

**Operator:**

Good morning, ladies and gentlemen. At this time we would like to welcome everyone to the Suzano Pulp & Paper 3Q08 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/ir](http://www.suzano.com.br/ir). There will be a replay facility for this call on the website.

We would like to inform you that all participants will be in a listen-only mode 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. André Dorf, Chief Strategy and New Business & Investor Relations Officer, Mr. Bernardo Szpigel, CFO, Mr. Carlos Anibal, Executive Officer for Paper Business Unit, Mr. Ernesto Pousada, Chief Operations Officer, and Mr. Carlos Alberto Griner, Chief Human Resources Officer.

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

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

**Antonio Maciel Neto:**

Good morning, everyone. Thank you very much for joining our conference call this morning. It is a pleasure to have the opportunity to talk to everybody. I will present some slides, just a brief presentation about the results, everybody had already the opportunity to read and to understand what we have done. So, we are going to reserve at least half of our time for the Q&A.

I would like to ask Mr. Rogério Ziviani, our Chief Director in Charge of pulp business, he is China, so he is not here; and Mr. Rodrigo Libaber, our Manager in charge of the pulp business is here with us to help us on the discussions.

Going to page two, I would just like to present some highlights of the 3Q. The first one starting with the production, that we achieved almost 700,000 tons; this is the record level of production for Suzano. The same happened with the paper sales that achieved 305,000 tons; this is a record sale for the paper business unit of Suzano.

The EBITDA reached R\$365 million, with a 36.9% margin. This is also a record EBITDA. We presented an account loss of R\$293 million as a result of the currency exchange rate devaluation, the Real devaluation of 20.3%, which occurred within the 3Q.

The net debt/EBITDA ratio was also affected by the devaluation of the Real, so the trend that we were observing before, noticing that we were in a trend going down, now

we had an increase to 3.38 versus 3.19 that we had last June, during the closing month of the last quarter.

Cash availability of R\$1.7 billion in the end of the 3Q, which provides Suzano with a very good liquidity perspective to face the difficult times we are facing now. So, we got to the 3Q with R\$1.7 billion in cash, which was very good for us, as we have a very stable market during October.

Pulp cash cost at R\$453/ton; we experienced about 6%, 7% increase compared to last quarter. However, this is a reduction compared to what we had last year in the same period, about 15%. This excludes maintenance shutdown, which happened in Mucuri. This R\$453/ton with the exchange rate at R\$2, if it is R\$2.26, at R\$2.20 it approaches to R\$100. So, it is good news when we see the exchange rate going up for us.

Pulp prices under big pressure in September. This is the price we had; US\$820/ton in Europe, US\$780 in Asia, and US\$845 in North America. These were the prices we had in September, we have seen and noticed a pressure on the market, we are observing and paying attention to what is happening especially in China, where we had a reduction in our sales, as we are going to discuss shortly. Rogério is there in China talking to all our customers to understand the situation. But overall, China is where we have the worst situation regarding the market as a whole. In the other markets we see pressure, we have exchange rate changes; however the volumes are still moving.

With regard to our Compacel, this is a consortium we have for the Americana industrial unit, this is the holding Ripasa, which is a consortium that we have along with VCP; now it is in place in all levels. We had in the last two years in the State of São Paulo level the consortium implemented, and now we have the Federal level as well. So, this is completed and all the legal actions were taken and the consortium is operating at full capacity, with full compliance, and this is the final action to make this work out.

And on pulp business, on page three, I would just like to highlight some of the numbers here. The first one is related to the global demand for pulp; the numbers that we had in the end of August were 2.7% higher than the same period of 2007. In the first nine months of 2008, pulp sales were 96% higher for Suzano compared to the previous year, more than explained by the startup of the Line 2 in Mucuri.

Record production of maxi pulp as well in the 3Q, 405,000 tons. As I mentioned before in the pulp business, the key highlight is the softening in the pulp demand in Asia. Inventories achieved 45 days for hard wood and 35 days for soft wood in August. We have just received today, this morning, the numbers for September from some of the consultants, and these numbers are two or three days higher than we had before, that is another three days. Also we have seen a two to three days increase in the whole inventories worldwide.

