

Operator:

Good morning, ladies and gentlemen. At this time we would like to welcome everyone to the Suzano Pulp and Paper 3Q09 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. 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 the operator.

Today's speaker will be Mr. Antonio Maciel Neto, CEO. We would also like to inform you that statements during this conference may constitute forward-looking statements. Such statements are subjected 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:

Good morning, everyone, and thank you very much for attending this conference call this morning. We are here in São Paulo, in our headquarter. We have in this meeting, in this conference call with me some of our key managers and directors. We have André Dorf, our officer in charge of the Investors Relations along with Strategic Planning and Corporate Development. We have also Bernardo Szpiegel, our CFO. Ernesto Pousada, our COO. We have Carlos Griner, our HR officer. We have other people here, our manager and people working on Investor Relations. We have Renato Tyszler, our Controller, and a good group here to answer the questions after this brief presentation.

Going straight to page two, we have some highlights here. Production of 660,000 tons during the quarter, 2.1% lower than the 2Q09 and 4.9% lower than the 3Q08. This is mainly because we had some maintenance activities during the quarter and we also had an incident on Line 2 in Mucuri, and this caused a reduction of 26,000 tons of production as compared with the 2Q09.

The sales volume is very much aligned with the production, of 661,000 tons, very close to 400,000 tons of pulp and 260,000 of paper. Net revenue is R\$891 million. Pulp production cash cost of R\$373 per ton. It does not include maintenance downtime in the incident at Line 2 in Mucuri. EBITDA of R\$218 million and EBITDA margin of 24.4%. Net income of R\$213 million, the consequence of the exchange rate impact on the debt denominated in USD.

Net debt/EBITDA ratio of 3.5 and very strong cash position. Cash equivalence of R\$2.4 billion in September 2009, and another debt reduction of R\$476 million, again more than explained by the exchange rate variation, in this case the valuation of our currency, the Real.

In page three we have some highlights about the pulp business unit. You see that the market pulp demand was, in 3Q09, 1.7% higher than in 2Q09, very much in line; we had an increase of 9.2% versus 3Q08, which was the first quarter of the big crisis last year, and in YTD09 the volumes are pretty aligned with those in YTD08.

In the Eucalyptus pulp - the BEKP- demand in 3Q09 was very close to 2Q09. In comparison to 3Q08 it showed a big increase of 28%. At that time there was some big reduction in the market, but if we look YTD09 versus YTD08 there was a 17.4% growth. So, Eucalyptus is growing, as we had anticipated before, and we see a lot of room for this trend to continue.

Global inventories at very low levels, 26 days, below the historical average of 33 days. And price increases were announced for October 1st and November 1st, of US\$50 each; this is the reference price CIF in Europe. So, in the 3Q we had, in September 1st, this US\$40 price increase in pulp, but it impacted only a very small portion of the quarter. So, the increase in September is going to be fully implemented in the 4Q. Also the October 1st increase is going to have a good impact. We have just announced the new price of US\$700 in Europe, effective in November 1st.

Our Suzano's pulp sales, 399,000 tons, were 27% lower than the 2Q09 and 37% higher than the 3Q08. In the 2Q09, I think you remember very well, we had that specific decision to reduce our pulp inventories and we had big sales.

Main destinations of our pulp: Asia is now 37.9%, Europe 36.6%, and Brazil 17.3%. So we see an increase in Brazil, and a decrease in Asia - you remember China had 52% share in last quarter, 2Q, due to that specific sale that I mentioned before. Now we are more aligned and normalized with the percentage to Asia. This is reflected here in this number of 37.9%.

We had, if you compare 3Q09 with 2Q09, US\$66 increase in net prices in the pulp business, which is 16.6% quarter over quarter. In Reais, and this is very important now as we have this big change in devaluation of the USD, prices are 5% higher than the 2Q09 and 25% lower than the 3Q08.

Net revenue is R\$347.4 million in this pulp business, which is 23.5% lower than the 2Q. Pulp cash cost was R\$373 per ton, which is 17.8% below the 3Q08. So, here you can see what we have mentioned before, we are operating with very low levels of cash cost. This does not include maintenance downtime and incident at Line 2, as I mentioned before, but this is a good improvement quarter over quarter.

Page four, pulp business: you see here the sales comparison. I think this is important to highlight YTD09 versus YTD08. Here we have a volume of 1.4 million tons compared to 991,000 in last year; this is about 38% increase in the volume.

You see here what I mentioned before about destinations. We had Asia participation in our sales, before with 52%, and now with 37.9%. Brazil, before with 11.9%, now with 17.3%; and an increase in Europe as well from 29.4% to 36.6%.

You see that we have a very low level of exposure in North America, and in the future we will see some movements, we hope so.

On page five, here you see that the demand is improving in the domestic paper business. We saw the 3Q09 with a very interesting recovery in the industry, comparing 3Q09 versus 2Q09 the demand was 20% higher in the printing and writing business, and 19.5% in the paperboard business; very impressive numbers as we compare quarter over quarter.

