

Q3 2017 Earnings Call

Company Participants

- Cristiano Cardoso Teixeira, Chief Executive Officer
- Eduardo de Toledo, Chief Financial Officer & Investor Relations Officer
- Francisco César Razzolini, Executive Officer & Planning, Project & Industrial Technology Officer

Other Participants

- Gabriela Cortez, Analyst
- Lucas Ferreira, Analyst
- Marcos Assumpção, Analyst
- Renato Maruichi, Analyst
- Thiago Lofiego, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Good morning, and welcome to Klabin's Audio Conference. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session when instructions will be given at that time. As a reminder, this conference call is being recorded and is also being broadcasted live via webcast and that may be accessed to the website at <http://cast.comunique-se.com.br/Klabin/3Q17>, where the presentation is also available for download.

Before we proceed, I would like to clarify that any statements said or eventually made during this audio conference in connection with Klabin's business outlook, projections, operating and financial targets, and potential growth should be understood as merely forecast based on the expectation of the company's management in relation to the future of Klabin. Such expectations are highly dependent on market conditions, on Brazil's overall economic performance, and on industry, and international market behavior. Therefore they are subject to change.

With us today in São Paulo are Mr. Cristiano Teixeira, Mr. Eduardo de Toledo, and Mr. Francisco Razzolini. We will initiate with Mr. Cristiano and Mr. Eduardo, who will comment on the company's performance during the third quarter. After that, they will be available to take questions from you.

Now, I would turn the call to Mr. Cristiano. Please, you may begin, sir.

Cristiano Cardoso Teixeira {BIO 17567319 <GO>}

Good morning, everyone, and welcome to our conference call related to the third quarter of 2017. I would like to start by saying that according to what we told you before in our previous release call, we arrived at this quarter with strong growth, as you could tell, 28% growth vis-à-vis the third quarter of the year before, and this indeed is our new level. And from now on, we will pursue even better performance through productivity.

Now, speaking a little bit about our business, the pulp business is performing quite well, above our expectations. With paper, we also had a very good operating performance of the machines. This is a very favorable environment on the demand side, and with good price expectations along the lines, in the future. In terms of conversion, corrugated boards and paper, especially when it comes to corrugated board, we see a good outlook. And in particular, in terms of industrial bags, we've been developing good volumes, also offset by the external market.

This is just a very brief introduction, and now, I would like to give the floor to Eduardo, who will give you more details about our performance. And then, we will get back to you for the Q&A session. Thank you very much.

Eduardo de Toledo {BIO 2067933 <GO>}

Good morning, everyone. We are very pleased with the performance of the quarter. We have several highlights, and I will start with adjusted EBITDA, which reached BRL 750 million in the quarter, growing with only 21% (sic) [28%] (03:59) over the same quarter the year before. Our pulp sales volume was 353,000 tonnes in the first (sic) [third] (04:09) quarter, meaning a 5% over 2Q 2017. The net revenue was BRL 2.225 billion in the quarter, growing 13% vis-à-vis the third quarter of 2016.

Our conversion sales volume (04:23) 196,000 tonnes, a 7% increase over the third Q of 2016. And finally, our net debt over EBITDA, which is the indebtedness level, was 4.4 times, meaning a decrease - a significant decrease when compared to 4.9 times that was reported in the previous quarter. Therefore that in all of these aspects, we had a very good performance in the first (sic) [third] (04:52) quarter.

Now, moving to the next page, and speaking about the results in volumes, our sales volume grew 7% vis-à-vis same quarter of the year before. And here, I think it's important to notice that this growth on the pulp side was mainly due to Puma's ramp-up when you compare it to the figures of the year before. But more importantly, I think that ex pulp - Klabin's pulp (05:19), we had a 4% growth year-on-year. And this is also a very significant growth when we consider the fact that we are seeking for new opportunities to grow our productivity in our existing lines. This is an important highlight, and it's worth mentioning.

In terms of net revenue, we had 61% of our revenues coming from the domestic market. Cristiano just said that we are now experiencing a very good moment in the domestic market when it comes to conversion, which helps boost our net revenue in the domestic market.

