

Q3 2016 Earnings Call

Company Participants

- Antonio Sergio Alfano, Chief Financial & Investor Relations Officer
- Fábio Schvartsman, Chief Executive Officer

Other Participants

- Bernardo Carneiro, Analyst
- Daniel Sasson, Analyst
- Juan G. Tavaréz, Analyst
- Karel Luketic, Analyst
- Lucas Ferreira, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Good morning, and welcome to Klabin's Conference Call. At this time, all participants are connected in listen-only mode, and afterwards, we will have a question-and-answer, when further instructions for you to participate will be given. I would like to remind you that this call is being recorded and it is also being broadcast simultaneously on the Internet via a webcast. You may access it at cast.comunique-se.com.br/klabin/3Q16, where you have the presentation for download.

Before proceeding, we would like to clarify that forward-looking statements that might be made during this call related to the business perspectives of the company's projections, operating and financial targets, related to the growth potential of the company or new assumptions based on the company's expectation regarding the future of Klabin. These expectations are highly dependent on market conditions, on the general economic performance of the country, of the industry and international markets. Therefore, they're subject to change.

Today in São Paulo, we have Mr. Fábio Schvartsman, CEO of the company; and Mr. Antonio Sergio Alfano, CFO and Investor Relations Officer.

First, Mr. Schvartsman and Mr. Alfano will make remarks about the performance of the company in the third quarter of the year, afterwards they will answer questions that you might wish to ask.

Now, I would like to give the floor to Mr. Schvartsman.

Fábio Schvartsman

Good morning, everyone. Thank you very much for accompanying our conference call about the third quarter results. And I would like to start by talking about the performance of the company in the third quarter. It was a sequential growth of our EBITDA vis-à-vis the third quarter of 2015, about (02:13) 13% which I believe is a very good result, especially if we have taken into account the situation where these results were obtained. Klabin continues to deliver the performance that we have been working on in order to be able to maintain over time.

And I would like to divide my remarks into two parts; one about Puma specifically and the other one about paper. About Puma, I would like to mention that Puma continues with a very good performance after its startup, having reached sales 70% higher in the third quarter of 2016 vis-à-vis the second quarter. And as we had already said to you, we believed this is exactly what would happen into - to the increase in the use of Puma's capacity that reached 85% in the period.

Of course, the costs are still under pressure, because here we are talking about the initial operations of the unit and here we include the selling expenses that went through a whole series of specific phenomena, mainly highway transportation, terminals et cetera. And they were necessary at the beginning of the operation and they have been totally discontinued already, they're non-recurrent. So this means that these expenses will go back to the normal levels. As well as your expenses of the Puma operation, they start to go down gradually as the company starts producing more and more and tend to stabilize.

Now turning our attention to papers. Once again, I would like to mention that once again Klabin is taking advantage of its flexibility focusing more attention on the domestic market, because of the factors such as the exchange rate and the possibility of selling to the domestic market becomes more advantageous, because of this factor. And along these lines, I would like to talk about what we have recently announced, the two acquisitions of Embalplan and Hevi in the state of Paraná and in Manaus.

They represented an important step forward for the company. 10% increase in its corrugated box conversion capacity and in geographies where we didn't have operations yet and catering to clients that were not our clients yet. And which means that there is no overlapping of clients vis-à-vis our current client portfolio and in regions where the presence of the company was required by clients, local clients, and additionally with important synergy gains such as logistics.

Just to give you one example, in order to sell corrugated boxes in Paraná, the Klabin papers will produce in Paraná, then they were sent to Paraná, they were converted into corrugated boxes in Paraná, and then they have (05:50-06:01) to go back to Paraná. And as a consequence, with an expensive logistics and with the purchase of Embalplan, this is solved, not only because of the fact of where this company is located, but also regarding idle capacity to absorb the capacity that Klabin has besides Embalplan. Besides the synergy, I would like to highlight the fact that none of these two acquired plants have their own paper production, which further increases the well known flexibility of Klabin, so we can place more of our papers in these conversions or not according to the advantage or

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disadvantage on a case by case basis in order to improve the bottom-line of the company. And at the moment when the exchange rate is under pressure, as everybody knows, and we may gain with this kind of flexibility. And it's important to highlight this aspect, because if we look at the acquisition cost post-synergy, the multiple was so high that it does not bring any pressure whatsoever on our leverage, and why am I saying this, because, of course, the main concern of our company right now is to produce a continuous deleveraging and this process is underway.