This is very much aligned with last year. In 3Q09 versus 3Q08 the demand is 1.5% higher in printing and writing and only 0.2% in the paperboard. In 9M09 we see printing and writing 3.7% below last year, and paperboard 9.2%. We have seen a good improvement in this business, in terms of volume. Paperboard is very strong. So, I think that for the yearend we are going to see probably volumes very well aligned with last year, even with possible small improvements.

Printing and writing imports are growing, very much explained by the strong Real. For printing and writing grades the share of imports was 16.5% last quarter and 22.6% in the 3Q09. The highest share is in the coated paper, however we saw some growth as well in the uncoated freesheets.

Brazilian exports: now we are at 35.8% compared to 40.2% in the 2Q09. This is more than explained, again, by the recovery of the domestic market.

As we see our business here, we see a higher volume in 3Q09 versus 2Q09, 4.4% in printing and writing and 12.2% for paperboard; however as we compare YTD09 to YTD08, we see printing and writing 11.4% below and paperboard 19% below. As we can see in the box in the upper part of the page, in printing and writing grades we had in the national market a 3.7% reduction and in Suzano a 11.4%, and in the paperboard the domestic market dropped 9.2% and we dropped 19%.

So, it is clear that we lost some market share here. In fact we had 3.4% price increase year over year. As leaders of both these markets, we had the responsibility and the leadership to maintain the price and not to deteriorate too much the price. However we lost some market share, mainly in the coated paper, more for the imports. In the uncoated, a little bit for imports and also for the smaller players that we have in the market.

Domestic sales were back to the levels of 60%. Remember that we have tried to maintain 60% ratio for domestic market, however due to the weakness of the market in the 1H09 and in the 2Q09 specially, we increased the exports up to 50%. Now, we are back to 40% exports. 60% in domestic market is the ratio that we like and we think that is more appropriated for our business as we move forward.

Export average net price: in YTD09 compared to YTD08, in USD, we have a reduction of 15.5% and in Reais we have an increase of 4.4%. So, here in Reais, we had 4.4% better prices than we had last year; this is very important because our costs are about 80% denominated in Reais, which is very important for us.

In page six the graphs about what we have mentioned before: here I would like to call your attention for volumes in YTD09. We are 6% below YTD08, with 808,700 tons compared with 859,500 tons last year. In Reais, our revenue is 3.7% below, 1.7 million versus 1.8 million last year.

Destinations: as we have mentioned before, our strategy is to concentrate our business in Brazil and as much as we can in South and Central America. Here you see that our sales are about 70% in Brazil and South and Central America. All the other markets are very much aligned with what we have had before.

In page seven just few and quick highlights on the 3Q09 results. Total sales volume, as I had mentioned before, 10.8% higher than 3Q08, 661,000 tons. Paper volume in the domestic market, 154,000; pulp volumes export were 330,000. When we talk about sales volume in the first line it is important to underline that the 3Q09 versus the 3Q08 we had 10.8% higher volumes. Paper was about 15% below last year, but pulp was 43.7%. Net revenue was 10% below, EBITDA is 41.8% below in Reais, and 48% in USD, as we mentioned. EBITDA margin, 24.4%. And the net debt/EBITDA at 3.5.

As we go to page eight, we compare 9M09 versus 9M08. Sales volume is 17.6% higher. Paper in the domestic market is 13.4% below, and pulp volume exports 45.6% higher. Net revenue is very much aligned - only 1% reduction year over year. In net income, a very big increase, now it is R\$742 million, big impact in our balance sheet of the exchange rate variation. Last year we faced a big devaluation of the Real during the year, mainly after September. So, we had a very big impact on the balance sheet, and as a consequence net income in 9M08 was only R\$43 million.

In YTD09, we have the opposite, the same impact of exchange variation but in other direction. So we are running at R\$742 million in the net income. EBITDA of R\$766 million or 29.6% below YTD08. And the EBITDA margin is at 26.1% compared to 36.7% last year. About 10 p.p. lower levels.

So, on page nine, the last page, just some key messages that we would like to deliver today, just after we can start our conversation and we will try to answer your questions. The first one is about the demand recovery in pulp and paper. Mainly in the paper there is a higher demand in Brazil, both in printing and writing and paperboard markets, especially in paperboard. Some reduction in global pulp inventories again, as we mentioned, 26 days is a very low level of inventories, and new price increases coming on stream. The one that we had in November, that we are going to implement, is the sixth price increase in this year.

However, as we are at US\$700 of prices in Europe, CIF reference price, this is a very interesting discussion that we would like to have as soon as we can, and why we are talking about Reais.

In the last ten years, starting in 2000, we had an average price of pulp of R\$1,360. And this was very much the same along this period, with some variations. We had higher prices or lower prices, but always with the exchange rate going to the opposite position.

So, as you multiply the pulp price for the exchange rate, we can see a very stable price in Reais at R\$1,360. Considering an average exchange rate, a simple average for the last ten years of R\$2.36, the price was around US\$600, in fact a little bit below US\$600; US\$580.

