

## Q4 2013 Earnings Call

### Company Participants

- Antonio Sergio Alfano, CFO & IRO
- Fabio Schvartsman, CEO

### Other Participants

- Carlos de Alba, Analyst
- Lucas Ferreira, Analyst
- Rafael Oliveira, Analyst
- Renato Antunes, Analyst
- Thiago Lofiego, Analyst
- Vincenzo Paternostro, Analyst

### Presentation

#### Operator

(Interpreted). Good morning. Welcome to Klabin's conference call. (Operator Instructions)

Before proceeding, I would like to mention that forward-looking statements that might be made during this call in connection with Klabin's business outlook, projections, operating and financial targets and potential growth should be understood as merely assumptions, which are based on expectations of the Company's management in relation to the future of Klabin.

Such assumptions are highly dependent on market conditions, on Brazil's overall economic performance, on industry and international market behavior. They are therefore subject to change.

With us in Sao Paulo we have Mr. Fabio Schvartsman, CEO. And Mr. Antonio Sergio Alfano, CFO and IRO. Mr. Schvartsman and Mr. Alfano will comment on the Company's performance during the Fourth Quarter and 2013. Afterwards they will be answering any questions that you might wish to ask. Now I would like to pass the call over to Mr. Schvartsman.

#### **Fabio Schvartsman** {BIO 2067677 <GO>}

(Interpreted). Good morning, ladies and gentlemen. And thank you very much for being connected to our call. Our call will be about Q4 2013.

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First I would like to tell you that it is a great pleasure for us to inform that we reached the expected results. I believe that we shared in the last call that Q4 should have a behavior similar to the one that we observed in the average of the previous quarters. And this is exactly what happened. As we delivered in Q4 2013 a 15% growth of the EBITDA vis-a-vis the same quarter of the previous year.

I would like to take the opportunity also to give you some color about it and tell you how we are working internally, in the Company, in order to be able to continue in the trajectory of ongoing improvement in our results.

As the backdrop of our endeavors, we have an ongoing cost-reduction program that continues to deliver consistent results, as well as an ongoing concern with the mix of products by the Company. So this the backdrop.

More recently we have had other instruments at our disposal. And this is what we would like to share with you. First of all, the fact that we have to do the sack kraft machine operating at full steam in Santa Catarina. And as a consequence giving us some additional volume, which is extremely necessary, due to the limitation of capacity with which Klabin operates.

And besides, we have always been making remarks to you, highlighting as a main characteristic of Klabin the fact that we are a company with a very high flexibility. And this flexibility has been used very carefully by us, with the objective of improving the Company's performance overall.

As an example, we have already talked to you in previous quarters about the fact that since the exchange rate improved, we have been accelerating exports by the Company. And this was very clear in Q3, as it is also very clear in Q1 2014 as well and in Q4 2013.

And we were going beyond that because, due to our capacity limitations, we have been acquiring paper in the market, mainly recycled paper, in order to supply our box division and with liner made by Klabin for exports and increasing our export capacity this way. And of course thereby improving our results to an extent.

And I think it's important to stress as well that Klabin, with the culture of having all electric power generated internally or contracted with long-term contracts, we have been having some opportunities of surplus energy here and there in some places where we have our operations.

And of course we have been tapping into the fact that the spot prices are high so that the energy surplus may be placed in the market with some advantage to the Company as well. So this way Klabin has been improving its results consistently and we expect this to continue.

It is also important to highlight that our costs went up relatively little in this year, taking into account the fact that we increased the sale of converted products. That is to say, more

higher-value and more costs that were added costs, such as our boxes and our sacks. And the volume increase in 2013 was 9% vis-a-vis last year, or the previous year. So our cost base reflected this.

And in spite of that, we have been able to control our costs at lower than inflation level. And I would like to remind you that we have an exchange rate pressure on some of our costs. However, this has not prevented us from delivering the cost performance that I have just mentioned.

A quick remark about the evolution of the Puma project. We are negotiating actively with our suppliers for the acquisition of equipment for the new plant. And right now we have practically 80% of the necessary equipment already acquired for the plant and commissioned.

And we should be completing the necessary equipment in the next few weeks, between February and March. And with that we will have 100% of the plant already contracted and working so that it may be started up according to schedule, which is the end of the Third Quarter of 2016.

