

# Earnings Release – 4Q14

**February 11, 2015**

## EBITDA of R$508 million in 4Q14 and R$1.7 billion in 2014, 10% up on 2013

| | |
|---|---|
| NET REVENUE **R$1,257 million** | Net revenue of R$1,257million, 2% up on 4Q13. Annual net revenue came to R$4,894 million, 6% more than in 2013; |
| SALES VOLUME **443 thousand tonnes** | Sales volume totaled 443 thousand tonnes, 7% down on 4Q13 and 1,771 thousand tonnes in 2014, 1% less than the year before; |
| ADJUSTED EBITDA **R$508 million** | Adjusted EBITDA of R$508 million, with a margin of 40%, 15% more than in 4Q13. In 2014 as a whole, EBITDA amounted to R$1,718 million, a 10% year-on-year improvement; |
| INVESTMENTS **R$917 million** | Capex totaled R$917 million in 4Q14 and R$2,945 million in the full year, chiefly due to speeding up investments in the Puma Project; |
| PUMA PROJECT **38% complete** | Klabin's new 1.5 million tonnes p.a. pulp plant closed 2014 with 38% advance in construction and with 31% of investments already disbursed. |

FEBRUARY 11, 2015

KLABIN
Market cap **R$14 billion**

KLBN11
Closing price R$14.59
Daily traded vol. 4Q14 R$42 million

CONFERENCE CALL
Portuguese (with simultaneous translation)
Thursday, 02/12/15, 11 a.m. (Brasília)
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Klabin's consolidated financial statements are presented in accordance with International Financial Reporting Standards (IFRS), as determined by CVM Instructions 457/07 and 485/10. Vale do Corisco's information is not consolidated, being represented in the financial statements by equity income. Adjusted EBITDA is in accordance with CVM Instruction 527/12.

| R$ million | 4Q14 | 3Q14 | 4Q13 | Δ 4Q14/3Q14 | Δ 4Q14/4Q13 | 2014 | 2013 | Δ 2014/2013 |
|---|---|---|---|---|---|---|---|---|
| **Sales volume** (thousand tonnes) | **443** | **467** | **476** | **-5%** | **-7%** | **1,771** | **1,788** | **-1%** |
| % Domestic Market | 72% | 69% | 67% | 3 p.p. | 5 p.p. | 69% | 69% | 0 p.p. |
| **Net Revenue** | **1,257** | **1,282** | **1,236** | **-2%** | **2%** | **4,894** | **4,599** | **6%** |
| % Domestic Market | 75% | 76% | 73% | -1 p.p. | 2 p.p. | 75% | 74% | 1 p.p. |
| **Adjusted EBITDA** | **508** | **451** | **442** | **13%** | **15%** | **1,718** | **1,562** | **10%** |
| Adjusted EBITDA Margin | 40% | 35% | 35% | 5 p.p. | 5 p.p. | 35% | 34% | 1 p.p. |
| **Net Income (loss)** | **(127)** | **7** | **22** | **N/A** | **N/A** | **730** | **290** | **152%** |
| **Net Debt** | **5,242** | **4,028** | **3,984** | **30%** | **32%** | **5,242** | **3,984** | **32%** |
| Net Debt / EBITDA (LTM) | 3.0x | 2.4x | 2.6x | | | 3.0x | 2.6x | |
| **Capex** | **917** | **871** | **284** | **5%** | **223%** | **2,945** | **899** | **227%** |

Notes:
Due to rounding, some figures in tables and graphs may not result in a precise sum.
The EBITDA margin includes the effects of Vale do Corisco.
LTM – Last twelve months


IBOVESPA Índice Brasil 50 IBRX 50 · Índice de Sustentabilidade Empresarial ISE 2014 · Índice de Ações com Tag Along Diferenciado ITAG · Índice de Ações com Governança Corporativa Diferenciada IGC · KLBN11 NÍVEL 2 BM&FBOVESPA · OTCQX
Klabin

# Summary

Brazil's recent trajectory of low economic growth, high inflation and fiscal problems was maintained in the final quarter of 2014. This scenario, together with the imminent threat of water and energy rationing, has led to increased pessimism, in turn leading to a devaluation of the real and a decline in the stock market indices. The country's re-elected government has already signaled the need for economic policy adjustments, exemplified by an increase in the Selic benchmark interest rate and announcements of greater fiscal prudence by the new Finance Minister at the beginning of 2015.