Capacity closures over 1.5 million tons; in fact, I think, as we speak, it is 1.7 million tons announced for 2008. Average export price reached US\$704 in the 3Q. I think it is interesting to remind everybody that we had US\$721 in the 2Q08, but in the 3Q07 it was US\$615; so this is interesting to remember.

Mucuri production downtime in November: we have announced that we are going to take out of our production 30,000 tons. This is a 'wait and see' strategy, mainly to

understand what is going on in Asia. We have worked and analyzed the whole situation, as you know we are among the lowest cost producers worldwide. And this capacity utilization that we had this quarter, mainly due to the difficult market in China is going to change. We are very well prepared for this situation.

However, we decided to understand better what is happening in the market, so we decided to go through and announce the downtime. By the way, the downtime that we have seen for the 3Q is very big. Last night, I saw some of the consultants, for the 4Q we had the TerraChoice report, we had the Hawkins Wright report; all of them are talking about 800,000 tons of downtime in all market pulp, and about 600,000 of the hard wood pulp within the 3Q. So, it is really big.

When we announced this to wait and see, as low-cost producers, I think this is something we have in the overall market. And this is mainly to the demand, the softening demand. And we have discussed this with our customers, we had the opportunity to talk with most of our key customers, visiting them, and we have invited them to come to Brazil, to talk and understand what is going on. So, I think we are having a better picture as we talk about the market conditions for the coming months.

On the pulp business unit, on page four, this is just the numbers that we have discussed before, compared to the 3Q and the 2Q. The pulp sales volume that we had in the 3Q was 291,000 tons compared to the 352,000 in the 2Q. However, it was 156,000 in the 3Q07; and revenue achieved R\$338 million in the 3Q.

You see on the bottom of the page, you can see that in the 2Q Asia represented 35% of our exports; and in the 3Q, Asia was only 21%. Europe went from 56% to 67%, and North America, from 8% to 11%. This change is mainly more than explained by the reduction of our sales in Asia than the increase of sales in other regions, so this is just in a comparative basis more than explained by the reduction of the volumes that we sold in Asia in the 3Q.

On page five, we can see that in the paper business unit, the net revenue increased almost 11% in the 3Q when compared to the 2Q; we have higher volumes and higher prices. So, this is a good combination for this business. Total sales volume of 360,000 in the 3Q; that is a significant increase compared to the 2Q08 and the 3Q07.

Domestic market and the export market as well, we had 2.7% increase in our price. The mix for the domestic market was about 60%, 59.4%.

And as we have discussed before, several times in our conference calls, about the imports. We have noticed in our market several increases quarter over quarter, year over year, of imports due mainly we have in the coated paper excess capacity in Europe, along with the Real valuation. So, we had exchange rate and capacity and very good offer for our competitors.

Now I think the situation is very different from what we had experienced in the last two or three years, and in the coated paper, where we had about close to 50% of imported material, imported paper in the market, in the 3Q we had the same level, it was every quarter going up and up; it was not the same level.

And we have seen in several other markets, in this grade of paper, a reduction already in the import levels, and we are probably going to see much more of this as we move forward to the end of this year.

Paper business unit, continuing on page six; we see that the volume was 350,000 tons, as we mentioned before, compared to the 283,000 last quarter. Net sales were of R\$652 million in the 3Q. So, as we look at the graphs in the bottom, you see that in Latin America we are continuing to implement the strategy of focusing in Latin America, due to the regional characteristics of this paper market. You see that we have achieved 47% of our paper sold in Latin America.

As you know, as I have mentioned, we have from our total sales production 60% being sold in the local market. If you add the 40% that we have sold from our production to the export market we have almost half to Latin America. So, you can say that we have almost 80% of our total production being sold in Latin America and 60% in Brazil. We have consistently implemented this strategy to be more local, more regional on the paper business, as we see a more global strategy related to the pulp business.

On paper business, we are probably going to have an opportunity to talk during the conversation during the call, but I think it is worth saying that we mentioned several times that the paper business is less volatile than the pulp business. And when we had, for the last three or four years, the pulp going up, prices going up, the paper market was lower than as compared.

