 3Q07 to the 3Q06, and on the next slide you are going to see the year-to-date figures.

On this slide that we see now, page nine, you have the sales volume that we have mentioned before, the 444,000 tons versus 450,000 tons, pretty much the same volume; pulp volume, in the export market, 123,000 tons versus 122,000, aligned also, but the lower level is a consequence of the shutdowns and the lower level of inventories at the beginning of the quarter.

Net revenue of R\$816 million versus R\$855 million, reflecting here some of the facts that we have mentioned before, mainly about the volumes of pulp.

Net income of the quarter; we had R\$168 million versus R\$98 million last year, at the same period; that is about a 72% increase, which is very much explained by the exchange rate, as we have mentioned before.

Cash cost at R\$535 – we have talked about that; EBITDA, R\$267 million; in USD, it is US\$129 million, very much aligned with last year. Here, we see the impact of the exchange rate, which we have at the very bottom of this page. We had an average exchange rate, during the quarter, of R\$1,92 versus R\$2,17 last year – that is 11.7%. The valuation of the real had a big impact on EBITDA but, on the other hand, a very big impact as well in the net income, with the opposite effect on both.

The EBITDA margin at 32.7% versus 35% last year, a margin above 32%, despite the very strong valuation of the real.

Net debt, good news as well; we have started the production of Line 2 in Mucuri, so we are completing the project, and we have the ratio of net debt/EBITDA at 3.9x; that is below 4x, against the 3.45x that we had last year during the same period. The difference is more than explained by the investments in CAPEX related to Line 2 at Mucuri.

Next and final slide, we have the results year-to-date. Sales volumes, we are 4.3% better than last year, we have achieved 1.3 million tons of products sold. Pulp volume to the export market, we are 7.3% better, and we have already achieved 400,000 tons. Net revenue, R\$2.4 billion, 6.4% better than last year. Net income, 26% better, at R\$447 million. The impact of the exchange rate improved the operation.



EBITDA, in reais, at R\$821 million, 5.4% better than last year, before the big growth that we are expecting from the launch of Line 2 at Mucuri.

In dollars, our EBITDA has achieved US\$411million, which is a 15% improvement compared with last year's number.

EBITDA margin at 33.5% year-to-date, versus 33.9% last year. Exchange rate average during the first nine months of 2007, at 2% average, and in the same period last year we had 2.18%, 8.2% variation of exchange rate due to the strengthening of the real versus the USD. Net debt/EBITDA, the same of the quarter, we are at 3.9x, below 4x, versus 3.45x last year.

So, this is our starting point for this call. We think these are the key and most important factors that we should show during this conference call, and from now on we will be glad to answer your questions.

Marcelo Luna, Deutsche Bank:

Good morning everybody. I just have a very quick follow-up question from the morning call. Maciel, it would be interesting if you could comment, in terms of cost inflation in CAPEX, in particular in pulp new equipments, and also on land price side. How fast prices seem to be increasing year-to-date and how fast do you expect prices to increase in 2008?

Antonio Maciel Neto:

OK. Good morning everybody. Marcelo, I have mentioned during the earlier call in Portuguese that the equipment to the new plant that we are considering, the cost will be higher, and this comes from the information that we are having from the suppliers and also the information that we have seen in the papers from our competitors, who are now investing in equipments.

The higher costs are coming from fuel, copper, aluminum, all the key commodities that are the very key for a new plant of pulp or paper. Today we have higher prices than we had three or four years ago. This is the point.

The land price is also higher than the prices we have had before, more competition for land, but still a very attractive perspective for producing pulp and paper in Brazil. I cannot anticipate the costs, the exact cost, these are the general figures because we have not gone through the details of the numbers.

But, if you compare our numbers and some of our competitors who are in investing now, you are going to see the key difference of the cost per ton produced.

Marcelo Luna:

So, it is hard to answer in average how fast we are going to have prices, maybe 10% to 20% this year? It is hard to put a number to that?

Antonio Maciel Neto:

It is hard. I think, we are all in a very different level of commodities prices, because this experience of China and most of the other countries in Asia, and some of the countries



in Latin America as well, growing very fast, and the whole economy worldwide growing 3% or 4% a year – in five or six years in a row –, this is a new phenomenon.

It is very hard to consider. We have talked to several people and everybody thought that the steel prices “have now reached their peak and it is impossible to grow more than that”; as we see people putting the forecast, a 25% increase in the products for next year, as a forecast, we are going to say anything about the price hike coming from the steel.

So, it is very hard to consider the equipment prices for next year. However, we also have better pulp prices than when we started the Mucuri plant, much better prices, we cannot compare. This is the new situation.

Marcelo Luna:

All right, thank you very much.

Juan Tavarez, Citi:

Hi, good morning gentlemen. Just two very quick questions. First on the extra capacity from Mucuri. How much of this is already on the sales contract? And do you expect to sell some of this capacity in the spot market next year?

Antonio Maciel Neto:

I will pass the floor to Rogério, but just to give you a highlight, as you have seen in the press release we have produced 31,000 tons up to October 23rd., 31,000 tons of pulp produced at Line 2.