I believe you are curious to know about our negotiations from the viewpoint of budget versus real. And the news we would like to impart is that we are exactly according to budget in the contracts that we have been signing. And this is exactly what we expected to have in our negotiation process. Therefore things are running smoothly and we intend to comply exactly what we have been promising regarding the Puma project.

Finally, as I always do, I would like to give you an idea of how we see 2014. In fact, I have already given you some indication during the APIMEC that was held last year, the end of last year, during which we mentioned that our expectation for this year was the continued growth for the Company, in the lower two digits, as I said.

And what I can tell you now is that the first months of the year are showing that this is exactly the trend. We have been working this way so the Fourth Quarter should be similar to the whole year, which I think points to the fact that Klabin will be continuing to deliver a consistent growth in the next few quarters, as we have been doing so far.

I would like to thank you all for your attention. Now I would like to give the microphone to Sergio. And he will make a more thorough presentation about Q4 2013.

**Antonio Sergio Alfano** {BIO 4337533 <GO>}

(Interpreted). Good morning, everyone. Thank you, Fabio, once again. We thank you very much for your presence in our earnings conference call.

The upward trend in the exchange rate that we saw over the nine months of last year continued in Q4. That's driving competitiveness of our national products as a whole, in exports and inhibiting the import of finished products into the internal market, into the

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domestic market. In Q4 2013 the paper and packaging markets remained very sound in Brazil. And the demand for coated board closed the year with a 5% growth vis-a-vis 2012.

Preliminary data of the ABTR [ph] points to the fact that the Brazilian shipments of corrugated board grew, regarding 2012, by 3%, which builds strong domestic scenario at increasingly high export revenues, both due to the higher prices, measured in dollars, as well as due to the appreciation of the dollar.

The Company once again benefited from diversification and flexibility in the different product lines that we have. And we kept a strong sales volume, both in the domestic market and in the export market.

And closed the year -- closing the quarter with a record result according to the EBITDA. In Q4 the sales volume sold by Klabin grew by 9% quarter on quarter, amounted to 476,000 tonnes. In 2013 the volume sold was 1.788 million tonnes, 4% higher than 2012.

And the export volume grew by 19% quarter on quarter. And the share was increased by 30% -- from 30% to 33%. And with this increase in the volume sold, the net revenue in Q4 2013, including wood, was BRL1,236m, a 15% increase quarter on quarter. In 2013, net revenue of Klabin amounted BRL4,599m, a 10% growth on a year-on-year basis.

The unit cash cost of Klabin in Q4 was BRL1.689 per tonne, a nominal increase of 5% on a quarter-on-quarter basis and a drop of 3% on a year-on-year basis. The increased share of higher value-added products and therefore that have a higher cost in the Klabin's product mix impacted the unit cost over 2013.

And besides the change in big production and sales mix, the exchange rate variation plus inflation brought about the pressure on prices, such as OCC, chemicals, fibers and freight. In 2013 the unit cash cost was BRL1.718 per tonne, 5% higher than the unit cash cost for 2012.

In Q4 2013, the adjusted EBITDA was record for the Company, as I mentioned before, amounting to BRL442m, with an EBITDA margin of 35%. We reached in Q4 the 10th consecutive quarter of the evolution of EBITDA for Klabin. In 2013, EBITDA for the year was BRL1,562m, 16% higher than 2012. And the EBITDA margin was 34% vis-a-vis 32% in 2012.

The consolidated net debt at the end of December was BRL4b, a BRL390 million increase compared to the end of the Q3 2013, influenced by the impact of the exchange rate variation on the dollar-denominated debt of the Company, also the high investments made in Q4 and also the dividend payout. The second dividend payout that was made in October. The net debt/EBITDA ratio closed the period at 2.6 times.

Regarding investments now, Klabin invested BRL284 million in Q4 2013. And during the year BRL899m, the highlight being BRL381 million spent in projects of the expansion of new capacity, two paper machines, one kraft -- sack kraft paper machine in Santa Catarina

that has already been started up. And the recycled paper machine in the northeast, with 110m-tonnes-per-year capacity that should be started up by the end of this year.

And in this investment we also have BRL100 million invested in the pulp project of Klabin. On November 12, the Correia Pinto unit produced its first jumbo roll, as we call it, the new kraft paper machine. And this was the startup of its production. And the ramp-up was quite successful. And the performance is higher than expected for the beginning or the startup of the new machine.

In the northeast, the foundation for the recycled paper machine in the Goiana Unit has already been concluded. And the project continues to evolve according to our schedule and according to our budget as well.