So, if you have an average exchange rate of R\$2.36 and prices around US\$580, we have this R\$1,360 pulp price. Today, as we speak, we are moving to US\$700, if you consider an exchange rate of US\$1.70, we are going to have R\$1,190.

So, today, as we celebrate this US\$700 in Europe, in Reais we are far away from the average price we had before. This is why we are working so hard to reduce our costs.

But just to mention to everybody here that US\$700 is a very good price as compared with the average number in the last ten years. However, with the exchange rate we have today, it is still far away from where we have been before.

So, on the operational performance, which is what we started talking about, we have our costs and expenses controlled. The pulp cash cost is at R\$373, as we mentioned before, that is a very low cost and still with some possibility of improving, and we had 24% of SG&A reduction year to date. So, that is a very strong cash cost reduction, of almost 18%, and SG&A is 24% below than last year.

As I mentioned before, as we have this exchange rate change we also had cost reduction. And this is going to partially offset the problems that we have with the exchange rate.

As I have mentioned before, the strong cash position at R\$2.4 billion and another reduction of net debt of R\$476 million.

And about the growth strategy, we have here just one line to say that our greenfield projects are moving very fast and according to the time line that we had prepared before. So, we are maintaining our Maranhão and Piauí greenfield projects, and we are on track, delivering what we had planned for this year.

Having said that, I will pass back the floor to the operator, and we will be very happy to answer your questions.

Felipe Hirai, Merrill Lynch:

Good morning, good afternoon, everyone. My first question is related to China, if you could just give us an update of what you are seeing in the Chinese market, how you are seeing inventories there, how you are seeing demand, and how you are seeing supplies. Thank you.

Antonio Maciel Neto:

Felipe, I will ask Alexandre Yambanis, who is in Europe, to participate in the call to answer your question. Please, Alexandre, could you answer Felipe's question?

Alexandre Yambanis:

Yes, thank you, Maciel. Hi, Felipe. Good morning. How are you doing? About the Chinese market, some highlights. Just to give you an idea: hardwood imports in China for the 9M08 were 352,000 tons, whereas for the 9M09 they were 1,156 million tons. This is all hardwood, so a difference of about 800,000 tons, out of which 500,000 were captured by eucalyptus.

What that shows is that Chinese demand not only is continuing to grow at a robust pace, and this is mainly due to the new paper machines that are coming on stream in China. Just for next year, we are expecting to see anywhere between 2 million and 3 million tons of new paper machines, all grades included, printing and writing, tissue, and so forth.

The good news for eucalyptus suppliers, like Suzano, is that those are modern paper machines, high-speed machines, and paper quality in China is tending to improve. In other words, formation and opacity, which are characteristics that are mainly supplied by the utilization of eucalyptus in the paper furnish, are on demand in China. Not only in China. China is also exporting papers and they are facing competition in world markets.

So, two-fold reply: number one, yes, volumes in China are continuing to increase. Our projection is for additional volumes in 2010, and there is a quality aspect that favors eucalyptus pulp.

Antonio Maciel Neto:

Felipe, just to complete what Alexandre mentioned, just to add some highlights, as we talked to some of you I had the opportunity to travel to China in the beginning of August, I spent ten days there, and two or three key customers came to visit us here.

What we have in mind is that China will continue very strong, and we do not see a big drop on Chinese demand. We have some analysts talking about – and you guys know about that – some reduction in the 1Q10; some of them are saying that Chinese have some inventories going up. But this information is not the same that we have seen on the ground.

Alexandre Yambanis is traveling to China next week, he is going to spend another ten days there to talk, to see and to work with the people that we have there, the Chinese people that we have working with us there.

In short, we still see China very strong and maintaining the levels of purchase that they have. This final last move that we had in price was very important for us, because now China is back to list price; you saw that we had a big increase to go to list price.

And as Suzano is the company with the highest level of contracts with the key players, so this is very important for us, to go back to normal situation with list price in China, as well as we have in the other markets where Suzano plays.

Felipe Hirai:

OK, thank you. And my second question is, given that we are seeing that the market is in a much better situation now, mainly the pulp market, would you consider to make more acquisitions now, or would you consider trying to accelerate some of your investments, if that is at all possible at the current stage?

Antonio Maciel Neto:

Our strategy is to have organic growth in the pulp market, and to improve productivity and reduce costs in all other activities we have.

We have here a group of people in charge of looking at new businesses and paying attention to all opportunities of M&A; André Dorf is the head of this group. And we are always analyzing and looking at opportunities. But so far our strategy is to move fast in the implementation of our organic growth project, mainly with the construction of the two new greenfields, one in Maranhão and the other in Piauí. This is what we have now.

Felipe Hirai:

OK. Thank you.

Debbie Bobovnikova, JPMorgan:

Good morning. First of all, Maciel, I want to congratulate you on winning the CEO of the Year for RISI Latin America, it is a pretty big honor so, congratulations.

I had two quick questions, one, if I may, on the pulp inventories: can you give us a sense of where you stand on your inventories and also if you will be providing us with details again on your press release on pulp inventories any time soon. I think it helps us to get a sense of, especially this year, what is your potential for full-year volumes, given the drop in production that we had in the quarter, it would help to understand where the inventory stands for you.

