

Q3 2012 Earnings Call

Company Participants

- Antonio Sergio Alfano, CFO and IR Officer
- Fabio Schvartsman, CEO

Other Participants

- Carlos de Alba, Analyst
- Catarina Pedrosa, Analyst
- Felipe Coe, Analyst
- Marcos Assumpcao, Analyst
- Thiago Lofiego, Analyst

Presentation

Operator

Good morning. 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. Instructions will be given at that time. (Operator Instructions)

As a reminder, this conference is being recorded. Before we proceed, I should like to clarify that any statement 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 forecasts based on the expectations of Company management in relation to the future of Klabin. Such expectations are highly dependent on market conditions and Brazil's overall economic performance and industry and international market behavior. They are therefore subject to change.

With us today in Sao Paulo are Mr. Fabio Schvartsman, Chief Executive Officer, and Mr. Antonio Sergio Alfano, Chief Financial Officer and Investor Relations Director. Mr. Fabio and Mr. Sergio will comment on the Company's performance during the Second Quarter and the perspectives for the rest of the year. After that, Mr. Fabio and Mr. Sergio will answer any questions that you may wish to formulate.

Now, I'll pass the call over to him. Mr. Fabio, please begin.

Fabio Schvartsman {BIO 2067677 <GO>}

Thank you. Good morning, to all. I appreciate having you following up on our results. Actually, now we are going to make comments on our Third Quarter results.

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And actually, we had a very good performance, even better than expectations, and that was mainly for a very important change for better in the industrial production in Brazil. Because you know that Klabin is basically selling packaging for foods, and if not for food, for other consumer goods. And what has recently happened is that a lot of these products that were already imported, and therefore, packed elsewhere, were moved into Brazil, moved into local production. And Klabin was truly benefited from that, with very strong sales in the Third Quarter.

On top of that, we are continuing our process towards cost reduction, with very important achievements. Actually, last -- September last year, we had a reduction in cash costs of the Company, because of these mergers. And since then, we've been able to maintain costs in the same normal level despite the inflation in the country. That's the result, obviously, of the constant effort towards cost reduction that the Company is doing.

And most particularly, we've been addressing the reduction in costs in the Forestry department. And these were like 10% reduction in costs in the Fourth Quarter of this year that will -- do start to show results in the Fourth Quarter this year. This is what we are calling internally the first wave of cost reduction in the Forestry department. And there is another wave that will be on the second year in the -- therefore, next year, we will have another reduction of the same magnitude.

We are expecting (before Klabin) is continuously improving all of its cost cutting from all of its units. (inaudible), it was showing you a growth in the EBITDA in the Third Quarter of 2012 of 39% in comparison to the same quarter of last year. That was a very, very strong one.

We have, just prior to this call, announced that our Board has approved as of a week yesterday, a new recycle machine that will be invested in, in (the state), the state of Pernambuco in Brazil, in the northeast, therefore.

It will add 110,000 tonnes of capacity to Klabin. And it will represent the ability of Klabin of supplying itself from local-produced -- local, meaning in the same place that we are selling corrugated boxes, we are going to have a strong paper production. And therefore, we are going to have a very nice return on investment on this machine.

This machine, we will be at BRL300 million total investment, with 110,000 tonnes of capacity, as already said. And we are expecting a return on investment of 20% on this machine. And the leveraged return -- therefore, the return on equity, will be even better, like 30% for this machine.

So these are the kind of investments that Klabin is pleased to announce, because they are highly profitable. And the good news is that we have already announced two of them, the first being the sack kraft machine that we announced some months ago. Now, this recycle machine. By the way, this recycle machine will start production in mid next year -- sorry, mid-2014. And the sack kraft machine will start production in the Fourth Quarter in 2013.

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Both together represent an improvement, an increase of 10% in the capacity of Klabin, therefore, it is giving Klabin the ability of supplying the growth of the Brazilian market during this period.

And the good news is that we have other investments like these very profitable ones under consideration. We are analyzing these other investments. We are not going to announce -- we will announce them very shortly, because we don't want to concentrate too many investments in the same period of time. So what -- for our satisfaction, we are going to continuously inform these kind of investments.

Regarding the project, I know that you are following this very closely, and this project is moving forward in the planned way, where we have just received the preliminary environmental license for the installation of the pulp mill. And we are hoping to get very shortly the final license for this installation, and therefore, we would be able to break down in the construction of the mill.