And we are taking all our actions based on a very disciplined target in this regard. And because of this reason, we were able to make these acquisitions, but only because the conditions were extremely adequate. As I always do, I would like to say a few words about our fourth quarter. And also in this case, I was talking about Puma and then paper. Puma should continue to evolve in its learning curve and it should reach over 90% capacity in this quarter. Therefore, the plant has started to get close to stability levels that should be reached at some point in time next year.

So, we are getting close to this point in a very adequate fashion. And I believe it was very important to highlight fluff. The company right now can say that it started to master the technology of fluff manufacturing as well as the production process. And this is a reason why our sales tend to grow significantly starting in the fourth quarter and over the whole year of 2017 already, reaching a very significant market share in the Brazilian fluff market next year. This is very good news and it is our obligation that we are just telling you that we are reaching this target.

Now turning our attention to paper. I would like to say that our paperboard – our coated board continues to sell at full capacity, and we are – for this year the equation is complete. And in terms of kraft paper right now, our focus is to place more paper in the domestic market, mainly by means of our own conversion and Embalplan and Hevi will be helping us in this direction. And also, we're helped by the fact that our conversion is growing in Brazil as we speak.

It is also important to say that we are reaching the limit above capacity in industrial bags and in bag paper. The demand is so high that we no longer have additional product to deliver. This is a good problem I would say, and it will be reflected into a very good solution from now on.

I would like to say a few words as well about the fact that we're going more and more in depth in our cost reduction endeavors because of the situation we're living not only with the Falconi project that we have already mentioned quite a few times and that is working at full steam and the results will be reaped during the whole year of 2017.

So, we will be giving you good news in this regard. And additionally to that, we're working to have a relevant reduction in our administrative cost of the company, because of the moment that we're living and all the preparation that we had to carry out for the growth of the company and that created opportunity for us to streamline the company (11:13) that I have already mentioned is translated into a very high degree of selectiveness in

investments. I don't mean that we will not be making investments, I am saying that they will be made provided they give us a very good return.

Regarding our future results, we are sure that the EBITDA results of the fourth quarter will be higher than those obtained in the third quarter because of the ramp-up of pulp that will give us a more - a higher possibility of delivering results and comparison - in a year-on-year comparison, our results would be growing expressively if we had the same exchange rate situation. What will happen will depend on the exchange rate and the price of pulp as well during the fourth quarter, and this is something that nobody can be sure about right now.

Very well, these were my opening remarks, and now I would like to give the floor to Sergio Alfano.

Antonio Sergio Alfano {BIO 4337533 <GO>}

Thank you, Fábio. Good morning, everyone. It's a great pleasure to address you again about the Klabin results.

In terms of volume in the third quarter, Klabin showed 787,000 tonnes, both in the domestic market and the export market, 70% higher than the same quarter of 2015, driven by the evolution of the sales ramp-up of the Puma Unit pulp. For the year, we had 1,873,000 tonnes, 40% higher than the same period last year. And sales in the domestic market grew by 7% and exports more than doubled reaching 109% growth.

The volume of packaging paper was 472,000 tonnes, 2% higher than the third quarter of 2015, and 5% higher than the second quarter of 2016. Whereas, pulp sales in the second quarter of operation of Puma grew by 74%, totaling 315,000 tonnes equivalent to 85% of the nominal installed capacity of the pulp unit. And with the new pulp sales, our exports started to represent 56% of the volume sold by Klabin vis-à-vis 32% in the third quarter of 2015.

Net revenue of the third quarter, including wood and pulp sales, were BRL 2 billion, a growth of 36% vis-à-vis the same quarter last year. Unit cash cost of pulp production of hardwood, softwood and fluff was BRL 781 per ton, 12% lower than the second quarter of 2016. And this is what we should see as we evolve in the Puma capacity ramp-up.

I should also mention that the cash cost of pulp production here does not include selling expenses or SG&A. Considering the sales of all the products in the quarter, the unit cash cost for Klabin was BRL 1,773 per ton, a 12% reduction on a year-on-year basis and a 5% reduction on a quarter-on-quarter basis.

Our EBITDA was BRL 585 million, 13% higher on a year-on-year basis, as Fábio said. And our debt at the levels of exchange rate similar to the end of June and September of the previous year, the net consolidated net debt of the company was BRL 11.5 billion. And at the end of the quarter, the net debt-EBITDA ratio was 5.1 times vis-à-vis 5.2 times in the previous quarter, and 6.2 times vis-à-vis the same quarter last year.