FINAL

Going to the next page, speaking about Puma's cash cost, that was slightly above when compared to the previous quarter. It was a plus 3%, whose variation has to do with seasonality. This time of the year, when it's drier in the State of Paraná is a time that we use our fleets to cover longer distances, where it is more difficult to reach during the rainy season. So, we take advantage of this drier season to extract wood from other regions, and this affects our costs in the quarter. But this, again, is a one-off situation. It's a seasonal event because of the rainfall rate in the State of Paraná.

Now, here, we have total cash cost. It is down by 2% year-on-year. And here, I would just like to highlight our sales expenses. We had a very good performance and we had an 8% reduction when we compared to the same period of the year before. This is quite significant, and this, coupled with our carefully managed SG&A which had an actual reduction, also contributed to current performance of the cash cost of the company.

Next page, we show our EBITDA performance throughout a series of years. We were able to reach our 25th consecutive quarter of EBITDA growth. And this time, we gave a more important leap. This is a significant highlight of our performance.

Moving on to the next page. Now, here I talk about our net debt over EBITDA ratio. There was a strong leverage in this quarter, and that was very much due to EBITDA's performance. As I said before, Klabin, in regards to its debt position, it will only achieve its actual figure when we have a 12-month period of operation at the Puma Unit. And so, this is just the result of that process. So, we hope that this evolution continues on in the following quarters because then, we will have more quarters operating at full force and helping us come up with successful (08:40) number.

The next question (08:43) talk about the 3.4% of the yield, and I think this is also an important number referring to the company's performance.

Moving to the next page, I would love to talk about the green bonds. This quarter, we issued the first green bond of Klabin. And the green bond was of \$500 million to mature in 10 years. And the demand was quite strong for that bond. We had seven times more demand than the supply. And that's why the company got a 4.95% rate a year. And this helps us with the cost of our debt, and also, it helps with the profile of the debt of the company. Klabin, as you all know, gives great importance to its sustainable operation. And in fact, this green bond reinstates this fact, allowing us to have more visibility in the capital market because we always try to imprint sustainable footprint in our operations.

Next page shows the debt maturity. In the last column, you'll see the effect of the green bond. And with that, the average maturity date that was 44 months is now 51 months. So, those green bond paid an important contribution to Klabin's debt profile, which is a good profile, very well distributed. And every time the market shows signs of recovery and it's favorable, we improve those profiles as opportunities arise.

And finally, our last slide refers to free cash flow. Obviously, Klabin always looked at our free cash flow position and this was available to investors, but it was a bit dispersed in our report. And it was necessary to collect information from different parts of the report, so

that we could have a more consolidated approach. And then, we decided to improve our communication to the market.

As of this quarter, now, we are now incorporating this - these figures in our release. I'm sure that this will help our communication. The highlight in this case is that the free cash flow of the company, the adjusted free cash flow, which is what we have to pay dividends or to invest in special projects or to reduce debt, this cash flow had a very good evolution. When we compare nine months of 2017 to the nine months of 2016, we already have BRL 1.15 billion when compared to BRL 729 million of the nine months of 2016. So, this statement will help us a lot.

So, these are the initial remarks. And now, we would like to open the floor for questions.

Q&A

Operator

Ladies and gentlemen, now we will initiate the Q&A session. Our first question comes from Thiago Lofiego from Bradesco BBI.

Q - Thiago Lofiego {BIO 16359318 <GO>}

Good morning. I have two questions. First, about fluff, could you please elaborate about how this product is being accepted? And what was your fluff volume in the quarter? And also, what is the normalized annual figure that we should expect further down the line?

And the second question has to do about capital allocation and leverage, whether you can tell us how do you see your leverage position in the future or forward by the end of 2018, and whether we should still expect any other projects in the first quarter of 2018.

A - Operator

Hello, Thiago, and thank you for your questions. I will start by speaking about net debt over EBITDA ratio. Once again, as we said before, as soon as the Puma results begin to be reported after the ramp-up, this process would occur naturally. We don't give guidance on net debt over EBITDA ratio because it is subject to some variables, such as foreign exchange or pulp prices, and these are variables that can impact that ratio. But what I can say is that this path, and even when we look at the performance of this quarter, I think now, we have more evidence because we used to talk about it, but we didn't have any concrete evidence.

But this quarter just brings concrete evidence that this is a firm path. And so, in the first quarter of next year, and the second quarter of 2018, these are all quarters when - that we will have Puma operating at full capacity when compared to Puma under ramp-up process. So, in view of all of the facts, you should be able to see an improvement of that indicator stemming from our EBITDA because then, we will be operating at full speed.