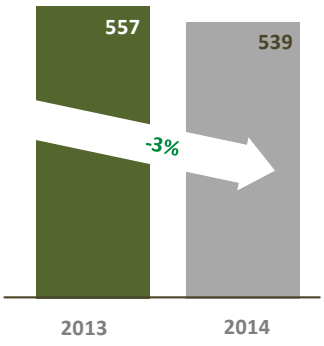
On the international front, the end of the year was marked by a substantial slide in commodity prices, especially iron ore and oil. The result of modest economic growth in China and record shale oil and gas output in the United States, this decline exacerbated the crisis in countries that export these products.

In this context of increased pessimism, the paper and packaging markets in Brazil also deteriorated.

The Brazilian Tree Industry (IBÁ, formerly Bracelpa) indicated a 5% reduction in the coated board market over 4Q13, while the Brazilian Corrugated Boxes Association (ABPO) pointed to a 1% downturn in the same period. In the full year, domestic coated board sales fell by 3% over 2013, while shipments of corrugated boxes remained flat. These figures reflect the weaker economic scenario in 2014, a year that was also characterized by a greater number of interruptions, including the World Cup and the elections, which adversely impacted consumption in the country.

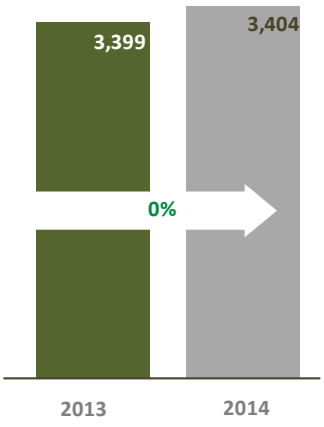
In the international kraftliner market, average prices increased by 3% over 3Q14, closing December at €569/t, according to FOEX. In the year as a whole, the average price in euros fell by 5% over 2013, but climbed by 3% in reais due to the devaluation of the Brazilian currency.

