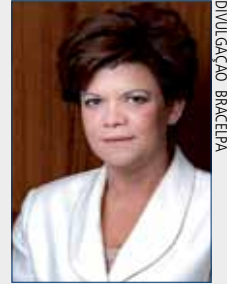


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DIVULGAÇÃO BRACELPA

VISION OF THE FUTURE

Brazil's pulp and paper industry has a brilliant future ahead of it. In the next two years, paper production worldwide will grow, especially in the tissue, packaging and paperboard segments, as a result of the inclusion of population brackets in the consumption market from emerging economies – China, India, Russia and Eastern Europe and Latin American countries. Brazil has conditions to be the key player for satisfying this growth.

However, at this present moment, the potential economic recession hovering over Europe and the United States, as well as currency devaluation effects, are important issues that deserve continuous analysis regarding short-term trends. We are major suppliers for these two markets and have a ready begun to be affected by feelings of uncertainty regarding the outlook for upcoming years.

One of the effects of the current crisis is the drop in product prices in the international market, which, in the case of pulp, is reducing export revenues of Brazilian companies already affected by bad exchange rate. We also see an increase in production costs. These factors directly interfere in the liquidity and, consequently, competitiveness of companies. In other words, as in the financial crisis of 2008, it is a period of caution that translates in revising the investment programs announced by companies in the sector.

Additionally, because of numerous subsidies granted over the past few years by governments worried about stimulating their industries, the global market is experiencing a "commercial war" that, many times, results in unfair competition practices in various sectors. As such, it is not by chance that Bracelpa has registered over the last few months an increase in tax-exempt paper being used for other purposes, especially imported paper, causing significant losses for those companies that operate legally in the country. Therefore, increasing supervision over tax-exempt paper operations is one of the sector's priorities.

In the attempt to negotiate measures that ensure the competitiveness of our companies, Bracelpa has been working on other issues important to the sector. In relation to the federal government, the main measure refers to unburdening investments. All

countries, including emerging ones, have defended this practice to ensure conditions to face the market. The contrary is a sign of obsolescence and may lead investors to allocate huge amounts, once destined for Brazil, in other countries.

Another priority is including pulp on the list of products to be benefited by the Reintegra Program (Special Regime of Reintegrating Tax Amounts for Companies). The benefit is part of the Greater Brazil Plan – announced in the beginning of August by the federal government to lend greater competitiveness to the country's industry –, and establishes the creation of a new excise tax (IPI) of up to 3% on exports for the manufacturing industry, effective immediately and valid until December 2012. The Association's participation aims to reinforce to the Executive Branch that pulp is a manufactured product, the industrial process of which is highly complex and of high technological content.

Another important front is the negotiation of a solution to the legal uncertainty caused by General Counsel to the Federal Government (AGU), which since 2010 limited the purchase of land by companies of foreign capital. Indefinition in relation to this matter will cause Brazil to lose competitiveness in the medium term.

In the Legislative Branch, the main negotiation refers to the new Forestry Code. Our objective is that the new law be a modern and robust instrument, that ensures investments for the next 50 years. Towards this end, it should create the Rural Environmental Roll and propose mechanisms for creating financial incentives earmarked for reforestation activities and for the Payment of Environmental Services (PSA).

All these issues are fundamental for companies and their plans for the future. An important trend shows that Brazil, in addition to producing wood for pulp and paper, has conditions to be recognized as a global base for research and multiple use applications for planted and native forests: energy, biodiesel, biomass, biotechnology, nanotechnology, etc. It is already known that a forest has more than 5,000 uses and the sector's activities need to be understood within this new context, which would generate many opportunities. ■