

## Brazil's Suzano Papel e Celulose Talks About Growth

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Suzano Bahia Sul Papel e Celulose S.A., one of Latin America's largest integrated pulp and paper producers, today announced consolidated results for the third quarter 2004.

The company released a statement saying that the third quarter result reflects a favorable operational environment, with production level growing as a result of the investment made in the first phase of modernization of the unit at Suzano, and of good operating performance of paper mills.

In the first nine months of 2004, Suzano registered a growth of 7.1% in production, in comparison with the same period in 2003, reaching 953.3 thousand tons of marketable products.

The company also informed that it has been living with falling pulp prices and a strengthened Real, the Brazilian currency.

The domestic Brazilian market has consolidated the growth observed since January, enabling it once again to absorb 64% of Suzano's total paper sales volume.

On September 30, the company joined the CCX - the Chicago Climate Exchange - and now is qualified to sell five million tons of carbon arising from 39,000 hectares of planted forests in the Brazilian states of Espírito Santo and Bahia.

Ebitda (Earnings Before Interest, Taxes, Depreciation, and Amortization) were reported as 308 million reais (US\$ 103 million - calculated using the average FX rate), with a 41.5% margin on net sales.

### The World Market According to Suzano

After the cyclical high in international prices of eucalyptus pulp (CIF Northern Europe) in the early months of the year, prices fell by US\$ 60/ton, to US\$ 490/ton, from June to September.

This fall can be attributed to: (i) reduction of industrial activity in China as a result of the restrictions on credit and energy (as that country used up inventories accumulated in the first quarter of 2004); (ii) lower European demand due to the summer, and maintenance stoppages; and (iii) increase in inventories worldwide.

World pulp producer inventories - according to PPPC (the Pulp and Paper Products Council) - totaled 3,988 thousand tons on 31 August 2004 (the most recent figure available), corresponding to 41 days of supply, with a shipment-to-capacity rate of 91%, and production-to-capacity stable at 97%.

Hardwood pulp inventories rose to 1,788 thousand tons, equivalent to 44 days of supply, with shipment-to-capacity rate of 91% and production-to-capacity 97%.

The average spread in the international market between uncoated woodfree printing and writing paper (CIF Northern Europe, reels) and eucalyptus pulp in 3Q04 was US\$297 per ton, above the historical average of US\$250 per ton.

### The Brazilian Paper Market

During the third quarter 2004 there was strong growth in the domestic paper market, led by the recovery of the domestic economy and by the usual seasonal pattern, evidenced by 9.6% growth from the second quarter in the volume of paper

sold.

Suzano's sales volume in the first nine months of 2004 was 14.8% higher than in the first nine months of 2003.

#### Production

Total production in the third quarter was 341.0 thousand tons: 206.6 thousand tons of paper and 134.4 thousand tons of market pulp.

In comparison with the second quarter, this is a 15.5% increase in total production; a 16.2% increase in production of paper; and a 14.4% increase in output of market pulp.

Two contributing factors were good equipment performance across the learning curve, and the absence of maintenance stoppages in the quarter, which took place in the second quarter.

In the first nine months of 2004 Suzano produced 953.3 thousand tons of market products, 7.1% more than the 889.9 thousand tons produced in the same period of 2003.

This level of production reflects expectations in terms of output of the equipment, taking into account the "learning curve" of the expansion and modernization projects at the Suzano units: the Q (pulp) project and the P (B8 paper mill) project.

#### Net Financial Results

In the third quarter, the company posted net financial income of R\$ 85.3 million -- which compares with net financial expenses of R\$ 139.2 million in the second quarter.

The increase mainly reflects the appreciation of the Real and the resulting impact on dollar-denominated assets and liabilities.

Third quarter net income was R\$ 262.6 million, which compares with R\$ 88.2 million in second quarter. The main elements in this increase are the growth in Ebitda and the impact of FX variation on exposure to foreign currency.

Suzano Bahia Sul Papel e Celulose S.A.  
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