In the Puma Project, the earthmoving works have already reached 50% in Ortigueira. And as Fabio mentioned, we continue to finalize our negotiations with the main pieces of equipment for the construction of this plant.

For 2014, Klabin expects a total investment of BRL3.6b. And we had already disclosed this figure during the APIMEC. And BRL307 million will be in maintenance of the assets already in operation or existing. And BRL413 million in expansion projects for the current capacity and some special projects. And BRL2.8 billion in the Puma project. Now Fabio and I will be available to you to any questions that you might have.

## Questions And Answers

### Operator

(Interpreted). (Operator Instructions) Renato Antunes, Brasil Plural.

### Q - Renato Antunes {BIO 17439917 <GO>}

(Interpreted). Good morning, everyone. And thank you for the question. I have two questions, the first about the corrugated box. We have heard some competitors increasing their prices.

And I think it's because of the pressure of the OCC prices in the last few months. And Klabin is less exposed to this risk. So how do you see this decision of possibly having a price increase or gaining market share? What type of decision do you intend to make?

And the second one has to do with coated board. What about the dynamics of price and volume between Tecopac [ph] and the other clients that you have in this area? Thank you.

### A - Fabio Schvartsman {BIO 2067677 <GO>}

(Interpreted). Renato, thank you for the question. So I would like to try to answer your question about corrugated boxes first. In fact, OCCs are bringing pressure, such as [electric energy] is bringing pressure as well as the exchange rate is bringing pressure. So

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the manufacturers that depend more on these inputs, of course, with the higher cost pressure, this ultimately could be translated into a price increase.

In the case of Klabin specifically, the core issue is that we have some clear limitations of capacity. This is not whether we want or not to gain market share. You have to take into account the fact that there is some limitation for our capacity. So much so that I mentioned during my presentation that we are buying recycled paper in the market in order to supply our plant. And we use the pipeline for exports because export prices are very good.

So very frankly, I cannot tell you where prices will go, whether they will go up or down. But this is good news for Klabin anyway. Either prices will go up and we will be exporting more because the exchange rate is favorable, or we will sell more because we have a higher demand for our products, up to the limit of our capacity.

So I think what really matters. And what is the effect of that on Klabin? The effect is clearly positive. There is a positive impact because Klabin has been evolving consistently, as I mentioned before.

And I don't really understand what you would like to know about prices and volumes of coated board, because we cannot talk about prices of our contracts, such as the ones you mentioned with Tecopac [ph], because there are adjustments formulas and we are talking about very high volumes here for the very big clients. And very often they are [partly annual] in their nature.

So the contracts are good contracts as far as we are concerned, as far as Tecopac [ph] is concerned as well. And they are constructed as such. The volumes are very strong, if I can tell you this. And we really make it our best endeavors because we really want to deliver to all our clients. However, we have a limited capacity.

And in May, we will be expanding our production capacity of coated board. And this will add 50,000 tonnes per year in our capacity. And this is extraordinarily welcome due to the increasing market demand.

In the short run, this is very good news for Klabin anyway. In the long run I think it's good news as well because it shows the pack [ph] that we started with the Puma project. And that increases our pulp production capacity and opens a new capacity for integration with coated board machines.

This is very good because we have a very strong demand for our products, both from Brazil as well from abroad for liquid packaged boards and also for coating boxes. In all our lines we see this pressure as being very healthy because we will have more volume and, as a consequence, Klabin has been operating very carefully based on that in order to consistently improve results, however, never overdoing anything.

**Q - Renato Antunes** {BIO 17439917 <GO>}

(Interpreted). Thank you.

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## Operator

(Interpreted). Thiago Lofiego, Merrill Lynch.

### Q - Thiago Lofiego {BIO 16359318 <GO>}

(Interpreted). Good morning, everyone. I have two questions. Could you please reconfirm your CapEx for 2014 and what kind of impact the exchange rate could you have on your budget for 2014 and for Puma?

And also the debottlenecking for coated boards and kraft in Angatuba and Piracicaba, could you give us an update? Thank you.

### A - Fabio Schvartsman {BIO 2067677 <GO>}

(Interpreted). Well I would like to start with the end, Angatuba and Piracicaba. In our spreadsheet, we continue -- we have negotiated with equipment suppliers so that we have acceptable pricing conditions from them so that the investment may be economically feasible. So we're still working on that on our spreadsheets. No conclusion yet. As soon as we have a conclusion, we will be submitting this to you.