Regarding the funding for the project, we are on the process of negotiating it with financial investors, and the good news is that we have already secured a large part of the funding that is needed from investors, but not all. Therefore, I'm not in a position to announce this project for the time being. And it's very difficult to establish a date, because there are several negotiations being developed.

And as soon as we close it, we are going to announce it to the market. The good word is that I'm very confident that we are going to close it according to plan, as we have been planning from the start.

Talking a little bit about the future, about the following months for Klabin, as I told you, the Third Quarter was benefited by this shift from imports to the local production. And the Fourth Quarter will -- is benefiting right now. On top of that, we are in the initial warming up of the Brazilian economy. Now the Brazilian economy is starting to warm.

And so, we are going to have both benefits together, the shift in the local -- for the local production, and the growth in the Brazilian economy. Therefore, I am very pleased to tell you that we are -- even being the Fourth Quarter, in seasonal terms, a weaker quarter than the third one, we are expecting to have at least the same results that we've delivered in the Third Quarter. And these are not -- this is not a minor thing, given the fact that usually, Fourth Quarter is a weaker one.

So Klabin is improving quarter after quarter, and this is our growth, continue to improve it, and for 2013, all the indications that we have is of another very strong year for Klabin, that it will be better than 2012, that by any account was already a very nice year. And so, I'm pleased to tell you that we are continuing the same -- in the same road, and we are very positive on what's going to happen in the next year for the Company.

Well having said all of that, I am going to pass to my colleague, Sergio Alfano, who is going to give you further comments and further details on the Third Quarter results. Thank you very much.

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Antonio Sergio Alfano {BIO 4337533 <GO>}

Thank you. Good morning, to everyone, and thank you to participating in our conference call.

In this Third Quarter, we do start to show signs of growth in the packaging paper market, supported by government measures to stimulate consumption, and an exchange rate that was less favorable to import finished goods.

In this scenario, Klabin's results, which were already strong during the first half of the year, despite the unfavorable economic environment, improved even further, and the Company posted a significant growth in its results based on the strategy of continuous efforts to improve operational efficiency.

Sales volume in the nine months of 2012, excluding wood, total 1.3 million tonnes, 1% lower than nine months of 2011. In this period, the Company sold 412,000 tonnes in the export markets, down 7% from nine months of 2011. And the 878,000 tonnes sold in Brazil, 2% higher.

Net revenue totaled BRL3.1 billion, 7% higher than the same period of last year, compared to the same period of -- from last year, despite the drop of the sales volume, due to a better mix and diversified markets. In the domestic market, net revenue totaled BRL2.4 billion, and accounted for 76% of the total net revenue.

Unit cash costs, excluding no recurring items, remained quite stable in the Third Quarter, and it was BRL1,614 per tonne.

EBITDA. The EBITDA of the Company was BRL375 million in the quarter, 39% higher than the same quarter of last year. The EBITDA margin was 34%, reflecting the sustainability of the Company's improved products. In the past 12 months, adjusted EBITDA reached (a height of) BRL1.3 billion.

Consolidated net debt was BRL3.1 billion, and the net debt to EBITDA ratio was 2.3 times in the end of September, from 2.5 times in the end of June.

Cash and financial investments stood at BRL2.3 billion, and this amount exceeds the amortization (of loans come in June), with an (inaudible) (nine months).

The Company continues its focus on high return investments, maintaining appropriate capital structure and debt profile, in order to reduce its variable costs at the paper plants, and to increase the production capacity in its (converting) units.

In the Third Quarter, we initiated the investments with the new equipment for the new sack kraft paper machine in (Santa Catalina). The total investment over 2012 and 2013 is BRL220 million for this machine, and it will raise the Company's production capacity of

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sack kraft paper to 213,000 tonnes per year. This investment aims to ensure the supply of our (converting) plants for the year to come.

The new corrugator at Jundiai-DI in Sao Paulo countryside went operational in July, and involves -- right now, it's in the learning curve. This project aims to better serve the customers in the region, and accompanying the (inaudible) corrugated box markets.

In the Third Quarter of 2012, the Company invested a total of BRL183 million, and in the nine months of 2012, invested BRL389 million.

Now Fabio and I, we are now available to take any questions you may have. Thank you.

Questions And Answers

Operator

Ladies and gentlemen. we will now begin the question and answer session. (Operator Instructions) Excuse me, Mr. Thiago Lofiego from Bank of America would like to pose a question.