But we have mentioned that the paper prices in the paper market are more stable. So, we have seen it exactly now, in the last quarter, as we see more pressure on the pulp business, we have seen more stable, more profitable interesting business on the paper; it is due to the regional approach that we have discussed.

I have read some of this report that you guys have prepared and some of them we are now putting into discussion on the paper business the good aspects for Suzano, mainly due to our very strong presence in the regional market, where we have a leadership position. So, I think it is interesting for our conversation shortly.

On page seven, you see here just a wrap up of the numbers quarter over quarter. So, you see the sales volume is 34% higher than what we experienced last quarter in 2007, and slightly 6% lower than what we had last quarter, more than explained by the 22% reduction on the pulp exports market and relatively offset by the paper domestic market where we experienced a 15.4% growth quarter over quarter.

On net revenue, we have R\$990 million, almost R\$1 billion, 21% higher than last year and 1.4% lower than what we experienced last quarter. On the net income, as I mentioned before, we had R\$293 million of loss, negative, and this is more than explained by the exchange rate variation that we are going to talk shortly as well.

Cash cost, R\$453 millions: this here is interesting to see that quarter over quarter we saw a 6.8% increase. We are going to talk about this later as well, but I can just mention upfront that from the operation side we had a better performance than what we had before, we are continuing to improve our performance; our specific consumption of chemicals is improving, but here we experienced some cost increase on the chemicals

on the price side, not on the consumption side, as well as we increased the wood coming from our partners, the farmers that provide the wood for us.

However, I would like to underline that as we have a cash cost of R\$453 millions, this is 15% lower cash cost than what we had last year at the same time. So, I think this is interesting. EBITDA level at R\$365 million, 37% higher than the same period of last year, 3.3% higher than last quarter.

In USD, we have an EBITDA of US\$219 million, which is 57%, almost 60% higher than what we had last year, which we can translate into 36.9% EBITDA margin. Exchange rate, everybody knows, was R\$1.67/USD compared to R\$1.92/USD, and I have already mentioned our net debt/EBITDA ratio of 3.38; last quarter we had a 3.19, and in the 3Q07 it was 3.9.

On page eight, we have the same figures now as we compare the 9M07 to 9M08. Sales volume, 38% higher; paper volume, 2.1% below last year, but we are on track to have these numbers in either zero or a little bit higher than last year.

Pulp volume is 102% higher than last year; net revenue, 21%; net income, the accounting loss that we mentioned puts us in a situation 95% lower than last year, nine months; EBITDA, 29%, almost 30% higher; EBITDA in USD, 53% higher; EBITDA margin, 2.2 p.p higher; and here you see the impact in the exchange rate as well.

On page nine, this is my last page, it is just putting the three bullets that we would like to call your attention to: the first one is EBITDA record in the quarter; despite the very stable business environment that we faced during the 3Q, better paper price, better volumes in the paper business. So, we had better volumes, better prices, and the paper business is on track, improving the results.

The exchange rate caused these accounting losses, however this is going to be an outstanding situation for the Company, not only for Suzano but mainly in Suzano where we have our revenues tied already to 60% in USD to our exports, and we have a perspective to have more than this.

So, the exchange rate caused a one-time impact in our balance sheet, we are going to pay a higher debt in these next years. Our average duration of our debt is almost four years, so we are going to have time to pay this. However, this one time, if we have these higher levels of exchange rate, we are going to have very good benefits to our cash generation and this will be for all the coming quarters as we see our strong exports continue.

About the capital structure, I have already mentioned the R\$1.7 billion in cash or cash equivalent; it was a very good situation for us, from a liquidity standpoint. Our hedging policy is very conservative, very consistent; the Company has worked out always in this very conservative, very consistent, not losing opportunities but always tightening the USD we are receiving from our exports through the hedging position; always with a very clear direction, which is to protect, to hedge our sales, the revenues, to protect the revenues, as we opportunities compared with our operating plan.

So, we do not have the exact derivatives, we do not have targets forward, we do not have difference in what the market is now calling "exotic derivatives". What we have is plain vanilla hedging positions up to 40% of our availability in the coming 18 months.

Always when we have opportunities to sell USD upfront in a very good value, compared to our operating target, this has been a very policy; we have protected our revenues during these months.