### Q - Thiago Lofiego {BIO 16359318 <GO>}

(Interpreted). Do you have any expectations, Fabio, regarding the approval or deadline for the approvals? And what if you do not come to a favorable outcome?

### A - Fabio Schvartsman {BIO 2067677 <GO>}

(Interpreted). Well it would be over the first half of this year. These are projects of tight implementation. And the deadline is the end of the first half of this year.

Now regarding the impact of the exchange rate on our investments, in investments already underway, there is no concern on our part regarding Puma. What I can tell you is that approximately 20% of our investments are in foreign currencies. As a consequence there is an impact, however a small one.

And when we can tell you exactly what has been contracted for Puma, which is not the case yet, once we are so, with some negotiations underway, we will see that differently from all the other pulp projects that have been executed in Brazil recently. We will have a much bigger participation of Brazilian production than one could usually have.

Of course we are being -- we are having a positive impact of the exchange rate because it increases the productivity of the part -- of competitiveness on the part of Brazilian producers. And also there are no major investments underway in this area in Brazil. Because of that, the same suppliers have some room of capacity or additional capacity to offer us. So differently from the other pulp projects, ours will have a very small component. And I consider 20% as some very small component for a project of this size.

**Q - Thiago Lofiego** {BIO 16359318 <GO>}

(Interpreted). And what about the consolidated CapEx of Klabin for 2014?

**A - Fabio Schvartsman** {BIO 2067677 <GO>}

(Interpreted). Sergio?

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

(Interpreted). Well during my presentation, I said BRL3.5b, being BRL2.8 billion in the pulp project, BRL800 million in maintenance of the current assets of Klabin in special projects and paper machines, the ones that are being built.

I would like to remind you that the exchange rate, although it has only a 20% effect on the Puma project, the overall impact on our revenues, if the exchange rate continues on this trend, at the startup time, it will be very beneficial to the Company overall because the effect on our revenues -- most of the revenues are on dollars in our pulp production.

And the dollar investment in our project is dropping consistently because part is in reals. And if the exchange rate is going up, if you transform the project into dollars, this is dropping continuously. And this is very good. I think it's a very interesting path that we are following.

**Q - Thiago Lofiego** {BIO 16359318 <GO>}

(Interpreted). Thank you very much.

**Operator**

(Interpreted). Lucas Ferreira, JPMorgan.

**Q - Lucas Ferreira** {BIO 16552031 <GO>}

(Interpreted). Good morning, everyone. I have two questions. The first one about OCC, why our price is so high. Do you think the prices will continue to be high for the foreseeable future? Does it make any sense to have such high prices for OCC?

And what about the conversion project? For the unit formation, how much has already been converted? And are you going to open another window for conversion, maybe for the firms or individuals that haven't had the opportunity or they have lost the deadline. So -- with the deadline. So would it make sense for you to have another unit process?

**A - Fabio Schvartsman** {BIO 2067677 <GO>}

(Interpreted). Thank you for your questions. About OCC first. Of course we don't really know why prices are going up so fast. And we -- our theory is that there is a higher concentration of products made and packaged in Brazil right now, which increases the demand for OCC. And as a consequence we see this -- or less OCC available in the

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market. And because of that, the prices go up. If our theory is right, the exchange rate at the current level means that the price of OCC will continue to be high.

Now regarding unit conversion, we are paying keen attention to all that. And I would like to take a further question because it allows us to tell you about some moves that we will be making. Yes. We will be opening a new window.

And we are working in order to propose a [production as good] in the unit so that we may facilitate the retail investors to have access to our unit because we see that retail has a difficulty in terms of going from the preferred shares to the unit.

And we are addressing this. And we will probably -- during March we will have a solution to that during our next meeting. And we will be opening a new window and we will be facilitating the life of individual investors by reducing the trading value and raising [ph] the value of the unit so that they may have a better access to our unit.

So what we've seen so far is that those who have not converted yet are fundamentally the smaller investors, the retail investors, as we call them. And also what we call the passive funds, that is to say the ones that have to follow the indices.

And the preferred shares are still partially in the index. And this is why they have to. So to say, divide or share the liquidity. But I think this will be solved due to the fact that liquidity of our unit has been increasing to the detriment of preferred shares. And probably our unit will stay in the index and the preferred shares will exit the index.