And we like to highlight that Klabin has no financial covenant linked to Klabin's debt or financing, and in the third quarter, Klabin invested BRL 552 million being BRL 305 million exclusively still in the Puma project. So we're practically finalizing paying for the project.

At the beginning of this week, as Fábio said, Klabin announced the acquisition of the corrugated box assets of Hevi in Amazonas and Embalplan in Paraná, and investments in these acquisitions amounted to BRL 187 million, adding 70,000 tons capacity of corrugated box capacity to Klabin's existing volume. And this investment is aligned with Klabin's strategy to deliver consistent growth in these markets. And as Fábio said, we will be increasing our position in the Eastern state (17:05). So, this is what I had to say and now Fábio and I will be available to answer your questions.

Q&A

Operator

Ladies and gentlemen, we will start the Q&A session now. Our first question comes from Felipe Hirai from Bank of America Merrill Lynch.

Q - Karel Luketic {BIO 16467278 <GO>}

Good morning, everyone. This is Karel, in fact. Thank you for the questions. I have two questions. The first question one has to do with Puma, about your cash cost. When do you believe you will reach normal levels for Puma, about BRL 670 ton, BRL 680 per ton that you have mentioned, if I'm not mistaken. Should this happen in the next two quarters to three quarters? And now paper, could you give us an update of your pricing initiatives or does the exchange rate affect these initiatives regarding pricing? Thank you.

A - Operator

Good morning, Karel. About the second quarter and the third quarter, well, there is two quarter or three quarters to reduce cost. In fact, the timeframe for the reduction of our cash cost is longer than this. We will be reducing consistently at every quarter, and at some point in time next year, we will be operating at 100% capacity and therefore our cost will be coming down. And we also have the intention of having an additional cost reduction after reaching 100% capacity. And as I mentioned in the previous call, we have the forestry point. There is an adaptation of our forestry operation that will lead to a cost reduction over time. So, year-after-year, we will see a lower and lower forestry cost due to a better planning of the use of the many forestry area that we have. So, the bulk of this reduction will happen when we reach nominal capacity, but there will be additional important reductions afterwards.

Regarding pressure on paper prices, in fact we're living in a very interesting moment right now. We have a good demand in the domestic market for our corrugated boxes and this allows us to have a very comfortable tail (19:49) on our paper production, and we had international situations where the price would not be interesting in a combination with the exchange rate. And so selling them in the domestic market brings better margins. We have not seen basically a pressure on prices. Prices in fact, they are adjusting for most of our products due to the cost pressure. As you all know, the main competitors of Klabin

use recycled paper and they depend on OCC and the price of OCC skyrocketed this year, and there is a pressure, but this is also Klabin, Klabin simply follows the moves that are made by the market.

Thiago Lofiego, Bradesco BBl. Good morning, everyone. Thanks for the question. This is Arthur (21:03) in fact. I have two questions. The first one about costs. If we exclude the Puma cost and we look at the paper cost, we see an evolution of the cash cost year-on-year of about 12%. So could you please explain this? Could this be like a non-recurrent situation or could it still affect a few quarters from now on? And the second one, talking about pulp, that will start more effectively in the fluff area. What about the mix that you will have of fluff in the overall production? And do you have an idea when do you intent to reach it?

A - Fábio Schvartsman

It's not, Thiago, that - oh, it is Arthur (21:58). Okay, okay. Arthur, (22:02) I would like to correct one piece of information there. It's not right to say that our cost went up 12%, you're mixing two kinds of information that are not comparable. The information that I gave you of cash cost for the production of pulp does not have anything to do with the total cash cost for the company. The production cost (22:28) a comparison will be production cost of other pulp producers that announced the cost this way. And when we talk about the cash cost, we include administrative expenses and we include selling expenses as well. So when you subtract the production cost for pulp from the total cash cost, in fact, you have a distortion because it looks like the paper cost went up, but it did not. We had a real reduction in our paper cost in the last quarter, just to bring comfort to you.

Regarding the fluff ramp-up, our installed capacity is 400,000 tonnes of softwood pulp and we intend to work with three fourth of that - 300,000 tonnes of fluff sales and 100,000 tonnes of softwood. This is more or less the structure that we estimate, but this is when we reach 100% production capacity which will happen over time, but we're going in this direction. And what is even more important, as I mentioned during my opening remarks, is that we are being able to capture a very good share of the Brazilian market, because the Brazilian market is a 300,000 tonne market, so very similar to our own installed capacity. Thank you.