And we have for the last two or three years been very good, very positive, and we are going to continue doing that to focus on the cash protection, to focus on protecting our revenues and continue with this conservative hedging policies. I know that we can talk, have additional information, as requested, during the Q&A.

The new growth of cycle was announced during this quarter, we announced this growth cycle in July. One of the questions that we have received is if we are going to continue or discontinue our projects, this organic growth cycle that we have announced. The answer is that we are going to continue mainly because now what we are doing is preparing the forest base. So, this is the lowest part of the investment and this is difficult because it takes time.

So, we are maintaining our schedule for this organic growth project. The decisions related to the industrial investments, those decisions are going to be taken as we move for the Mucuri expansion; this is going to happen in the 1Q09, so we have time to analyze and to go back to our Board of Directors to analyze the situation and decide about moving forward or not in the Mucuri expansion. For the Maranhão site, the decision is going to be taken only in November 20<sup>th</sup> if we will continue as described.

For now, we have here now four of five weeks of a big turmoil, a big financial breakdown, let us say, in the worldwide market. So, this is not the time for us to make this decision. And more important than that is that we do not need to make these decisions now. So, we are going to make these decisions, as required, and now the only decision that we have taken is to continue the preparation of the forest base.

And you know that we have for this forest base very low cost compared to other projects, and we have partners like Vale, in the Maranhão project, which is continuing the preparation of their forest base to serve Suzano's plants in the future. So, for the new growth cycle, we are going to continue the forest base and we are going to make the decisions during the timeline that we have announced before.

Then to finalize, everything relating to people, we are continuing to improve our people, promoting some of our people, the talents we have inside the Company, and bringing some people from outside. Here we have two or three important movements; we just hired Carlos Griner, from GE, where he was serving as a Latin America HR Director, a very experienced HR person, engineer from a basic academic background, but more than 15 to 20 years in HR, 10 years of GE, five years working outside Brazil, in the United States and Mexico.

So, Carlos Griner is bringing us a very good experience from GE, from ten years of GE, and this is a key for the preparation for this new growth cycle that we have. So, we are investing on that.

Then we had some changes as well; as we look for the future we see how important it will be the strategic planning area, new business, M&A alternatives and also the relations with investors. So, we invited and André Dorf accepted to take over this unit, where he is going to lead this strategy, the preparation, formulation and also the

implementation up to the delivery to the business unit for the operations after the investments. So, this was one important change.

Carlos Anibal moved from the pulp business to take over the paper business unit, so this was an important change as well, an internal move that is working out very well.

So, having said that, we are going to be ready to answer the questions, we have all of them in here, and we will be more than happy to answer the questions. Thank you very much for the attention.

**Marcelo Aguiar, Goldman Sachs:**

Hello. Two questions for you, Maciel. Thank you for the call. The first one is related to the hedge position that you have, I mean your selling USD. So, based on the full financials, I arrived in a calculation here that you have US\$1.7 billion on pre-export financing, and you just said in your speech that the average material is to four years, I think.

So, you are talking about something like US\$400 million per year of your exports tied to debt with pre-exports financing. I mean, my numbers could be wrong, depending on the pulp price and the volumes next year. We are working with US\$1.3 billion in exports next year. So, you have an excess of, let us say, US\$900 million to sell USD.

Are you adopting a strategy to hedge the full excess of exports? Because today you already sold US\$500 million, which is a pretty big number.

**Bernardo Szpigel:**

Good morning, Marcelo. We have two different things here. First of all, on the USD exposure and the way we do it, you touched on the followings that we have, the US\$1.7 billion of trade finance; this is our typical strategy that you know we have been following. We used this to lower our cost of debt; we have access to lower interest rate.

And our policy on this portion is to have a cash flow hedging, and using our natural hedging; since we are exporters we match all of our future, the maturity of all of this debt in each individual period to exports that we will have in that future. So, this is the amortization of this and it will be conducted over the period of more than four years.

This is exactly what we have been doing in debt; in that sense we say that we do not incur in any currency risk for the debt portion in terms of trading finance.