Then the facet [ph] funds will be following this movement. Then we will be opening as many windows as we can in order to accommodate the migration of everybody and concentrating all the liquidity in units because it's better for everybody. It's better for the Company. It's better for investors, all kinds of investors.

**Q - Lucas Ferreira** {BIO 16552031 <GO>}

(Interpreted). Thank you.

**Operator**

(Interpreted). Carlos de Alba, Morgan Stanley.

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

Thank you very much. My question is just trying to understand what is the change in margin or the impact in margin that you saw when you have to buy OCC in the market to continue to supply the volumes there and increasing volumes? Maybe overall obviously it might make sense, otherwise you wouldn't be doing it. But I just want to understand the dynamics of the change in margin of these possibly in the half. Thank you.

**A - Fabio Schvartsman** {BIO 2067677 <GO>}

(Interpreted). Carlos, thank you for your question. If I have understood it correctly, you want to know what is the limit for the margins that we want to obtain on OCC in order to continue to buy recycled paper.

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

Correct, yes.

**A - Fabio Schvartsman** {BIO 2067677 <GO>}

(Interpreted). And releasing a material for export such as we did recently. If my interpretation is right, this is my answer. We are not looking at the margin of this operation. We want this operation to be marginally positive for Klabin. Provided I can buy recycled paper at a lower price than the ones that I export, the kraft liner, this difference, whatever it is, will bring about an increase if you dig down in Klabin.

We do not intend to increase our margin. We intend to increase our EBITDA because our capacity limitation, by increasing our total liability [ph] and increasing the profitability of the Company in the same direction. And this is our proposal.

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

Is there any limiting to -- as to the volumes that you can sell doing this. And what they will be?

**A - Fabio Schvartsman** {BIO 2067677 <GO>}

(Interpreted). Well the total market for kraft liner is very big. So the limit is our capacity. The physical limit is our capacity to produce kraft liner. This is not the fact that theoretically I could buy all the recycled paper available in the market and I could export kraft liner, provided I had some price advantage to the limit of our production capacity of kraft liner.

Of course we are working with much smaller, much lower figures, okay? So there is room for that provided we continue to see this availability in the market.

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

All right. And can you run close to 90%, 95% capacity utilization or have you been able to do closer to 100%?

**A - Fabio Schvartsman** {BIO 2067677 <GO>}

(Interpreted). Well to be honest, I couldn't tell you. But yes, we are improving our efficiency. But the increase is very incremental. It's very small when -- whatever you can extract from the current machines. So it is not to an increase of efficiency. In fact, the process would be a substitution process, replacing the sale of kraft liner sales in the domestic market for export as I am able to obtain recycled paper in the market.

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

Perfect. Then just finally, any update on how the cost initiative, the cost reduction in the forest-quality operations are going? Can we expect any more from that?

**A - Fabio Schvartsman** {BIO 2067677 <GO>}

(Interpreted). I think I have very good news to tell you. We have been able to get a very major improvement in the reduction of our forest operations, a very consistent and major result. But this has already been included in our results in 2012 and 2013, with further two years in which we may do major endeavor in this direction.

And this reduction reached almost BRL100 million per year. And most of that is already included in our results. And because of that we will continue our efforts to reduce cost. And we will still obtain gains. However, they will not be as high as the ones that we have already obtained.

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

Fair enough. Thank you very much.

**Operator**

(Interpreted). Vincenzo Paternostro, Credit Suisse.

**Q - Vincenzo Paternostro** {BIO 17670256 <GO>}

(Interpreted). Good morning, everyone. Thank you for the question. My first question has to do with profitability in the domestic market vis-a-vis the export market, with 2.43 exchange rate. One could expect that profitability from your exports may be better than in the domestic market. Are you going to remove volume from the domestic market in order to increase your exports in case we see a higher depreciation of the real [versus other] currency? This is my first question.

And the second one has to do with the bags market. Demand from the cement sector will not be as high as in the previous years. So how will this impact your bag production?

**A - Fabio Schvartsman** {BIO 2067677 <GO>}

(Interpreted). In fact, the answer to your second question is included in your first question. We have been lucky enough to see that our additional capacity for sack kraft and for bags is available at the moment when the exchange rate is very much favorable to us. So while it would be unfeasible before, that is to say exporting bags or sack kraft, today it is feasible. And not only feasible but very profitable.

So what we are doing in order to cope with the situation of small growth in the construction sector, we are increasing the exports of bags and sack kraft, tapping into the additional capacity that we have.