Operator

Caio Ribeiro (24:12), BTG Pactual.

Good morning, everyone. Thank you for the opportunity. I have two questions. The first one is (24:25) possible new machine for coated boards. So what is your position regarding this project? Do you still believe it's attractive and what about the timing for the approval of the new machine and its implementation?

And what would be the adequate leverage at level that you believe for the approval of this machine? And what about the OCC market and your expectation for next year? Do

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you see prices going towards a more normal level or would that stay or would the prices stay at the same level of today (25:00)?

Caio (25:01), regarding our coated paper machine, of course, the attractiveness is the same. The machine gives a good return and the machine will be built by Klabin, but we have not decided about the timing of the project. As we're repeatedly saying, we're waiting for the ideal moment regarding the – all factors involved and it's important for you to understand that this machine will be almost all of it focused on exports, and the installed capacity of Klabin today is much higher than the Brazilian coated board market. So a new capacity would be, of course, focused on exports, and exports have to do with visibility in international sector. So this is the main factor together with the fact that we continue to try to bring the CapEx of this machine to lower amount, that is to say, we're trying to optimize the CapEx of this machine. And as I said at the beginning of the call, deleveraging the company is our obligation, we will not waive this.

We will bring to the board the approval of this machine when we believe that – not – not regarding our indebtedness, but when we're sure of what will happen with our indebtedness taking into account the path of the exchange rate. So when this happens, we will bring this project to our Board of Directors. The project, as I said, is very good. The production cost for this coated board of Klabin will be the lowest in the world and also the pulp benefiting from this very competitive pulp, and because of that, our coated board is very attractive.

Regarding prices for next year and what you said about the OCC, we do not see a light at the end of the tunnel yet regarding a reduction in the price of OCC. Quite the opposite, we tend to believe that the OCC prices will remain under pressure during the whole year of 2017, and as a consequence, the pressure on makers or manufacturers of recycled paper is real, and price moves will be inevitable, we believe, because of course you need a minimally sustainable economic situation for the other manufacturers. So I see a favorable environment to Klabin from the view of – from the point of view of papers for next year.

Very clear. Thank you.

Bernardo Carneiro from Brasil Plural.

Q - Bernardo Carneiro {BIO 4037872 <GO>}

Good morning, everyone. Thank you for the question. Going back to cash cost for pulp, we saw that the cost of wood comparing the third quarter to the second quarter went up very steeply, do you have third-party wood included there or was it a matter of mix, more softwood than hardwood? And do you think this will go down in the fourth quarter?

A - Operator

Bernardo, you are right, it's a question of mix. The hugely increase are sales of softwood from the second quarter to the third quarter, we increased by 500% (28:57). And of course this brought about this imbalance between pine and eucalyptus. But with this

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growth, we're reaching a mix that is closer to our regular mix for the plant operation. We - you will not see an additional increase. So - and it has to do with the mix, yes, and the mix reflects the fact that we have more softwood than hardwood.

Q - Bernardo Carneiro {BIO 4037872 <GO>}

And what about per tonne, the wood cash cost, what is the level of magnitude between hardwood and softwood for Puma?

A - Fábio Schvartsman

And maybe Sergio can give you this information. I don't know it by heart, I can give it to you later on, Bernardo. Okay?

Q - Bernardo Carneiro {BIO 4037872 <GO>}

Okay, thank you.

Operator

Marcos Assumpção from Itaú BBA.

Q - Daniel Sasson {BIO 19234542 <GO>}

This is Daniel Sasson, in fact. Good morning. My first question is about pulp. Your competitor yesterday during the conference call, they said that they would consider producing pulp production next year in order to bring a higher balance to the market. Should this move be followed by other producers if they were not the only ones to do this? So, I would like to know if Klabin is considering this possibility as well or is it totally out of your radar screen. Will you continue to produce at full capacity because you believe that the production cost is still competitive?

A - Operator

Daniel, thank you for your question. Well, we can imagine whom you are referring to, and I believe they have many pulp plants and with different cost for production of pulp, some higher than others. In our case, fortunately or unfortunately, we only have one plant and one line. So it would be nonsense for us to work lower - below our maximum capacity, because in practice, this would lead to an increase in our cost and not otherwise. Although the suggestion is quite interesting, I am sure that it was not meant to include Klabin, so you will see increased volumes in the next few quarters from Klabin.