Antonio Maciel Neto:

OK, Debbie. Thank you very much for your comments, you know that we have the best team in the industry; this is why I am always getting some awards. Just on behalf of our team, thank you very much for the comment.

Talking about the pulp inventories, we are aligned with the industry, with very low levels of inventory. So, in the 4Q09 we are going to sell what we are going to produce. We do not have excess inventories to sell more than what we are going to produce.

André would like to say something in addition?

André Dorf:

No, just to mention that global inventories – I do not know if you have had a chance to look at the global inventories –, they are at around 26 days, way below the historical average of 33 days, and the lowest since June 2002. So, we are at very low levels as of now.

Antonio Maciel Neto:

And Suzano is very much aligned with the industry.

Debbie Bobovnikova:

OK. And the second question is on your CAPEX plans, there were some news this morning, I guess on local papers, that you might be revisiting the amount of investments to be made. I assume that is because of probably a decrease in input cost, steel cost, etc. Can you talk a little bit about the possibility of decreasing the CAPEX that you need to build those two mills? And also if you could talk a little bit about the expected cost of those two mills, especially because it seems like they are going to have very different wood structures in terms of your self-sufficiency in wood; so, if you could make any comments on that, that would be helpful.

André Dorf:

OK, Debbie. What we mentioned to the media last week is that because we announced the value of the CAPEX amount for those projects before the crisis hit the fan last July, the metals and the metallic commodities were at an all-time high. And the exchange rate at that time was different as well. So, that is why we should be able to reduce the total CAPEX for the two mills from the US\$1.8 billion that we announced last July.

Also the backlog of the machinery producers were at full at that time, and we feel that we will have better conditions to negotiate them, the machines and all the equipment, by 2011 in better conditions. So, that is why we said that we should be able to drive this down whenever we buy the equipment.

Debbie Bobovnikova:

OK. And in terms of the operating costs of the mills?

André Dorf:

Yes, we are in the process of doing all the engineering analyses for the new technologies and new equipments for those sites. In normal conditions we would have the Maranhão site with a higher proportion of third-party wood supply, as you mentioned, but with the scale and the new technologies we should be able to offset that, also because we are engaged in a very favorable logistics contract with Vale, as well, along with the wood supply contracts.

So, we should be able to offset this higher proportion of third-party wood supply. So, we will be able to disclose a better guesstimate of both CAPEX and operating costs by either the end of this year or beginning of next year, whenever we finish all the engineering studies.

Debbie Bobovnikova:

OK, great. Thank you for that.

Marcos Assumpção, Itaú:

Good morning, everyone. I would like to explore a little bit more the pulp market, so my question goes to Alexandre Yambanis: regarding capacity restarts, can you comment a little bit if you are already seeing some capacity restarts in Europe, in Canada, and in any other place?

Actually, my question is why are we not seeing more with the level of prices that we are seeing right now?

Alexandre Yambanis:

OK. Hi, Marcos. We are in fact seeing some capacity restarts that are due to current price levels. Obviously, many of those mills that have been taken down, it takes a long process to restart a mill. You have to recontract the wood supply, you have to all sorts of small CAPEX that are required to restart the mill, we have to reinstate all the liaisons with your suppliers and so forth, and also with the market.

So, this takes time. But yes, we know for sure that some mills have restarted or are thinking about restarting, either with or without change in capital structure, in management and so forth.

So far, indeed you are correct, we have not seen much more for the reasons I just mentioned, it takes some time for that to happen. And also some of these players are not sure of the solidity of the market, although the markets have been recovering, as Mr. Maciel mentioned, many consultants are still very skeptical concerning the first two quarters of next year. We happen to be less skeptical because we see that if you put two and two together you see that Chinese demand will continue next year, even if there is an eventful disruption in the 1Q10, this will be temporary and it will not be structural.

But some of the players are out there and are not very sure and, again, regarding the factors that you have to put together to restart the mills it takes time, there is a drag effect there.

Marcos Assumpção:

OK.

Antonio Maciel Neto:

Marcos, I would just like to add a very few comments on this. The USD is devaluating against all the currencies worldwide; more against the Real. But the producers in Canada, United States, Europe, and Chile are facing big problems as well. As we see good prices now, let us say, in November 1st we are going to have US\$700 in Europe, CIF, however the exchange rate has impacted a lot, so this is not the same US\$700 that we had before.

Another point that we are not able to calculate the impact so far, but this is something we need to have in our analysis in the future, is wood price in the United States and mainly in Europe. The wood prices are going to have subsidies that they have in Europe to generate energy from biomass, so we have some more competition for the wood.

And also, as we have talked before about the subsidies that some of the integrated producers are enjoying in the United States and in Canada, they are not sure that these subsidies will continue after December. So this is something for them to come

back with the production. Just counting on these big subsidies is something that they need to think a little bit. I think that we are going to have a better and clear image or picture about the market by yearend after these clearer forecasts on the demand and also about the subsidies.