Now regarding what is more profitable, the domestic market, vis-a-vis the export market, the international market could be better, depending on the situation, under one condition

or another. But on average, I could tell you that they are more or less equivalent.

So it wouldn't make sense for Klabin to decrease sales to the domestic market and channeling these sales to the export market. And because of that, we have been using the tools that we have, that is to say increasing the purchase of paper in the domestic market. You know this is supplier conversion, thereby releasing product for export.

And we can do that without reducing our supply to the domestic market. So according to these units, always with a concern of keeping the domestic market 100% supplied, we can do whatever we can do in order to have a higher gain for the Company and using our exports as a tool and the capacity that the Company has or the advantage that the Company has in terms of knowing in depth both the domestic and the export market.

And buying paper in the domestic market and selling products to these export markets. We are doing this and we will continue to do this.

**Q - Vincenzo Paternostro** {BIO 17670256 <GO>}

(Interpreted). And in a scenario in which you have depreciation of the real, further depreciation of real, let's say 2.6, I imagine that then the export market will be more attractive if you do not have price increases in the domestic market. So could you think about migrating volume to exports because you end up forcing a price increase through the domestic market to achieve this situation? Do you have this kind of flexibility?

**A - Fabio Schvartsman** {BIO 2067677 <GO>}

(Interpreted). It's a little bit more of the same, the way I think. If the exchange rate goes up, we will see a slowdown in our economy, be it because of the interest rates or whatever. So the domestic market should drop a little. So if this happens, it's not because we will not supply to the domestic market. It will be because the domestic market will be buying less.

Now you're asking whether we are going to make a spontaneous move, that is to say if we are going to shift to the export market. Our answer is no way. We have a long-term commitment with the domestic market and with our clients in the domestic market. And we would never have this kind of spontaneous shift to the export market.

**Operator**

(Interpreted). Rafael Oliveira, Itau BBA.

**Q - Rafael Oliveira** {BIO 20567603 <GO>}

(Interpreted). Fabio. Good morning. I would like to go back to the Brownfield project. In previous calls you talked about additional opportunities in terms of Brownfields and debottlenecking in machines six and seven of Monte Alegre, if I'm not wrong. And opportunities also in the Santa Catarina plant. So what's the status? Do you have any news about that? And we refer to the new sack kraft at 23 in Correia Pinto.

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**A - Fabio Schvartsman** {BIO 2067677 <GO>}

(Interpreted). Well let's start by the end. The machine in Santa Catarina is the old one, machine number 16 in Santa Catarina. This could go to a debottlenecking process, yes. What was impossible before because we only had this machine to produce our kraft, it would be a very big risk to shut down this machine for a long period because then we could have a problem of lack of supply to the market.

So now that we have two machines, it makes all the sense in the world to stop the old machine for a longer period in order to revamp it, increasing its production capacity and taking advantage of the flexibility that is given us by the new machine, as well as the opportunities of machines number six and seven. They do exist. They are very good.

But although they are very good, we will not do this before we start up the Puma project because we have no intention whatsoever to overload the Company on the eve of such a major investment that will lead to an increase to our investments. We have a commitment with being conservative in our financial management.

And this will lead us to keep our indebtedness under control during the construction of this plant. Once the project is up and running, then we will make the other interventions that we believe will be very profitable to the Company. But not before that.

The only additional things that we might make a decision about are Angatuba and Piracicaba because they are very short interruptions and that can be executed in a couple of months. So within 2013 they will be producing results and helping to deleverage the Company.

So this is the way we think about this whole set of projects and investments that we have. The opportunity is real. It exists. However, we will not run the risk of doing more before the Puma project is up and running.

**Q - Rafael Oliveira** {BIO 20567603 <GO>}

(Interpreted). Thank you.

**Operator**

(Interpreted). As there are no more questions, I would like to give the floor back to Mr. Schvartsman for his closing remarks.

**A - Fabio Schvartsman** {BIO 2067677 <GO>}

(Interpreted). Ladies and gentlemen, once again it's a great joy for us to meet with you. So many quarters in which we see a positive evolution in the Company's earnings. And I also believe that the next quarter will be more of the same. So to say. So we are reaching the end of February. So I can say this with a reasonable certainty.

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And it's very good to have all of you following us. It's a great pleasure for us to have you connected with us. And we look forward to having you again in our next conference calls. Thank you.

## Operator

(Interpreted). Klabin's conference call is closed. We thank you very much for participating and wish you all a very good day. Thank you.

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