Q - Daniel Sasson {BIO 19234542 <GO>}

Thank you.

Operator

Lucas Ferreira from JPMorgan.

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Q - Lucas Ferreira {BIO 16552031 <GO>}

Good morning, Fábio, Sergio. Fábio, could you talk about paper demand in Brazil, what have you been hearing from your clients? We see retail with very bad figures in the last 12 months, and I would like to know if the outlook is reasonably good for next year, mainly for coated board and in exports that drew our attention in spite of the exchange rate result that you mentioned. So this is my first question.

Now, working capital and capital allocation maybe Sergio could mention that. And you have an interesting situation regarding working capital and regarding the capital structure (32:48) Klabin at least in the last few years has had a very high cash level. So do you believe this will change next year because of lower interest rates, and your growth strategy, so could you say it's - there will be any change in your capital structure?

A - Fábio Schvartsman

I'm sorry, I was on mute, says the officer. So, I'm going to tell you once again, I'm going to repeat. Well, let's talk about paper and coated board. The Brazilian market is not excellent, everybody knows that and Klabin benefits from the fact that its clients, mainly in paper and the corrugated boxes, our clients were more resilient to market situations. Usually they are very large corporations and they are very well structured and they also work with exports, so they also have the capacity to cope with unfavorable market situations. So, I can tell you that the demand for paper from Klabin is growing in the domestic markets.

Now talking about coated board and what you said about exports, well, of course, this is based on contract. Klabin works with long-term contracts, specifically for (35:06) liquid paperboard and we are not exactly a coated board company. We produce coated board for liquids and they are more global, that is to say - it's a more global characteristics, not just a local operation our clients operate both in Brazil and abroad. And our commitment with them are for all markets and this has nothing to do with a good or favorable or unfavorable exchange rate, in any situation we will continue to supply to these clients naturally.

Okay. Having said that, once again, we are lucky that the situation is that, because the domestic market for coated board is not good and those who have to rely on this market find it much more difficult, which is not our case. Because as I said at the beginning, our production has totally showed. And for this year, we have already turned the page and we are working to extract up to the last tonne from our machines in order to be able to cater to all our clients. So, our situation is excellent in this regard.

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

Lucas, thank you very much for your question. Regarding working capital now. At the end of last year at Klabin - with this target of reducing our leverage, we are also working very strongly in the reduction of our working capital, and this is an important target for the company. And we are following it. We are going after it. And in some clients - from some clients, we are being paid cash for our sales. We used to make term sales and these clients were able to get access to lines where Klabin can be paid without - because of

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that situation dropped in this regard about BRL 100 million, and this helps us in the company. And regarding the cash level, Klabin works with relatively inexpensive credit lines vis-à-vis the market. And as we are capital intensive, you know very well that sometimes in Brazil we have the financial market and sometimes the markets close, and we usually work with two years or three years in our debt. And you're correct because the cash level will depend on the level of interest rate in Brazil, and we are tracking this very closely.

Q - Lucas Ferreira {BIO 16552031 <GO>}

Thank you.

Operator

Marta Farigu from UBS (38:21).

Good morning. Thank you for the opportunity. And you talked about fluff. My question has to do with prices. What price level do you have today? And do you believe prices will improve as you gain more and more market share? And my second question is slightly different from what Sasson asked. I remember that you said that Puma could have an extended nominal capacity to 1.7 or 1.8 (38:58), maybe it's a little bit too early to say anything about that, but when do you believe you would have this kind of debottlenecking need in Puma?

Thank you for the questions. First about fluff or the domestic market, what are the prices that we are charging today; we are basically using international prices as our benchmark. And this is the price reference that we use. We're working rigorously with the equivalent of international prices in Brazil. Of course, this brings some advantages because we have favorable logistic situation and the fluff prices differently from other kinds of pulp. It is not so much under pressure, because the world manufacturers of fluff generally - they have what they call swinging capacity, either they produce fluff or they make softwood. And usually, they protect the fluff market by placing surplus capacity vis-à-vis demand in the softwood bale market in order not to increase pressure on fluff prices, because fluff producers in the world are just a handful. There is a very small number of manufactures in the whole world, so this is the reality of fluff prices.