Marcos Assumpção:

OK. My second question is regarding paper, with the expectation of Brazil growing more than 5%, close to 6% next year, what is Suzano expecting for domestic paper consumption in Brazil in 2010 and 2011?

Antonio Maciel Neto:

For 2010, Marcos, what we have talked here is that it has been a very hard job or exercise to work in our rolling forecast for 2010, because we see that the market is going to be higher, that the volumes are going to be higher, but we have a big question mark about the exchange rate. You know, we know that it is going to be a very low level, but this has a big impact on that.

So, we do not have any guidance to give now, but we see that in next year the volumes will be higher, as the growth of the Country that you are mentioning, 4% or 5% is more than natural, this is going to be also the same in the whole region where we play and sell our paper. So, we are going to see higher volumes in the paper business and some questions marks about the prices due to the exchange rate variation.

André Dorf:

Marcos, just to add another comment, the figures that we are looking at this moment year to date, in respect to paper demand or consumption in Brazil are highly affected by the bad numbers that we got in January and February. If you remember, in the 1Q of this year we had some grades falling between 20% and 25% compared to the previous year. So, we have been in a recovery mode since March and this year, at this quarter, in the 3Q09 we had already some grades with a higher domestic demand compared to last year, so we expect this positive trend to continue in the 4Q09 and in the next year as well.

Marcos Assumpção:

OK. Thank you. Last question to Maciel, if you could comment a little bit your opinion on the entrance of CMPC in the Brazilian pulp market after the acquisition of Guaíba, if you think that this changes or not the competitive environment in Brazil.

Antonio Maciel Neto:

Marcos, I do not see any big change coming on stream because the volume is going to be the same. The production that Aracruz was delivering in Guaíba is going to be the same for a while. As we had the opportunity to read in the newspapers and the comments from the transaction, the expansion of Guaíba is going most likely to be in 2015 or after that.

So, we do not see any big changes in the competitive scenario because the volume is the same. CMPC has been a big producer as we speak, so they play head to head with us in most of the markets. So, they are going to have more volume and Fibria is going to have lower volumes, but the total offer to the market will be the same. They are a very good company, very strong, very dedicated to the industry, they have a very good reputation; so, we do not see any big change in the marketplace.

Marcos Assumpção:

OK, thank you very much.

Carlos de Alba, Morgan Stanley:

Good morning, gentlemen. Could you elaborate a bit more on China? Two issues we have seen: one, the volatility in the imports into that country, we had a big decline in September following a recovery in August, after we saw a decline in July. Could you talk a little bit why do you think we are seeing such volatility in the sales into China?

And also on China, could you share with us your views about what the country is doing in terms of expanding its pulp capacity as well as to its forestry operations to increase the supply of wood internally in the country?

Antonio Maciel Neto:

Alexandre, please, could you start with the answer? And I would like to complete after some words on the capacity.

Alexandre Yambanis:

Sure, it is a pleasure. Starting with your first question, the volatility in imports, this is not due to demand at all, it is I think due to lack of supply. After a 2Q where China has bought well beyond its historical average and I would say they were restocking basically or starting a restocking movement. And that was coupled with downtime taking across the world by the pulp industry, so if you put those two factors together, at the end of the 2Q supply did not have much pulp left to continue supplying China at that level.

This being said, China would continue buying at that level because they did not restore their normal inventory levels; as a matter of fact, they are still trying to restore normal inventory levels. So, the fact of the matter was simply there was no additional pulp to be shipped to China in the 3Q. Supply has taken a downtime, they have sold whatever they could to China and there was no more availability, and that created the impression that demand was volatile, but demand was not volatile, demand as a matter of fact was quite stable.

In terms of expanding forest and pulp operations in China, the Chinese have very large forest plantation, But 70% of these forest plantations are used for energy purposes, simply for cooking and heating. So, these are not cloned forest and forestry suitable for pulp. They also have those but in a far lesser extent.

And do not forget China being a 1.3 billion or 1.4 billion population country, although it is a large country, they have to first ensure that strategically they have enough food, so plantation of crops and vegetables will always take a precedent to wood or forestry destined for pulp. This being said, there are some plantations in the south of China, but far from being enough to supply the projected expansion in paper in China.

To give you an idea, China today produces close to 90 million tons of paper and we can easily, if you take the average per capita consumption in China of around 40 kg per head, this is just a fraction, I would say, so around 15% or less of what is consumed in North America or in Europe. So, the potential for growth in terms of paper production in China is enormous and there is no way they will be able to supply that, not even a significant portion of that, just a fraction, I would say, with their own wood plantations.

Carlos de Alba:

Did you mention about the inventories; could you mention where those inventories are at this moment, the pulp inventories in China, and what has been the evolution year to date?

Alexandre Yambanis:

Yes, well, Chinese paper producers have been rebuilding their normal inventories, and to the best of our knowledge, because there are no official data on inventories in China, we have official data basically on imports and production, but we do not have official data in paper producers' inventories.

Our in-house intelligence, and we have an office in Shanghai, very competent team, tells us that inventories in China are right now reaching, let us say, a normal point, so that leads us to believe that the Chinese will continue buying at the normal level.

