



Syndication and Resource Mobilization

Suzano Petroquímica

HIGHLIGHTS

- US\$200 million IFC A, B and C Loans for the financing of Suzano's acquisition of Polibrasil. The A and C Loan have a final maturity of 12 years, with the syndicated IFC B Loan providing 8.5 year funds.
- The IFC A/B Loan structure enabled the company to attract long term financing at competitive terms without pledging its export receivables, a common market requirement at the time.
- The entire financing benefits from IFC's tax-exempt status.
- IFC's guidance and advice on the environmental standards for the debottlenecking of Polibrasil's operations proved to be an important component of the IFC package.

THE COMPANY

Suzano Petroquímica ("Suzano" or "the Company") is the largest polypropylene producer in Latin America, and is the second largest thermoplastic resins producer in Brazil. Suzano has investments in several other Brazilian petrochemical entities such as Rio Polímeros, and Petroflex. On September 1, 2005, Suzano closed the acquisition of a 50% stake in Polibrasil for US\$277 million, allowing Suzano to take 100% control of Polibrasil. At the time, Suzano had total assets of around US\$1.4 billion, total sales of around \$1.4 billion, of which around 20% came from exports.

The IFC financing provided funding for: (i) refinancing of the bridge loan for the acquisition; (ii) the debottlenecking of Polibrasil's operations, including environmental improvements; (iii) corporate restructuring of Suzano; and (iv) a partial debt refinancing. Total Project cost was US\$533 million.

FINANCING STRATEGY

As the use of proceeds was to fund the acquisition and debottlenecking projects of Polibrasil, the Company had a strong preference for raising long term financing, since the equity market was not favorable at that moment. The local debt

market was not preferred because of high nominal interest rates and relatively short tenors. However, competitive US dollar rates and long tenors were available through an IFC A/B Loan structure. Although borrowing US dollars often exposes companies to devaluation risk, this was mitigated by (i) Suzano's ability to pass on the effect of a potential devaluation to its clients and (ii) the exports of the Company providing a natural cash flow hedge.

THE LOAN STRUCTURE

IFC assisted Suzano by providing long-term financing via a US\$ A, B and C loan structure. For its own account, IFC provided a US\$50 million, 12 year A Loan and a US\$10 million, 12 year bullet C Loan. IFC also arranged a US\$140 million, 8.5 year B Loan for the account of international commercial banks. Consequently, the Company extended the average maturity of its debt by several years.

The loans were secured by a first-ranking pledge/mortgage on the movable and immovable assets of some of its plants. Furthermore, Suzano Holdings provided a guarantee of US\$100 million, which will fall away as soon as Suzano achieves certain leverage ratios.

PRICING

The B loan was priced at L+200bp, while the A loan was priced at L+275bp. The pricing on both the A and B Loan will step down by 25bp once the Company achieves certain leverage ratios. The pricing reflected Suzano's strong market position and reputation, as well as the continued eagerness of banks to book assets in Latin America. At the launch of the syndication, bonds of the Brazilian government (B1/BB-) with comparable maturities were quoted at L+220bp.

OUTCOME

The US\$140 million B loan was offered through a general syndication to Suzano's relationship banks. The B loan syndication attracted six banks and was oversubscribed by US\$20 million. The Company decided to maintain the amount of the B loan at US\$140 million, and to reduce the allocations of the six Participants on a pro-rata basis.



US\$ 200,000,000 Long -term Financing Package
Arranged by International Finance Corporation

US\$ 50,000,000 12 year, 3 year grace A Loan
US\$ 10,000,000 12 year bullet C Loan
Provided for its own account by International Finance Corporation

US\$ 140,000,000 8.5 years, 2.5 year grace B Loan
Arrangers
ABN AMRO * FMO * Santander * Societe Generale
Participants
BBVA * Natexis

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