Regarding the debottlenecking of Puma, it will be a reality at some point in time and we are learning as we ramp up the plant. We already know that undoubtedly that our recovery boiler has a capacity that is much higher than 1.5 million tonnes and by itself, this is the most relevant aspect because the only piece that is difficult to debottleneck in a company or in a plump company is the recovery boiler. And as our boiler has a lot of room, we can be bullish about this. Our capacity will be much higher than 1.5 million tonnes, however, as you said yourself, it's a little bit too early to talk about figures. And during next year, with the plant already operating in a stable fashion, we will make all the analysis and we will reach a conclusion about when this capacity will be increased.

Thank you very much.

Juan Tavarez in English.

Q - Juan G. Tavarez {BIO 15083199 <GO>}

Hi. Good morning, everyone. Just my first question, just (41:49) pulp cash cost again. You mentioned that you see this trend improving with you reaching full capacity and seen the adjustments in your forestry operations. I'm pleased if you can tell us, when do you expect to reach full capacity? Will it be by the end of this year and also in the adjustments in the forestry operations, could you tell us what are some of those initiatives and how that will impact the radius to your forest to mill operation?

And then secondly if I may, I want to just ask on local demand going into next year, what are you seeing there across your product lines in terms of visibility have improving? I mean, just specific product that you are seeing better demand trends and then when you tie that into potential for pricing increases, is there any product line that you see the potential to increase prices with inflation or above inflation? Thank you.

A - Operator

Well, I understand, I am supposed to answer in Portuguese and you will be listening to the simultaneous translation. So, about your question, when will we reach full capacity at Puma. The first stoppage is scheduled for March 2017, and with the standard stoppage, we will be making adjustments, especially in the communication systems that will guarantee stability for the plant. The plant has been operating for many days already at full capacity, but the point is not reaching full capacity and sustain it for many days, this has already been done, but it means maintaining it all over the period. So, these small details will be adjusted during this general stoppage in March, and so we expect this to happen after our general stoppage scheduled for March.

Regarding price visibility and demand for our products, I myself and the whole company is very encouraged with things related to conversion, both boxes and bags. We are receiving a disproportionate demand for these two lines. And this is very good at the situation - worldwide situation and also in our situation where the exchange rate does not help. So when conversions, especially ours, start to have a good performance, this opens room - additional room to maximize efficiency in many different lines. So we expect to have an excellent year from the operational viewpoint because of this very strong conversion which is a very important point or factor for a top level, top-tier operation.

Q - Juan G. Tavarez {BIO 15083199 <GO>}

Okay. Thank you.

Operator

Lucas Ferreira.

Q - Lucas Ferreira {BIO 16552031 <GO>}

Thank you for taking my additional question. How much of your cost is OCC? Does it continue to go up, because the consumption of OCC is increasing? And before Puma started, it was more clear for us to understand this in your releases, and it would be very useful if you could mention this in a more detailed fashion separating like freight cost and others included in the production cost, so could you please explain this?

A - Fábio Schvartsman

We're talking about cost, right, regarding the participation of recycled paper in Klabin. Our total capacity is 265,000 tonnes of recycled paper in a total of 2 million tonnes of paper, of which part of that is coated board and part of that is bag paper. So we're talking about 200-and-some-tonnes for recycled paper. So one way of you to see this is that approximately between 20% and 25% of our cost matrix (46:56) is recycled paper. And the second point that you mentioned regarding being more clear in our communication. Sergio is here and he will be analyzing this possibility with the controller's office and see how we can work on that in order to give you what you are asking for.

Operator

As there are no more questions, we would like to give the floor back to Mr. Fábio Schvartsman for his closing remarks.

A - Fábio Schvartsman

Once again, it was a great pleasure to have you all here in this call. The economic situation is tough, and Klabin really performs well in this kind of difficult situation because of our flexibility. And it's important to say that the possibility of selling 50% in Brazil and 50% abroad is something very valuable, because it allows us to play very well with any combination of factors. And also the fact that we sell corrugated boxes and bags and coated boards and liquid coated boards, fluff, hardwood, softwood and pulps and this very wide array of products has no comparison in the Brazilian industry and as a consequence, this gives us great benefit, and we will be - we will continue to work in this direction and we believe that the results of the company will continue to evolve as planned.

Thank you very much for your presence and we hope to be able to communicate with you during the next call. Thank you very much.

Operator

Klabin's conference call is closed. Thank you very much for participating and we wish you a very good day.

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