FINAL

Now, in terms of our growth plans, and you ask about projects and approvals, I mean, things are evolving. And the pace is the pace that in our view will allow us to do something in early next year. I mean, of course, it has to do with our debt position, but it also has to do with our search for new alternatives, the fact that we are studying new options. And this entire process, in our view, will be concluded in the first half of next year. So, this is still what we have in the radar. And it is also at the same time when the net debt over EBITDA ratio should be in more adequate levels.

Francisco is also here with us. Francisco is in charge of the pulp operation and he will tell you a little bit about the market.

A - Francisco César Razzolini {BIO 16565930 <GO>}

Good morning, Thiago. Good morning, everyone. Now, speaking about fluff performance in terms of quality and operating performance, it is going quite well and it's even performing above expectations when the project was initially designed. Our customers - I mean, these are long processes because these are hygiene-based products, and all of the worldwide producers and all of the others are engaged as potential vendors.

We are in more than 32 countries as providers and vendors of fluff, so this is moving quite well. In terms of volume, it's about 75% of the capacity of the machine operating with fluff. And this was our initial objective. So, if we look at it now, it's more than 300,000 tonnes in terms of fluff. Now, speaking about the market in Brazil, we expect to keep the share, which is about 55% to 60% of market share. And this is a very good level market share, very significant. But we will continue to strive to maintain this position.

Q - Thiago Lofiego {BIO 16359318 <GO>}

If you allow me, I would like to revisit my first question, just to clarify. So, it is possible that you will announce the project or projects in the first half of next year, but you do not have any specific timing, right? So, it should be in the first half of the year. So, this is a reasonable window. And in addition to that, can you tell me whether your preference is still focusing in the (17:32) project?

A - Operator

Thiago, we had already told you about what we call growth path, and currently, we see the first format of the growth rates (17:55). The engineering studies are coming to an end. We already an ideal CapEx. We already join the forward price curves. All of the information that we collected to help us design the return of the project is already approaching a maturity phase, so much so that by the end of this year, we will get closer to our controllers, and we will be able to submit some numbers and some content - content that will allow us to discuss the topic with them. So, there is - this is an adequate period in terms of alignment and this discussion with controllers. So, in about three, four, even six months, which could be a semester, we will be able to have something more concrete.

And after that debate, the leverage levels will coincide with what we could announce in terms of investment after the approval from the board. So, at the moment, we do not have

any priorities in terms of seeing that coated boards will come before kraft. It will have to be in tune with the timing of the market. We already engaged with important partners, and this will have an impact. Then, as you know, kraft is a very - is a highly demanded product with good prospects going forward. So, we expect to have a good prospect in the future because of the high demand for paper packaging. So in a nutshell, I must say that we're very excited about all of these different (19:54) we'll be able to tell you a bit more about it.

Q - Thiago Lofiego {BIO 16359318 <GO>}

Thank you very much.

Operator

Next question is from Lucas Ferreira from JPMorgan.

Q - Lucas Ferreira {BIO 16552031 <GO>}

Good morning. Still talking about future plans and future investments. I want to know whether you are thinking about expanding your fluff operation, whether that is possible or feasible, if you have a necessary assets of (20:28). I don't know whether you would do that at Puma or in another unit, and whether that makes sense - or even if that is being studied in the mid and long range.

And the second question is about the market. How do you see the demand performance, particularly in Brazil, whether you see signs of improvement, and in terms of products, or whether it's a bit stronger and whether that will help in the niche? And kraftliner, the operating price is very strong. How much of that is already impacting exports? Whether you want to export a bit more or whether you want to capture the box (21:18) market, which is picking up and whether you would have enough volumes to export?

A - Cristiano Cardoso Teixeira {BIO 17567319 <GO>}

Lucas, thank you very much for the question. Now, speaking about the future and the fluff machine, we are looking into it. Our fluff is 100% softwood. So, we have to look for pine. We're already mapping the areas. And technically speaking, we already (21:48) the location. I mean, the location is not yet defined (21:54), but we already have an idea - a very good idea of where it will be. But we will keep that information with us for now until we can evolve in our studies.