There has been a structural increase. We believe that what they have imported in the 3Q, 1.2 million tons a months, may be slightly below what they will continue buying going forward, we believe they will continue buying their monthly means, and we do not believe they will be building excess inventories for the simple fact that there is very large new capacity coming on stream in China. Next year we calculate anything between 2 million and 3 million tons of paper, all categories included there: printing and writing, tissue, and so forth, will come on stream in China. Even if there is a slight inventory build up in the 1Q10 so that will be used very easily through the 2Q and 3Q in view of the new paper capacity that will come on stream.

Carlos de Alba:

Thank you. My second question is you have done a remarkable job in reducing your cost. Could you talk about where do you see those going forward? Have you reached a sustainable level? Is there more room to continue with taking costs out?

Antonio Maciel Neto:

OK. I will ask Ernesto Pousada, our COO, to talk a little bit about variable cost and then Bernardo, our CFO, can talk a little about SG&A.

Ernesto Pousada:

OK. Good morning. Actually we have gone through major efforts to reduce costs looking from both sides, working together with our suppliers to reduce the actual prices for the raw materials, and we worked very hard on the productivity side to increase and to gain more efficient processes in the Mucuri mill, especially improving the Line 2, but also Line 1 efficient processes to achieve this kind of reduction.

We see that we reduced about 20% versus 3Q last year and we see there is still room, but probably comparing to what we have seen so far to minor improvements versus the position we have right now. But we were very confident that this is a very stable level that we are at, and, like I said, we still should see some improvement, especially given the situation that we have when you talk about exchange rates, if the Real continues to evaluate that should help us from the cost side as well. So, I think moving forward we still are probably going to see some minor improvements, but the majority of the job is going to be on productivity.

Bernardo Spiegel:

Carlos, on SG&A we have, over the years, put a strong focus on reducing it. We already experienced last year a strong currency, now we are back with a strong currency and the view is that we will continue to have one.

But now we have weaker pulp prices, so the need to increase productivity and SG&A is back with a larger importance. So, we are working on that and we are sure that we have opportunities there. We are focused very much on productivity and on all of the processes in these areas. We have already identified the number of possibilities that over the coming quarters will be implemented. So, in fact we do expect a reduction on SG&A in the future.

Carlos de Alba:

Thank you, Bernardo. And my final question will be you mentioned in your press release that you have not yet seen the full benefit of the price increase announced and implement in September, or maybe it was not fully implemented in September. Could you quantify a little bit how much of the increase announced for September was not reflected in the numbers in the 3Q, and therefore we should see it in the 4Q? I think that the total price that you mentioned is US\$466 per ton, so how much either in a percentage basis or in an absolute basis should we see reflected in October or in the 4Q that we did not see in the 3Q?

André Dorf:

Hi, Carlos. Just a clarification here: the US\$466 in on a net basis as opposed to the listed price that we are always releasing and is about US\$700 now. It is worth to mention that we had a very unique situation in the industry in the last seven months. We had six price announcements over the last seven months, especially during this season in Europe and in the United States.

As you well mentioned, we had in the 3Q three consecutive price increases, in July, August, and September, and we can observe that the September price increase was

not fully captured in the 3Q. So, for the next one, for the 4Q we should expect the benefit of the September price increase, of US\$50 per ton, CIF Europe, and the other two announcements to be one in October and the other one to be effective as of November 1st. So, we should partially capture the November price increase in the 4Q as well.

Carlos de Alba:

Thank you very much, André.

Juan Tavares, Citi:

Hi. Thank you. Most of my questions have been answered, but just quickly could you comment on paper prices? How are you expecting that to evolve and maybe if you can also comment your view on substitution for pulp? I know the November price increase kind of narrows the gap between hardwood and softwood, but just to get your view on whether there is any more room for substitution, whether the paper producers are maxed out and what they can mix in? Just to get your comments there. Thank you.

Antonio Maciel Neto:

Hi, Juan. What we have seen is one question of substitution, but let us talk about it just in the beginning of short fiber, long fiber, softwood or hardwood. We have seen a trend of substitution, a lot of room to continue the substitution. Just to give you an example, we produce here in Brazil uncoated free sheet of 100% Eucalyptus pulp. Most of the producers in Europe and North America use 40%, 35%, 70% of short fiber to produce uncoated free sheet. So, we see some room for this substitution to continue.

The motivations for the substitution are very much related to two points. First is the gap in the price, as you mentioned. Now we are shortening a little bit the gap, but it is still bellow the historical gap. They see that this gap is always a good motivation for the substitution. However, my opinion is that if you think in a long term, paper producers know that there is no big project going forward around the globe to produce, to increase production of long fibers or softwood. So, what we have seen is that we do not see new investments going to long fiber, and the production of long fiber also has been delivered from very old plants.

One or two years ago, we knew a very nice, a very interesting paper about this subject showing that about 40% of long fiber production comes from plants with recovery boilers that are more than 40 years old and 20% are more than 60 years old recovery boilers. So, as we do not see new investment coming on stream, those wood plants are becoming older and the name of the presentation that I attended, I do not remember very well, it was in the pulp week in Canada, but I think the name of the presentation was "The shortage of long fiber". In short, we see some room for substitution, not only due to the gap of the price but also due to the shortage of production of long fiber as in coming years.