So, this is one point. The other thing that we have been doing, and now focusing on securing and operational margin, given the fact that the Real has been appreciating since 2003 and now, was to hedge some of our income or sales revenue portion of this of up to, say, 40% – as maximum as 40% – over a period of up to 18 months, taking into consideration that we could secure our fixed exchange rates in the futures market, which were good for the purpose of our plan, of our budget, if you like.

This is what we have been doing in addition to that. So, anytime that we find that we had an interesting exchange rate, a fixed exchange rate in this period of up to 18

months, which was equal or better than our plan, then we swap to a fixed rate. This is what we have been doing.

**Marcelo Aguiar:**

Sorry, Bernardo. Let me see if I understood properly: your maximum exposure in terms of non-deliverable forward, so selling USD in the future, is 40% of what? Of your exports revenue in the next 18 months? Is that the maximum that you can do?

**Carlos Anibal:**

No, the net exposure.

**Bernardo Szpigel:**

Yeah, you can...

**Marcelo Aguiar:**

OK.

**Bernardo Szpigel:**

You have to be a little bit more precise; it is not only income because you know that we have payments, we have rates. These are smaller volumes. But it is a liquid exposure in terms of exchange rates.

**Marcelo Aguiar:**

OK. And can you help us or provide what is your average rate that you have sold in the R\$500 million notional value? That is very important.

**Bernardo Szpigel:**

Yes. As you know, we will be publishing this new requirement by CVM that says that companies have to disclose all operations that they have in terms of all of the types of derivatives – as you know, this was published last Friday. So, we are preparing all of the statements and you will know this in a few days.

**Marcelo Aguiar:**

OK. So, last question is related to paper prices in Brazil: if you can elaborate a little bit which is the domestic price compared to let us say, the national uncoated paper price at the current exchange rate.

**Bernardo Szpigel:**

Can you repeat the question, Marcelo, please?

**Marcelo Aguiar:**

Yes, for sure. In the past we have seen domestic prices at premium to international uncoated free-sheet prices. I suspect that at the current FX rate we have maybe a discount or parity. So, I would like you to elaborate which is the current premium or discount for uncoated free-sheet in Brazil at the current FX rate.

**André Dorf:**

Hi, Marcelo. As reported in our press release, our prices in Reais are growing, I mean we reported an almost 3% price growth in the 3Q. So, they are stable and growing in Reais. And the corresponded price in USD terms depends on the exchange rate that you are using; this is quite volatile as of now. So, there is still a premium but the amount depends on the exchange rate that we use. Let us say that the prices in Reais are a better proxy of what is going on and they are growing, and they grew in the 3Q.

**Marcelo Aguiar:**

OK. Thank you, gentlemen.

**Debbie Bobovnikova, JPMorgan:**

Good afternoon, everyone. My first question is on your outlook for consolidation for a possible M&A. I heard some of the snippets from the Portuguese call and it looks like you are pretty optimistic that there could be interesting opportunities. My question is if I look at your leverage ratios, it seems like you are already at what is considered maximum leverage ratios, if you look at net debt/capital, net debt/EBITDA, EBITDA/interest coverage.

So, I guess my question for you is what kind of size do you see as being reasonable for a possible (inaudible) target for acquisitions in terms of millions of USD that you can take on? And do you expect to have help from the Suzano Holding Company in financing those deals? And also, I guess all of that related, what do you feel is a reasonable number for cash flow generation for the Company for next year that you are assuming that makes you comfortable with the leverage ratios and the ability to look for more opportunities? That is my first question. Thank you.

**Antonio Maciel Neto:**

Thank you very much for your question, Debbie. What we have mentioned before is that the optimistic – we are saying that in this business environment that we are entering now, we are always going to have opportunities. And Suzano, as we just mentioned, answering your question if we are considering or paying attention for a possible consolidation, what we answered was, first; we think a consolidation is very good for the industry. So, this will be very good for the industry and, in overall terms, we would like to see it happening and it would be good if Suzano could participate on it. This is the first thing.

The second thing we mentioned is that we have the cash situation, and also you touched the point that the controlling shareholders have an impossibility to participate in more investments in the Company in the paper business; so, we could consider participating in opportunities. We also mentioned that we do not have anything in front of us as we speak, but we know that the opportunities will come in and we are going to

analyze them. We are not saying that we are going to go ahead and close any deals in the coming months; however, we just mentioned, answering the question, that we are going to be ready to go.