Q - Thiago Lofiego {BIO 16359318 <GO>}

Hi, thank you. Just to follow up (inaudible), regarding profitable future investments. How do you see the possibility of you (going to a cardboard) machine along with the pulp machine? Would that be probably on a similar timeframe, or that would be more of a longer term option?

A - Fabio Schvartsman {BIO 2067677 <GO>}

Well thank you for your question, Thiago. First (inaudible), one of the main reasons for Klabin investing in this pulp mill is because Klabin needs more pulp for its existing businesses. In particular, for the board business of Klabin, that is the most important business that we have. And we do have a total capacity that is today over 700,000 tonnes for producing both for liquid paper board, and folding box board. And we are planning to expand, in the near future, the production of boards.

So it would be no surprise at all that the -- if immediately after closing, starting the investment in the pulp mill, we will start to discuss and approve an investment in the board machine, because this is the most natural thing for Klabin to continue to develop in, or what is its main business line business.

Q - Thiago Lofiego {BIO 16359318 <GO>}

Okay. Thank you, Fabio. Just one general question. What your target leverage, or your maximum leverage (inaudible) all of these potential investments?

A - Fabio Schvartsman {BIO 2067677 <GO>}

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Look, Klabin became in the last years a very conservative company regarding leverage. We are -- we see recently benefited from an improve in our ratings. Now Klabin is investment grade. And this is a very important feature for Klabin. We are going to do our best to hold to this position.

Translating that, we are not going to increase leverage of Klabin. This is one of the reasons why we are not pushing hard to have many projects at the same time. Klabin would have the possibility of announcing several other investment projects. As I told you in the call, good ones. But we are going to do it step-wise, in order not to put any pressure in our balance sheet. And the consequence will be that we are going to sustain the same kind of leverage, and as we are now deleveraging the Company.

Hello?

Operator

Excuse me, Mr. Carlos de Alba from Morgan Stanley would like to pose a questions.

Q - Carlos de Alba {BIO 15072819 <GO>}

Thank you very much for taking my question. The first one is, can you help me understand what is happening with the corrugated boxes? I understand that the market grew around 4% in the (field). When I see the domestic volumes of Klabin, currently, they were flat versus the Third Quarter of 2011. Is this coming from a strategy by the Company to focus on more higher margin products or segments? Or is the Company having some trouble with market share? That would be my first question.

And the second question, when we're looking at the balance sheet, I noticed that accounts receivable and accounts payable increased significantly more than revenues in the quarter. And I just wanted to understand if there is anything specifically going on in the working capital. Payables, and particular suppliers increased significantly from June to the end of September. Thank you.

A - Fabio Schvartsman {BIO 2067677 <GO>}

Thank you, Carlos. Let me try to address your questions. Your first question, about the corrugated production, is a very interesting one. Klabin is always focusing itself in the most profitable part of the corrugated box business. Nevertheless, that's not the reason for the flat performance of Klabin. The flat performance was because of lack of capacity, because we are building a big new machine in our plant in Jundiai in Sao Paulo. This machine is ready.

Nevertheless, the (civil) construction is taking longer than planned. Therefore, we cannot operate the machine at full capacity. That means that we've been struggling with lack of capacity in the corrugated box. That's the only reason why we didn't grow our business according to market.

But the good news is that in -- by the end of November, we'll be 100% operational in Jundiá, and therefore, we are going to start recovering the market (room) that we naturally have.

Regarding the accounts payable, I'm going to ask my colleague Sergio (inaudible), and he try to explain to you.

A - Antonio Sergio Alfano {BIO 4337533 <GO>}

Well regarding the -- Carlos, regarding the accounts payable to suppliers, one part -- the main reason for that suppliers, increasing suppliers, means that the effect of the sack kraft paper machine, we already have there one accounts payable to the supplier of the machine.

And in the customers, the increase, it's because in one customer, we increased the payment terms. That is (one view), together with the bank, and we have an increase of 30 days in payment terms to them. And the other thing is the increase of prices in some customers during the quarter, that we had better (revenues). And also, a little bit increasing volumes, also. We had the main reason for (technical difficulty).