André Dorf:

As for the paper prices that you asked before, so far this year we have been able to increase paper prices in the domestic market by 3.4%; this is year to date. On the other

hand, we lost some ground in the domestic market share. So, our strategy has been to focus more on results and returns rather than market share or volumes in any market. So, as leaders of the printing and writing and paperboard markets in Brazil, we decided to sustain and preserve our prices and margins rather than go for the market share in the quarter.

Juan Tavares:

OK. So, could we see lower paper volumes coming into the 4Q09?

André Dorf:

The 4Q is a seasonably good quarter historically, along with the 3Q09. The 3Q09 already presented an increase compared to the last quarter, to the 2Q09. We increased our domestic sales by 6% and we expect this trend to continue in the 4Q09.

Juan Tavares:

Thank you.

Josh Millburg, Deutsch Bank:

Good afternoon, everyone. My question relates a bit to your last response but I was just hoping you could give some more perspective on the issue of paper imports. Assuming that the FX stays more or less where it is, do you see imports of uncoated printing and writing paper continuing to increase a share of total domestic consumption next quarter and also into 2010? Thanks.

André Dorf:

Hi, Josh. Historically the uncoated imports were very low compared to the coated. It ranges from 5% to 8% of the domestic market. What we saw is a slight increase in the uncoated imports in the last quarter to serve the PNLD, the National Textbook Program, promoted by the Government. And why is this true? Because this is a very foreseeable kind of a paper purchase as opposed to the day-to-day purchases that the market prefers the local suppliers rather than the imports. So, it is very seasonal. We do not expect the uncoated imports to continue to grow in the coming months or quarters unless we have a dramatic change and further appreciation of the Real.

Josh Millburg:

OK. That is very clear. Thanks.

Raphael Biderman, Bradesco:

My question, first, is related to restart of capacity in China. You have mentioned a restart of capacity in Europe and Canada, but not specifically in China. If you could develop a little more what are your views on that and if this, there is that story that non-wood producers in China in theory would not restart due to environmental issues. But maybe they are not so concerned with environmental issues if you consider that prior to the Olympic Games, when they should have shut down, they did not shut down. So, I

believe it is just a matter of price. I have talked to Antonio about this in the past, so if you see any new developments from our last conversation on this issue.

Secondly, your strategy has been in terms of acquisitions, not to make acquisitions on pulp, to maintain its organic growth strategy, but I believe you have strategies to make acquisitions on paper, and if this strategy remains the same.

Antonio Maciel Neto:

What we have seen in China is big volumes that are now in downtime mainly in non-wood pulp, and they have, from one side, this environmental situation where the government is pushing them a lot to maintain the downtime or change in the emissions that they have; so this is one piece of the discussion.

They have also, one thing that some of the customers, our key clients told me there, when I was in China some months ago with Alex, that as they changed to our fiber, they were extremely surprised with the improvement in the quality and also in the energy consumption to produce the paper. One of our tissue suppliers, who have very high levels of energy to refine the pulp to get the tissue, was extremely surprised about the energy consumption which is much lower and better when they used our pulp. With non-wood stoppage, they increased the fiber coming from Suzano and become very well impressed.

We do not have numbers to give you, but they mentioned that. So, another point that we need to continue to mention is that the old machines used to have very low levels of efficiency and they were able to use non-wood fiber. Some of the new machines, very big ones, cannot use non-wood because the machine is not going to produce in the efficiency, in the cost and the energy that they expect. The new machines, very big ones, very fast would require much better quality on the fiber.

So, as you combine emissions reduction needed in China and the quality of the products and the new machines that are coming on stream, probably that is going to come back for emissions, but for the big growth that we are foreseeing in China, as they will implement the production of the new machines, they will have a hard time to be back at full volumes and full production that they had before.

So, we have seen the numbers before we talked, Raphael, I think one year ago, we had seen what we have discussed here before. We mentioned that eucalyptus pulp was going to grow in China, and it is growing 70% this year. So, we did not anticipate that the increase was going to be so high, we said that was going to be much more than what we had before. So, as we move forward we do not see that non-wood is going to be a big player or at least it will impact the volumes that we are shipping to China and as we are planning for next year.

Raphael Biderman:

Antonio, I remember those comments of yours in terms of quality but I was also wondering from the time to now, what surprises me was the restart of pulp capacity around the world and I was wondering if you have seen any new developments in terms of new pulp, non-wood pulp capacity coming here. I remember you mentioned that there are so many that it is very hard to monitor, even for the association there. But

if you have seen any more kinds of evolution on that, considering that in Europe and in Canada there was a big restart trend because of prices. So, maybe if just prices go up, even though it is not the most efficient thing to do, some of the non-wood really does start.

And my concern is more in terms of, not your demand, I think it is guaranteed, but in terms of the speed of the growth of pulp prices.