Just to give you a perspective, the organic growth that we can finance from our cash, from BNDES and from suppliers financing; this is a point. For the non-organic growth, for M&A possibilities, one of the alternatives we have is to approach the capital market, and given that if our controlling shareholders, that today own about 50% of the Company, if we decide to approach the capital market for a specific opportunity, as they have sold the petrochemical business and they have announced that they are going to seriously consider investing more on the paper business, this is not going to be a big deal for us to grow without the dilution of the controlling shareholders. This is something that is that.

So, this is what we can say about it. You guys know about the petrochemical business, and the creation of this unit which André Dorf is heading now is a sign that we are seriously paying attention to the strategy as we move forward, and we are going to look at the consolidation opportunities.

Cash generation for next year is very soon to talk about. You know that Suzano has not presented guidance to the market; it is our internal policy. But even though we have defined what is going to do now is too difficult to confirm because we are in the middle of a very difficult scenario and we do not know exactly what is going to happen. From our side, what we are doing is just working very hard on the productivity, trying to protect our cash to improve our efficiency. So, sorry but I cannot give you any guidance on the cash generation and also about the ratio of net debt/EBITDA. André would like to add something.

**André Dorf:**

Just to add that the ratio net debt/EBITDA depends on the EBITDA, of course, and the exchange rate has affected the net debt immediately, already taken into account in this ratio, but has not affected the EBITDA yet. And it will affect in the coming – it is affecting now, not on the 3Q, but it is going to affect in the next periods. So, it is a picture that we are seeing now, this ratio, but it should improve as we capture the benefits of the current devaluation in our cash generation in the coming months.

**Debbie Bobovnikova:**

(Inaudible) prices stay flat?

**André Dorf:**

Taking into account the current devaluation as of today, we are talking about 40% to 50% currency depreciation in comparison to R\$1.60 that we had in the past. So, even with the current levels, the net expected is quite positive for the Company.

**Debbie Bobovnikova:**

Thank you for that answer. Just a couple of follow ups on that: one is on the cash that the Holding Company has. Is it still that roughly US\$1 billion that they received from the sales of the petrochemical asset? Is that still the amount that has been held there?

**Antonio Maciel Neto:**

What they have announced is that in November 1<sup>st</sup> last year they sold the petrochemical business for US\$1.1 billion and what they have announced is that most of this money they have decided to invest in other businesses but mainly in the paper business. I cannot tell you the exact number; what I can tell you is what they have mentioned publicly that they are ready to consider opportunities in the paper business.

**Debbie Bobovnikova:**

OK, great. And for the short-term debt that you have due over the next 12 months, I believe it is about R\$900 million. Who is that debt due to? And are you seeing any push back from the supplier financing, because we are hearing a lot of issues in other industries of that; I am just wondering if you have seen any change as a result in the credit market.

**Bernardo Szpigel:**

Good morning. First, most of the short-term debt amortization is related to the trade financing. So, again, it is USD and the effect in USD is we will be receiving the same USD that will be used to pay for this short-term debt.

The other thing is no push back; all of our financing, we use basically two kinds of financing: one is trading finance for general purposes and our working capital utilization, and the other one is project financing, which we used mostly to build Mucuri's second mill. This is over 12 years with average maturity of eight years; so, this is well beyond the current period, so no pressure whatsoever.

**Debbie Bobovnikova:**

Great. Thank you. And one more question, if I may, on a different topic: Antonio, you were there at the recent conference, a week and a half ago, and you made some very strong comments along with the CEO of VCP as to your outlook for supply discipline in this industry and the need to basically increase the supply discipline, and on the back of that there were several announcements of market-related downtime to take place in the 4Q by the Brazilian pulp producers.

Now, it seems like you are slightly pulling back from those comments and saying that if the markets continue to be weak and if prices do not stabilize, then you will have to start selling more volumes and basically taking down prices as a result.

So, my question is can you just tell us what your thinking is, what you are looking for in terms of these market downtime plans and just take us a little bit through the rationale that you see for cutting back now and then building up inventories to sell in the 1H09. Thanks.