Q - Carlos de Alba {BIO 15072819 <GO>}

Thanks very much. Thank you. So you just (inaudible) then, is this increase in terms of payment to these clients something that you think will become a more recurring topic with other clients? And is this just to increase your market share, or increase something (multiple speakers) --

A - Antonio Sergio Alfano {BIO 4337533 <GO>}

No, no, it's just a one-off. Financially, in the (inaudible), well, financial operation, where Klabin could -- also has an option to discount the accounts receivable, and we (did not -- did that), because we had too much cash, and we don't need to do that.

Q - Carlos de Alba {BIO 15072819 <GO>}

Okay, understood. Thank you very much, both.

A - Antonio Sergio Alfano {BIO 4337533 <GO>}

Okay.

Operator

Excuse me, Mr. Marcos Assumpcao from Itau BBA would like to pose a question.

Q - Marcos Assumpcao {BIO 7474402 <GO>}

Hi. Good morning, everyone. First question is related to sales volumes in October, if you could comment a little bit on the performance of the Company in October. I just -- so that we can have a sense of Fourth Quarter sales volumes. And the second question is related

to the recent measures taken by the government that probably will benefit the Company. If you could rank, Fabio, the most beneficial to Klabin amongst the three measures that we saw, the energy reduction costs, the payroll -- the reduction in payroll taxes, and also, the increase in import tariffs for some cardboard products. Thank you.

A - Fabio Schvartsman {BIO 2067677 <GO>}

Okay, let me start with this last part. The increase in import tariffs has no benefit whatsoever for us, because we are not going to take (any benefit from it). So it's -- this is neutral. And the others should be -- they are equally good. Each one will add like BRL30 million for the EBITDA for Klabin next year, each one of them.

And regarding sales of the Fourth Quarter, we are operating at full, full, full capacity. We are selling every single product we can squeeze from all of our machiners. So I'm sorry, that's the best answer I can give you. The sales will increase for as much as we will be able to produce. If we can produce more, I can guarantee we are going to sell to the last kilo that we will produce.

Q - Marcos Assumpcao {BIO 7474402 <GO>}

And Fabio, does this have any link with the potential anticipation of purchases from customers? Usually there is a strong purchases in October, or even November, before Christmas, and then there is a deceleration, or you think that the market is strong? September was already strong, and it's just a continuation?

A - Fabio Schvartsman {BIO 2067677 <GO>}

It's just a continuation.

Q - Marcos Assumpcao {BIO 7474402 <GO>}

Okay. Thank you very much. Ah, just -- Fabio, just one follow up here. Can you comment a little bit on the kraftliner market, how you are seeing -- prices have increased a little bit recently, how you see the evolution going forward?

A - Fabio Schvartsman {BIO 2067677 <GO>}

Well -- as well, Carlos de Alba mentioned our (goal). The corrugated box business is growing by 4% in Brazil. Therefore, the sales of kraftliner in Brazil are increasing in this -- more or less, in the same proportion.

So the market is very strong for kraftliner right now. And actually, we are struggling to deliver to all the customers that are demanding these products. I'm not kidding. The Company is basically oversold for the foreseeable future.

Q - Marcos Assumpcao {BIO 7474402 <GO>}

All right. Thank you very much.

A - Fabio Schvartsman {BIO 2067677 <GO>}

Thank you.

Operator

(Operator Instructions) Excuse me, Mr. (Felipe Coe) from Citigroup would like to pose a question. Mr. Felipe, go ahead.

Q - Felipe Coe {BIO 2368703 <GO>}

Hello -- ah, sorry. Good morning, all. My first question is on the bulk plant in Jundiai. You mentioned that we probably would see, going -- it's a follow up, going to 100% in November. And you also mentioned during the presentation that usually, the fourth Q, it's seasonally slower than the -- have a lower activity than the Third Quarter. But as you are going to have a higher capacity, I was just wondering, should we expect a little better volumes than usual for the fourth Q? And also, what would be the strategy of Klabin? It would be more volumes, or maybe trying to push for a little more prices on the boxes? That's my question.

A - Fabio Schvartsman {BIO 2067677 <GO>}

Thank you for your question, Felipe. But what we have in the box side, with this plant, the difference between the capacity that we are delivering today and the capacity that will be achieved in November in view of specific (inaudible) percent roughly adds 60,000 tonnes per year of added capacity. So that's in the total amount of sales of Klabin, it's very small. It is not really meaningful. It is important for the corrugated box segment, but it's not that important for the purposes of Klabin.

So therefore, your question about volumes and prices are not -- they are not affected by this at all. Actually, as I told also a question right before yours, Klabin is oversold. Therefore, more capacity means actually a very good thing, because we allow Klabin to supply slightly better the market.