Now, in terms of the card (22:12) market, the internal (22:14) market, this coated boards market, for a very long time, I think we've been talking about the recovery of the box market. If we're not the first, I think we've been one of the first ones that have been talking about the fact that the economy is going to a rebound and it's heating up. And when it comes to coated boards, we feel that particularly with the - in the food industry, because the bulk of our production goes to that industry, but in the industrial - because I make coated boards for the food industry and the general market. The industrial coated board market is also beginning to grow.

FINAL

And for boxes and coated boards, there is a delay as I've said. But we already have good expectations and a good number of coated boards. In fact, since the month of August. In terms of LPB, I don't know whether your question refer to the domestic or international markets, but I will answer both ways. I mean, LPB is a very safe product when it comes to the market. It's a winning product, as you know, for several reasons. And we see growth, in fact, in all regions, as we often say, especially more (23:54) regions, there is growing - the market is growing, sometimes two-digit growth.

In Brazil, we see some stability, but we see also signs of growth. This is what we see when we look at our shipments and through conversations with our customers. So, we see a good trend in LPB. This is -this has good future, and we are betting a lot on this product. There are some peculiarities because it's more stable when it comes to family consumption, and it is growing more in terms of individual consumption of these packages. And this is also a good opportunity for us when we develop this packaging with our customers.

Now, speaking about kraft, kraft is part of a group of papers that we call containerboard, and these are papers for corrugated boards. And we have a few thousand tonnes in - of our production there. It doesn't represent a very significant share of the market, but for many people, the kraft volume in the world as part of this major group of containerboards, kraft already has reached its technical limit. And I can say that this is a paper that has been highly demanded in many markets.

And U.S. certainly is the largest exporter. So, it impacts the market. And as we are converting more - I mean, they are converting more boxes in the U.S., not only we have to consider the U.S. potential, but the product as a whole through its ecological appeal (25:41) when compared with plastics. We see a stronger demand looking forward. So, the trend, when you look at the kraft prices as a market as well and product, is that the product is being highly appreciated, and we are very optimistic with that product.

Q - Lucas Ferreira {BIO 16552031 <GO>}

Thank you, Cristiano.

Operator

Next question comes from Marcos Assumpção from Itaú.

Q - Marcos Assumpção

Good morning, everyone. My first question is whether you could elaborate a little bit on the pulp cash cost in September, in particular, given the fact that the quarter was probably impacted by the non-expected stoppage in August. And also, if you could elaborate a bit on the production, looking at the two first quarters, because theoretically, you were already running the Puma Unit, and you're running a little bit below the nominal capacity.

Could you please tell us a little bit about why that happened and whether we could see the capacity reaching its limit in the next quarter, and whether - I know that fluff is

Bloomberg Transcript

performing very well, and whether you still have to do some machine setup that may probably impact production. And finally, Cristiano, can you tell us a little bit about the price negotiation with Tetra Pak? Just give us some views on that, whether we should expect some inflation adjustments for this year.

A - Operator

Good morning, Marcos. Thank you for your questions. Well, speaking about pulp, this pulp cash cost in the quarter was, as I said before – I mean, the main things that affected cash cost refer to the distances of the wood harvesting and the cost of wood, which appears in the line of fibers when you open the cash costs. In the quarter as a whole, it was impacted by that one-off situation. That was also the issue of their August production. We've produced lower volumes because of one-off issues that occurred in August alone, problems that have already been solved, and that's natural. But these issues affected the performance of August.

In September, our cash cost is below the levels of the second quarter, even despite the fact that the cost of wood is still high. So, August had a one-off issue that also impacted the overall result of the quarter. Now, regarding the price negotiation as you know, we don't talk about that. In fact, we regularly speak about the contract and we have a partnership with them for many decades. And so, we are still negotiating in good (29:01) terms, but we don't get into the details, the metrics.

Now, about production in the quarters looking forward, to answer your question, our view is that this evolution will continue to occur in August. We just had a one-off situation, and the problem has been resolved. So, we expect to have a stronger fourth quarter in terms of production because the seasonality will no longer be present. In October, everything is moving quite well. September, also, everything is moving well. And therefore, we expect a stronger and more robust fourth quarter in terms of production.

Q - Marcos Assumpção

Thank you. Very good.

Operator

Next question is from Renato Maruichi from Santander.