**Antonio Maciel Neto:**

Debbie, this is a very interesting and important question and thank you for the chance for clarification of that. The downtime was announced not only by the Brazilians; last night we had this TerraChoice report, we saw also during the day yesterday other reports and the numbers are very big, the downtimes that had been announced for the 4Q, really big. And most of that – let us say that the Brazilian is just 20%, 30% of the downtime that has been announced.

So, it is a very important situation where we have this big turmoil like we are seeing now; we take the opportunity to reduce production, like we did, because our inventories were, as we had not sold our volumes to China last quarter, we decided to take out this volume and to wait and see what was going to happen in the market.

So, we think that it is very important not to cause a big price war in the market as we have some very specific that could be a short-term... We know that this crisis is serious, it is real, it is going to happen and it is going to touch all the segments in the business worldwide. But this peak of this crisis, in terms of volumes and price, nobody knows what is going to happen. So, Suzano took the initiative for our volumes to reduce and wait and see what happens.

What I mentioned this morning was that somebody mentioned that comparing our production capacity to sales, that in the last quarter we were at below 70% capacity. What I mentioned is that if this continues for a long period, as the lowest cost producers we are not going to be at 70% capacity if this continues for a long time. We do not know exactly the duration that we are going to see but not now, when most of the higher cost producers continue producing and selling, as we talked.

So, in short I would like to tell you that our strategy is to manage our inventories, to avoid having big inventories which is not good for the industry and not good for Suzano, to avoid big inventories, and to analyze and to define our steps considering volume opportunities, price opportunities, and exchange rate in the days that we close the deals.

So, in short: downtime is an opportunity that we always will have to continue having more and to better match demand and offer. However, we are among the lowest cost producers, probably in this season of results we have been the lowest cost producers that we have seen. And this is something we can leverage as soon as we think that this is correct for our Company and for our shareholders.

**Debbie Bobovnikova:**

Great, good answer. I guess just one last question: you just touched on cash cost, I noticed that in the press release you mentioned your cash cost just for Mucuri mill. Do you have a consolidated cash cost for the Company including your Compacel? Because I imagine that increases the overall cost.

**Bernardo Szpigel:**

We only disclose our Mucuri cash cost.

**Debbie Bobovnikova:**

OK. Thank you.

**Carlos de Alba, Morgan Stanley:**

Good morning. My first question is could you comment on whether you see the paper prices in the international market moving in the 4Q and in the 1H09? That would be my first question.

**Carlos Anibal:**

As of today, we do not see any change. In upcoming months, we see prices in Europe and in North America very stable.

**Carlos de Alba:**

OK. Thank you very much. And then second question is: you are going to take some downtime in Mucuri in the 4Q, reducing production by 30,000 tons; how much of that is going to affect your shipments during the quarter? Are you going to reduce your shipments also by 30,000 tons?

**Ernesto Pousada:**

Actually, it will not reduce the shipments themselves to our external terminals. So, we are going to basically reduce our inventories here in Brazil.

**Antonio Maciel Neto:**

This production that we have is going to be more than enough to maintain what we have. We are going to reduce the levels of inventories of production that we have not sold last quarter.

**Carlos de Alba:**

How much are your current inventories right now?

**Antonio Maciel Neto:**

Just to mention that our target is to have all inventories between 35 to 40 days and we are above those numbers nowadays, and this will be corrected with the downtime.

**Carlos de Alba:**

OK. And then I had some questions on your CAPEX; is there any CAPEX guidance for 2009 at this point?

**Bernardo Szpigiel:**

No. on our CAPEX for 2009, the basis of our maintenance CAPEX is running at the order of R\$350 million per year, so this will continue to maintain. The last portion of that

is, of course, for when we harvest the trees and we have to plant them again, so almost 50% of that is related to that.

So, this is the base level, and then we will also have something additional, which is now in our budgeting plans, we have not finalized them. But as we have announced, we continue to form our forest base for the new growth cycle; this is going to be done over a period of seven years. The new cycle is a very interesting one in the sense that the forest base is very low cost, the cost of land is low in the areas that we are planting.

So, we are finalizing our budget and then when we have them ready we will be able to provide this information. At this point I would also like to make some clarification that there may be some misunderstanding on the two questions by Marcelo Aguiar; how much we do in terms of our hedging for future, in terms of the futures market for our operating margins.