Q - Felipe Coe {BIO 2368703 <GO>}

Okay, got it. And my second question is, is there any -- can you give any color on timing, or are you guys already doing some negotiations with -- price negotiations with (inaudible) yet? Or -- that's my question.

A - Fabio Schvartsman {BIO 2067677 <GO>}

The (inaudible) customer, so it represents a lot of our sales. And we have -- we had a negotiation last year with them, one year ago, that was just for one year. Therefore, we had another price negotiation this year, as planned.

And we are even considering to extend this negotiation for multi-year, given the fact that I think that both ourselves and (inaudible) (Packing) are very happy with the level of service that Klabin is delivering.

Just for a final note on that, Klabin was -- yesterday announced by (inaudible) Packing, quality-wise, as the best supplier for (inaudible) Packing the last quarter. So it basically confirms that Klabin and (inaudible) Packing are in a very close and very positive process, and this negotiation will be no different from this. It will be good for both parties.

Q - Felipe Coe {BIO 2368703 <GO>}

Okay. Thank you.

Operator

Excuse me, Mr. Carlos de Alba from Morgan Stanley would like to pose a question. Go ahead, sir.

Q - Carlos de Alba {BIO 15072819 <GO>}

Yes. Thank you very much. Fabio, just wanted to understand, will Klabin go on with the pulp project even if you don't find all the financial partners that you are looking for? Could the Company commit a little bit of more capital beside the forest than you, probably, or the Board probably intended to do at the beginning of the process? Or you would wait until you get to this target, in terms of the financial partnerships?

A - Fabio Schvartsman {BIO 2067677 <GO>}

As I told you, we already have secured a large part of the investors. Then the issue now is a minor one. Either Klabin will have to pull together money on that, or the investor -- we are going to finalize negotiations with investors. But the project will go ahead with no question, because it is a very good project, positive production cost-wise. And because of the (destination) of the projects that we are going to make.

So being the project is very good and very profitable, the (equation) will close. On the other hand, we are not in a hurry. We are doing this in a very precise, determined and systematic way to get the kind of funding that we see as (inaudible) better for Klabin. And we will continue to do so.

We have many advantages. And as soon as it's necessary, as soon as we have everything defined, you are going to be -- you and all the market will be informed of how we are going to move ahead.

Q - Carlos de Alba {BIO 15072819 <GO>}

Right, all right. And another question, if I may. We read that IP is trying to push into the packaging market in Brazil. To what extent do you think this changes the competitive outlook that maybe we saw today in some pricing disruptions or loss of market share for Klabin, if any?

A - Fabio Schvartsman {BIO 2067677 <GO>}

Carlos, I would like to give an idea. First of all, it's not our way of doing, to comment things of the competitors. The competitors, they are -- they have their own strategy, they

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do their thing, and the best way for their benefit, as Klabin is doing for itself.

So the reason why Klabin is highly successful in Brazil is because we have a very productive forest. The forest that Klabin has is one of the best that exists. That means that we have a very low cost and a very high quality because of this arrangement. This is not going to change, no matter who moves into or out of the Brazilian market. So in this particular, the stability of Klabin is determined not by prices, but by costs.

Second thing that I would like to tell you is that Klabin is, in these markets, very big. Actually, we have 40% of total capacity of kraftliner in Brazil, as ORSA has 7% of the kraftliner capacity in Brazil. Therefore, the sizes are very, very different.

Second, in the corrugated box business, this is a much more fragmented market. The first three that are Klabin, (Empresas) and ORSA together, they have just one third of the Brazil market. And Klabin is equal to the sum of the other two.

So we are talking about one situation, where if one company goes and the other comes in front of -- in the point of view of Klabin, absolutely nothing changes, neither for better, nor for the worst. IP is a big and serious company, and ORSA is a big and serious company. In our point of view, it's really the same.

Q - Carlos de Alba {BIO 15072819 <GO>}

All right. And just for me to understand, how you in general see the business. Do you -- would you give up market share to prevail margins, to protect your margins?

A - Fabio Schvartsman {BIO 2067677 <GO>}

That's an odd question, when you are oversold, as we are today. Actually, when you have more demand, that you have given, there is no way that our margins are not going to improve. It doesn't matter what I do, it means that just by selecting naturally among the people that are demanding our product, it will represent better margins.