Q - Renato Maruichi {BIO 17847481 <GO>}

Good morning. I have two questions. The first is about the renegotiation of the fluff contracts in the domestic market. If I'm not mistaken, these are annual contracts that are renewed in the fourth quarter. There may be some changes because I know now that your product is being highly recognized by the customers. And my second question is, what is the normalized cash position of the company? You have more than BRL 7.5 billion in cash, and I note that maybe things will underperform in the months carryforward (30:37). So, what is the demand that increase BRL 400 million quarter-on-quarter?

FINAL

A - Operator

Good morning, Renato. Thank you for your questions. I will start answering your question, and then I'll turn the floor over to Francisco. And I will answer the questions related to the financial part. Well, about cash management, we will tend to see lower cash position vis-à-vis the current one. And I think the current cash is indeed very high. What we've been doing is looking for - looking to amortize those more costly funding. And with that, we want to reduce our cash position.

We already paid some financing that were more expensive. We already anticipated some of the payments of these financings. And we want to adequate our capital to more adequate levels. But we have to take into account the fact that next year is an electoral year, and there may be stronger volatility. Therefore, we have to be very cautious when it comes to that topic.

Now, to answer your second question about customers, this kind of fluctuation may occur at closing of the quarters. So, you'll have to be careful because sometimes if we have major shipment, for instance, Fibria, and so maybe those beyond the quarter. So, I think in terms of that, we should consider longer periods of time. That's why when I show the first chart when I talk about our free cash flow, I look at the first nine months. And by doing so, you have a more normalized scenario. In terms of the fourth quarter, there may be fluctuations that may occur at the end of each quarter.

A - Francisco César Razzolini {BIO 16565930 <GO>}

Good morning, Renato. Thank you for your question. This is Francisco Razzolini. And about the renegotiation of our fluff contracts, they are now happening. This is a period of the year where we work a lot with our customers in this renewal process. The volumes are good. The market is heated. There is a strong demand for softwood in the world, and this is helping us to reposition in keeping with the potential of the fluff market. So, I think that by the end of November, the negotiations will be completed, and we may expect some impact in volume. And certainly, we are looking for better prices, which is what the market demands at the moment.

Q - Renato Maruichi {BIO 17847481 <GO>}

Thank you.

Operator

Next question is from Rafael Cunio (33:41) from Credit Suisse.

Good morning, everyone. I think that the demand - the domestic demand of paper is very clear. But I would like to learn more about price increases and whether you have anything already planned, and what is your opinion about how the market will accept this price increase? And also, my second question is about pulp. I think in previous calls, you said that it would be possible to probably have some adjustments of 10% in the volumes of Puma. You already spent a half year running Puma at 100%. Is there a possibility to have an additional investment and what would be the necessary CapEx?

Rafael (34:37), in terms of price, we do not give details, obviously. But demand is very much heated. We're going through a good cycle of the economy. We have good expectations of margins. Klabin is improving its margin. And this is what we have to say. We've been experiencing good production and cost performances with good operating efficiency. And the margin will certainly come through prices due to market condition.

And now, I will give the floor to Razzolini who will speak more about pulp position.

A - Francisco César Razzolini {BIO 16565930 <GO>}

Rafael (35:25), as already mentioned by Cristiano and Eduardo, we are now looking at other growth alternatives to grow our units in general. We are putting together a plant (35:37) for all units, and we're revisiting them, looking at probably growing Klabin's business. And Puma is also a part of that equation. It could be a little bit higher or lower, depending on all of the other options we have at hand. But we should expect an additional volume in 2019 due to some improvements that were made to the plant and variable costs. Now, about the lack of bottlenecks, the volume will be defined as soon as we can also define the other alternatives that are in the pipeline.

Q - Operator

Thank you very much.

Next question, from Gabriela Cortez from Banco do Brasil.

Q - Gabriela Cortez {BIO 18801371 <GO>}

Good morning, everyone, and thank you for the question. I have a question about the cash costs and the one-off event that happened in August and the (36:36). Could we expect this kind of event every year impacting the cash cost of Puma? Or this was just a one-off situation that only occurred this August? Thank you.

A - Operator

Hi, Gabriela. Good morning and thank you for your participation. About that August event, we had a maintenance stoppage in the plant for the change in apparel, and we had to replace the apparels. That was a one-off event and has impacted the first week of August. But as the machines are very large, it takes some time until we can map everything and make corrections along the line. But we did that, and so maintenance stoppages take place almost every three months and will continue to occur. But we do not expect any recurrence of that event in other months. There may be other one-off events because there are things that happen in the plants, if you compare the old plants and the new plants, but we always try to minimize the impact.