We will operate with a limit of 40% of our USD exposure over the next 18 months; by that we mean our revenues in USD minus all of our commitments in terms of rates and debt services. And this is running at the rate of US\$1 billion per year; so the maximum is 40% of US\$1.5 billion, US\$1 billion maximum. We disclosed by the end of the quarter that we were at the level of US\$500 million.

**Carlos de Alba:**

Thank you. And my final question would be regarding – in the income statement, under the line where you disclosed the losses on the monetary and FX variation, the loss was R\$451 million out of which my understanding is that R\$293 million were related to the impact on your USD-denominated debt. Could you explain to us what the remaining portion of that loss is related to, please?

**Ernesto Pousada:**

The bulk of the monetary variation in the line is related to the USD-denominated debt, so that is the bulk of this amount.

**Carlos de Alba:**

So, if we excluded the R\$293 million related to the impact on the USD-denominated debt, we still have another R\$158 million in loss. Is there any one thing or couple of things that would explain that difference?

**Bernardo Szpigel:**

Let me; if you look at our press release, I am sure you have all of the information there. In terms of financial results, we had R\$650 million total and most of that was related to the exposure in terms of the balance sheet of debt. So, it was the largest portion of that.

**Carlos de Alba:**

OK. Thank you very much.

**Operator:**

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

**Antonio Maciel Neto:**

OK. Thank you very much. We will be available if you have additional questions, André and Andréa will be more than happy to answer the questions, and the whole team will be available. Please feel free to call and send emails and to talk if you have additional doubts. If there is something that you have not understood so far, please do not hesitate to call us and to let us know. We are going to do all our best efforts to give all the clarifications possible.

We have discussed about the pulp market, which is going to be a very tough business as we move forward because we have the demand softening, a little bit more in China. In China we have offer as well, the excess of offer from some Asian producers. So, we have this difficult situation in the market in China – in the whole of Asia, but mainly in China. And we are going to handle this situation as we move in the coming months.

But we feel that we are very well prepared for this because of all the investments that Suzano has done during the last years. You see that we are with our cash cost, 15% lower cost than we had before, because Mucuri is more than 90%, 95% of our market pulp, so that is the reason.

With the low cost and the exchange rate helping a little bit, we are going to continue working out to improve our productivity and the operational standards to face this tough market, and as we move we are going to see and analyze opportunities for a downtime, if needed, or for production and selling at competitive basis, considering always volume price and exchange rate as we talk.

From the cash standpoint, we are with a solid position. We are playing in the market only selling our future market, our USD. This is a very common and simple swap operation. Always where we see opportunities, as Bernardo and André mentioned, that are equal or above our target in our budget, we have sold these USD to protect our revenues up to the limits that we have mentioned. So, from the cash standpoint, from the approach that we have on the market, we are also very comfortable with what we have.

As CVM has required an additional disclosure on this, last Friday, we are going to prepare it and then we are going to have all the details and numbers. But we are going to confirm in the coming days what I am saying, that we are in a very comfortable situation, very conservative considering the revenues we have in USD versus what we have committed. We follow the strategy of fund sales in the futures market and that is it. So, this is also something that is good that is happening.

We are going to protect our cash as much as we can. We are only going to spend the money for the organic growth on the forest base. We are going to reduce fixed cost and

others in postponing projects that we can postpone without serious commitment to the future of the Company.

And from one side, we have this very strong, and more than ever, productivity efforts that have been led by Ernesto here, that is more important than ever. And the organic growth project is moving and we are going to make decisions as we have those in our time line, starting in the 1Q09 and then after in 2011, which will be important.

And also we are going to be paying attention to the movements in the market. Our strategy of being integrated, paper of about 1.1 million tons of paper, as well as being a big player on the pulp market is our key strategy, as we are calling it. However, we are going to be paying attention for opportunities as we move forward.

So, thank you very much for the attention and for coming for this conference call this morning. And again, please feel free to contact us if you have any doubts. Thank you very much.

**Operator:**

Thank you. This concludes today's presentation. You may disconnect your lines at this time. Have a great day.

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