So we don't have this dilemma in front of us. And actually, Klabin is in this business for making money. And so far, we have been trying to do this. And I suppose, very successful, very successfully.

Q - Carlos de Alba {BIO 15072819 <GO>}

Yes, so far the results definitely show that. Thank you very much.

A - Fabio Schvartsman {BIO 2067677 <GO>}

Thank you.

Operator

Excuse me, Mrs. Catarina Pedrosa from Banco Espirito Santo would like to pose a question.

Q - Catarina Pedrosa {BIO 1542667 <GO>}

Hi. Good morning. Just going back to new projects, with the FX at the present (BRL2) level, have you calculated what the internal rate of return of this project would be, and what are you looking for, of internal rates for the future projects that you mentioned, to get them approved?

A - Fabio Schvartsman {BIO 2067677 <GO>}

Yes, I'm sorry, did the line break -- broken in (inaudible), and I couldn't hear the last part of your question. Can you repeat it?

Q - Catarina Pedrosa {BIO 1542667 <GO>}

Sure. What I'm asking is, what the internal rate of return of this new pulp project is at the present level of an FX at (BRL2), and what you're looking for of internal rates to approve new projects?

A - Fabio Schvartsman {BIO 2067677 <GO>}

So first of all, the other projects Klabin is approving, today they are highly profitable. Obviously, a deserved -- the kind of dream project with what one Company can have. And it is very natural in a paper company like ours to find one or two or three projects that have very high rate of return.

For instance, I just told the market, this recycle machine that we are going to invest is a 20% return on investment, and 20% -- sorry, and 30% return on equity. And so, the first one is unleveraged, and the second one is levered.

This is obviously not our target, because this is clearly a special situation. And the good news about Klabin, that we -- it seems that Klabin has several of these special situation investments, and we are going to pursue all of them, of course, before getting top line to where our returns will be less interesting.

The pulp project is a huge project, billions of dollars. And the good news, that even like that, it is a project where return on equity will be above 20%. That is a very special, and I suppose, unique situation in the pulp business in the whole world. So that's the reason why we are moving forward with this project. And we -- that's a reason why we already have several investors committed to invest in this project.

Q - Catarina Pedrosa {BIO 1542667 <GO>}

Yes. But as I understand, you have above 20% if the FX stays where it is. If you move down to where it was in the recent past, (BRL1.60), this rate of return should significantly be lower. Have you calculated that?

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A - Fabio Schvartsman {BIO 2067677 <GO>}

Look, obviously, the effects -- affects a pulp, paper -- a pulp mill, sorry. Because we are going to explore a part of this production.

Nevertheless, the difference -- this (was any) different from the others, because it aims more -- it prioritizes the Brazil market, then the export market. And here, the exchange rate starts to get much less significant. And why is that? Because our project will produce not only short fiber pulp, but long fiber pulp. And Brazil today is short in long five.

So by next year -- (I'm playing with words), but Brazil is shorting on fiber. Brazil is importing a lot of long fiber. And actually, Klabin will be the sole local producer of market, long fiber pulp, forever, because there is no other forest, big forest of pine in all of the country, except the one that Klabin has. So the consequence is that we are much less affected by changes in the exchange rate in (inaudible), therefore, a much better exchange rate is not as beneficial. And nevertheless, a weaker real will be, nevertheless -- sorry. A stronger real will be less damaging for the pulp.

Q - Catarina Pedrosa {BIO 1542667 <GO>}

Okay. Great. Thank you.

A - Fabio Schvartsman {BIO 2067677 <GO>}

You're quite welcome.

Operator

Excuse me, ladies and gentlemen. there being no further questions, I would like to pass the floor to Mr. Fabio for his final considerations.

A - Fabio Schvartsman {BIO 2067677 <GO>}

Well thank you for being with us, and for following our final results. Actually, obviously, we are very pleased with the way things are moving forward. And our Klabin is more and more operating like a team.

You know that I'm an outsider in Klabin. I came from another business, and therefore, my knowledge of the pulp and paper business is not that deep. Nevertheless, we have a very strong team that is doing more and more and operating very close together. And that's the main reason why we've been improving our results. And that is the main reason why I have a very strong confidence that Klabin will keep on delivering according to the comments that we made before.

So once again, thank you very much for joining this call with us, and I hope to have all of you together with us in the next quarter. Thank you.

Operator

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This is the end of the teleconference promoted by Klabin SA. Thank you very much for your participation, and have a nice day.

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