Now, referring to the cost of wood, Gabriela, the cost of wood, we will always take advantage of the dry season to extract wood from more difficult geographies. And it makes all the sense because if you have a more or less stable fleet in the dryer seasons, you can cover longer distances. So, you take advantage of it and you extract wood from more distant locations. And this is something that will occur every year. So, there will be a

fluctuation in the price of wood, vis-à-vis the geographies where we have to go when compared to the dry and rainy season. This year, we had many months of drought. And because of that, there was a different impact when compared to previous years. But this kind of behavior is more or less normal for this kind of operation.

Q - Gabriela Cortez {BIO 18801371 <GO>}

Thank you very much.

Operator

Next one is from Lucas Ferreira, JPMorgan.

Q - Lucas Ferreira {BIO 16552031 <GO>}

Thank you for this follow-up. My question is more conceptual related to your projects to grow your paper business. As the pulp price has increased and when we look at some estimates from analysts, they say that the pulp prices should be a bit higher looking forward. This reduces the return on your paper project, and there is a possibility maybe of not selling – there's a possibility of not selling, the pulp prices should increase. I understand that these are strategic and long-term projects. But I want to know whether in your opinion, this should have any impact in the approval or the timing of the approval for the project. Thank you.

A - Operator

Lucas, thank you for your question. I would say that this is a good dilemma. And then, we even liked to deal with it, Klabin, and you probably recognize that. We are a more stable company when compared to its peers and it's more linear because we operate closer to market, conversion, papers. It's more like a packaging company rather than a pulp company per se. The paper project and later on the future integration to our chain, certainly, we will have to pay for (40:37) that pulp and pulp price.

The way it is right now leads to a favorable price of paper. And I would tell you that we're very optimistic with that. It will pay off for the profitability of pulp and then also represents a project. Now, in terms of the impact, it is just a part in case of a coated board machine. I mean, it doesn't necessarily comes first, but that's just as an example. This machine would use part of the Puma pulp, a small part. And the remainder would be additional capacity. So, there wouldn't be a conflict. So, I think that's it.

Let me just add one more thing. In terms of our growth plans, when we talk about fluff and kraft, this does not eliminate our current pulp production to the market. In both cases, I'm talking about the additional production capacity of fluff. Therefore, there is no conflict surfing on the good moment of pulp prices because this would be additional capacity.

In terms of coated board, our project only partially consumes the currently produced pulp, but also it has to do with non-bleached pulp. So, this effect is only a partial effect, not total, because together with the new coated board machine, this will go with the

additional pulp production. That does not conflict with the current capacity, and it doesn't impact the market because of this new capacity coming from the coated board machine.

Q - Lucas Ferreira {BIO 16552031 <GO>}

Thank you.

Operator

As there are no more questions, I would like to give the floor back to Mr. Cristiano Teixeira for his final remarks.

A - Cristiano Cardoso Teixeira {BIO 17567319 <GO>}

Ladies and gentlemen, I would like to take the opportunity at this moment because I know that we anticipated some other questions and we already talked to you about our possible growth path. But I would just like to emphasize that, in fact, we are very confident about the deliveries of the quarter, which will be a very exceptional year for Klabin. We are in keeping with our objective to lower our debt position, and this could also put together a good window of investments in the early part of next year.

But certainly, this announcement goes through a process of further discussions with our controllers. And this relationship is improving, and we are questioning what will be our first investment or what the priorities will be. So, I would say that both - in terms of coated boards, kraft, and fluff, and other areas that are still in our radar, very soon we'll be able to come to you with more news.

Now, in terms of the expectations going forward to the fourth quarter, I would like to clarify that we will continue to pursue higher performance when compared to previous quarters in 2016. As you well know, this new Klabin as of this quarter means that we will only continue to improve in terms of productivity at a new level. So, this is a good expectation. And I also include our nominal growth in the fourth quarter when compared to the third quarter.

I would like to thank you much for your participation, and I will see you again in our next earnings release.

Operator

Klabin's conference call is now concluded. I would like to thank you very much for participating, and have a very good afternoon. Thank you very much.

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have

no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.

FINAL

Bloomberg Transcript