Antonio Maciel Neto:

We do not have in our database any big projects on non-woods around the globe, in China as well, probably some small ones. In everything that we monitor with suppliers and the association, we have not seen any big investment coming on non-wood.

And also the downtimes, as I mentioned before, in the United States, Canada, and Europe, they are very much related to what is going to happen next year with the subsidies that they are enjoying now, and just waiting to see what is going to happen.

In China it is very difficult to know what is happening. I think that in non-wood in China, they have, as we speak, about 20,000 suppliers. They are very small ones, and I do not know with the big volumes that we have now, what is the price they need to continue surviving.

In the last trip to China we were considering why the steel business is coming from China; they were so strong in Europe and in the United States during the crisis, heating the prices very much, and causing a big stoppage worldwide; 30%, 40% downtimes around the globe because nobody was able to compete with them.

And the paper business, we did not have the same situation as they have the capacity. But why were they not so big on the market in the United States and Europe? One thing that I learned, which is very interesting; nobody told me this way, but putting the pieces of information together, you will see that the paper business in China today, they finish, they complete the process of privatization of the paper business.

Today, the largest piece of industry, almost all of the industry belongs to entrepreneurs, business people, and they run by themselves, looking for profit and doing a business logic to decide what they do.

In the steel industry, they have a very strong presence of the state. They are state-owned, probably 80% of the capacity is state-owned. And they have different behaviors as they have problems like the state-owned companies, that they were looking for jobs and maintaining their capacity.

On the other hand, the paper people were there looking for the profit and the possibility to pay their bills. As you see, everybody noticed a big price increase in the paper business, mainly in China this year; it is a good move. And today it was very good for them to serve the local market.

And as Alexandre mentioned, the consumption per capita in China today is extremely low. So, they have a lot of room to continue to invest and to produce paper to the domestic market.

So, in short, I know that there were big downtimes in the non-wood plants. People talked about 2 million, 3 million tons of annual capacity. But so far we have not seen these people coming back, and it is very hard to predict.

My take is that the biggest part of this production will not come back. But let us see, we do not know.

Alexandre Yambanis:

If I may just complement, to give you a sense of the trend, there were over 25 million tons of capacity years ago in China. Now, that capacity is down to less than 10 million. We do not have precise figures, but this is what we hear each time we go to China. So, a big reduction due to environmental reasons.

So, if anything, the trend is a decreasing one, not an increasing one. You know, China is committing more and more to environmental targets. So, I can say without a shred of doubt that this trend is a decreasing one.

André Dorf:

OK. And Raphael, regarding your question about M&A, you are right. We will analyze every opportunity that comes ahead. We have always done that, and it is less likely that we do something in the pulp space, once we have our organic growth avenue with the two projects in Maranhão and Piauí, which are very competitive.

Operator:

There are no further questions, so this concludes the question and answer session. At this time, I will turn the floor back over to Mr. Antonio Maciel Neto for any closing remarks.

Antonio Maciel Neto:

OK. I thank you very much for coming to participate on this conference call. Feel free to call us and to continue the conversation. As we move forward, we see for the pulp business volumes, demand, what we have and better. And we also see stable or better prices. So, we see, let us say, a better business in pulp from both sides; the volumes and the prices we have.

In paper for sure we are going to see a higher volume in the industry as we move forward. Prices will be challenging to maintain in Brazil, but we have seen price increase in the United States and some in Europe, in some of the grades. So, volumes will be higher, prices are a question mark, but we do not see big changes for the worst in the paper business either.

We are going to continue pursuing our cost reductions in the variable costs and the SG&A as well. We are pursuing operational excellence in everything we do. As Bernardo mentioned, we still see opportunities to continue working, to continue reducing costs to face the new reality of the market.

Our solid finance position will continue under Bernardo's leadership. We are going to continue maintaining our very conservative and evolutionary position in the financial side of our business.

On the growth side, as we mentioned before, we are continuing to grow. When you see our greenfields coming on stream, you guys will confirm our strategy and Suzano's position of always thinking long term, having long-term as a very strong priority for us.

So, as André mentioned, we are going to see the pulp production that is coming from the new greenfield sites with all the new technology, with the improvements that we have from the forest business and also with the logistic position that we have already worked on and have all the contracts signed, we are going to work in a very low operational cost that will guarantee our competitiveness in the long term.

So, this is where we are in the implementation of our strategy. Thank you very much for the attention.

Operator:

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

"This document is a transcript produced by MZ. MZ uses its best efforts to guarantee the quality (current, accurate and complete) of the transcript. However, it is not responsible for possible flaws, as outputs depend on the quality of the audio and on the clarity of speech of participants. Therefore, MZ is not responsible or liable, contingent or otherwise, for any injury or damages, arising in connection with the use, access, security, maintenance, distribution or transmission of this transcript. This document is a simple transcript and does not reflect any investment opinion of MZ. The entire content of this document is sole and total responsibility of the company hosting this event, which was transcribed by MZ. Please, refer to the company's investor relations (and/or institutional) website for further specific and important terms and conditions related to the usage of this transcript."