And just to give you a quick number, we have produced yesterday... Yesterday was the best day since the start-up of the plant, and we produced at line two 2,700 tons of pulp. This is, if you annualize yesterday’s production up to the full year, this is about 960,000 tons.

So, yesterday we had a very good day. I am not saying that we have already achieved the whole production or very close to that. We have a lot of instability, it is very normal in a complex plant like this, at this stage of the start-up, we have this six-month start-up, negotiated with the suppliers, this is the industry standard, and we are just beginning the start-up.

But yesterday we had this very good number. I will ask Rogério to talk a little bit about the contracts and the sales of the new production that is coming out as we speak from the writers.

Rogério Ziviani:

OK. Good morning Juan Tavarez and everybody. As Maciel mentioned, the numbers from the Line 2 were already invoiced in the month of September, about a 1,000 tons to the international market, and also about 600 tons in the domestic market.

We have, on their way to the international market now, about 11,000 tons, and we have already invoiced up to today, about 3,300 tons in the domestic market. So, it is coming into the system from the production of these 30,000 tons as we speak, all becoming



included in the pipeline of the logistics, which makes all the sense, because we have to transfer this to our port outside around the world, then we are going to invoice to the final customers.

So this is on its way, most of the tons that we produced during the month of September, as we also mentioned, were produced in the last few days of the month, second half of the month, that is why we are building up this logistics and the inventories as well.

In terms of long-term contracts, we have already achieved between contracts and what we call regular customers that we have over the years buying from us, who do not like to sign contracts but are very reliable, we have already 73%, which is about only 10% on these regulars ones and 63% already into long term firm contracts already signed in house with us.

We are negotiating, as we speak, about 300,000 tons of contracts. On top of that, we are negotiating about 500,000 tons, and we are going to select only 300,000, because we do not want to commit 100% of our volumes in long-term contracts, because we have to have 10% stock storage and also to give us flexibility in terms of the logistics for better markets, and to help some customers when they need.

So, overall, we are well covered and awaiting for the logistics to start to put up all the storage on the pipeline, and also to invoice to the customers.

Juan Tavares:

OK, great. Secondly, on wood cost that went up this quarter, can you give us a sense of what price you are paying currently, and how is that versus the prior year for wood from third-parties?

Suzano:

For third-parties we are now currently paying R\$68/m³. This is about the level that we will be maintaining compared with our own wood of R\$42/m³. In this quarter we had an impact of R\$24 per ton of pulp compared with the 2Q07, and it reflects a proportion of 34% of wood from third-parties, against 13% in the 2Q07.

This proportion is higher than what we will be facing next year. For the year breakdown, it is 23% of participation of wood from third-parties. So, the result of that is that our cash cost went up by R\$24 in this quarter against the 2Q, but it will come down by R\$12/ton in coming quarters.

Juan Tavares:

Great, 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:

Thank you very much for the participation. We will be available if you have additional questions, we have our IR team here with us, they will be very happy to answer your questions. Fernando and I will be available as well during the day.

As we have mentioned before, we have this new reality of the Real strengthening. This will probably continue, we are prepared for that; we have seen also the oil prices at very high levels – more than US\$90 yesterday. So, this will have an impact in our costs, mainly in the logistics side, and also some impact in the cash generation.

However, we have seen very good prices of pulp, mainly, and we have experienced some improvements in the paper prices as well, so our prospect is that we are going to have the same price that we have today, or better. You guys know that the producers of long fiber and softwood have another price increase for November 1st. So, we are very positive about the trend of the prices, so we have a good offset for the quarter, as we have mentioned before.

From our side, we have invested a lot in productivity, our internal operation improvement programs are moving forward, especially the Six Sigma project, and we also have a good differential from the market, which is the start-up of Line 2.

We are maintaining the guidance we have mentioned before, which was to produce 120,000 tons of pulp in Line 2 in 2007. So this was the perspective that we had before, since the beginning of the project, and we are maintaining this forecast of 120,000 – or more, but at least 120,000 tons of production in Line 2.

And then in the 1Q08 or beginning of the 2Q08, we hope that we will have the plant much more stable, completely integrated to the sites, so that we really get the benefit from this very large investment that we have completed now.

Also, we have some good news coming from the negotiation of the contract with our suppliers, especially with the district suppliers, the carriers; with the addition of 1 million tons of pulp we were able to negotiate better the trade prices and the pulp and some better prices to the key products, chemical products and some other costs that we had.

So, we see some good offset for the exchange rate and for the oil prices, and we have a good forecast for the coming year. In the 4Q we still have some instability in Line 2, it is very much normal, and we hope that, starting next year, we are going to be more stable and ready to move for the new cycle of growth that we are planning with the organic growth, establishing a new greenfield in this side in Brazil.

This will come in coming months, and we are working very hard on that.

This is the key additional information I would like to deliver to you, and thank you very much for the participation in Suzano's call. Thank you.

Operator:

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



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