**Brazilian coated boards shipments**
(thousand tonnes)



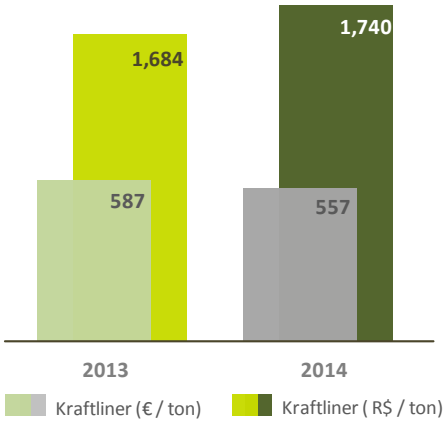

Source: IBÁ

**Brazilian corrugated shipments**
(thousand tonnes)




Source: ABPO

**Kraftliner brown 175 g/m² list price**
(€/tonne and R$/tonne)



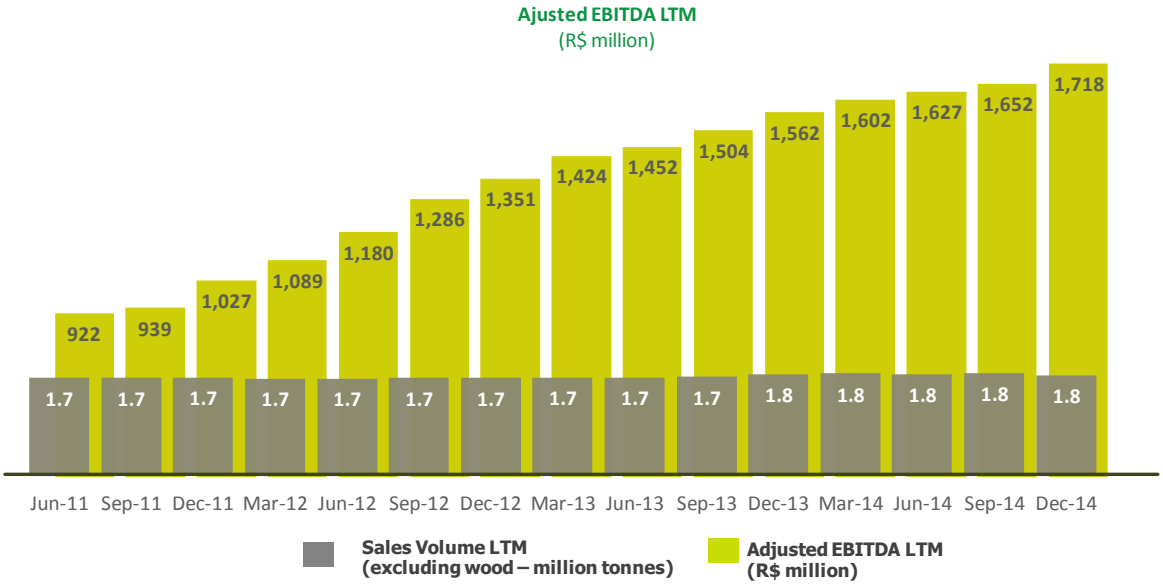

Source: FOEX

In this quarter of domestic market instability, the stoppage to increase the capacity of the paper machine in Angatuba (SP) and adapt the new capacity of coated board machine no. 9 in Monte Alegre (PR) restricted Klabin's paper and coated board production, impacting sales volume. Nevertheless, the Company maintained its sustainable operating cash flow growth trajectory, with an increase in EBITDA over 4Q13.

This growth was due to the year-on-year increase in conversion and coated board sales volume in the export market due to the devaluation of the real throughout the quarter and the continuing efforts to control costs, which had a positive

impact on the period result. In addition, the Company sold certain forest assets in Guarapuava (PR), generating an additional R$27 million in the period.

As a result, despite Brazil's weakened economic scenario, the international uncertainties and the capacity restrictions imposed by the modifications to its paper machines, Klabin once again underlined its ability to adapt its operations to different market conditions, closing the year with LTM EBITDA of R$1,718 million, the 14th consecutive quarter of growth.




## Exchange Rate

The real remained on its downward trajectory throughout the fourth quarter due to the political and economic uncertainties that dominated the domestic scenario, as well as the slide in international commodity prices and the possibility of an increase in U.S. interest rates. The R$/US$ exchange reached R$2.74/US$ in December 2014, its highest level since 2005, closing the quarter at R$2.66/US$, 8% up on the end of 3Q14. The average rate was R$2.54/US$, 12% higher than in the previous quarter and in 4Q13.

| R$ / US$ | 4Q14 | 3Q14 | 4Q13 | Δ 4Q14/3Q14 | Δ 4Q14/4Q13 | 2014 | 2013 | Δ 2014/2013 |
|---|---|---|---|---|---|---|---|---|
| Average Rate | 2.54 | 2.27 | 2.27 | 12% | 12% | 2.35 | 2.16 | 9% |
| End Rate | 2.66 | 2.45 | 2.34 | 8% | 13% | 2.66 | 2.34 | 13% |

# Operating and financial performance

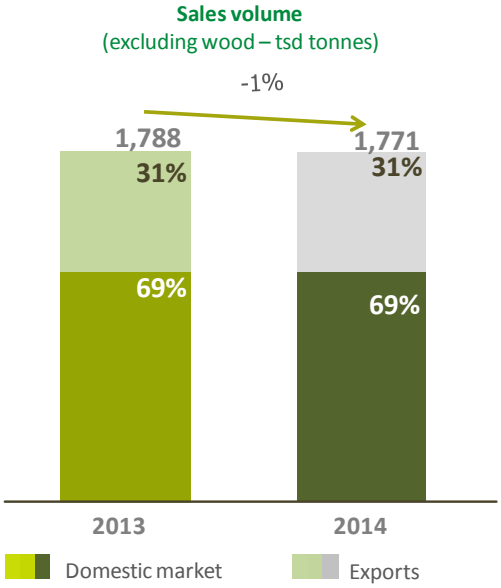
## Sales Volume

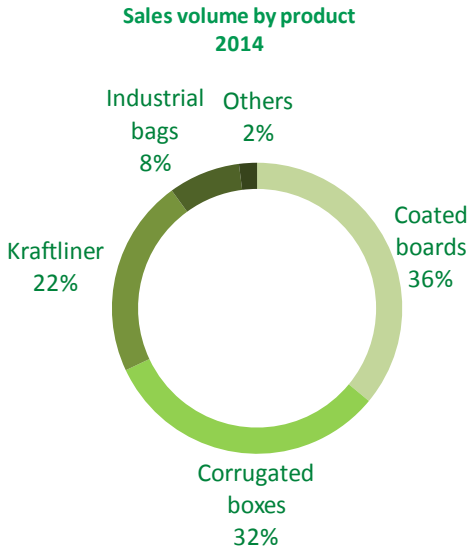
Fourth-quarter sales volume, excluding wood, totaled 443 thousand tonnes, 7% down on 4Q13. Throughout the quarter, the stoppage for modifications and capacity expansion in the Angatuba unit and the increased consumption of pulp for coated board production by machine no. 9, whose learning curve evolved throughout the period, restricted paper output and, consequently, total sales volume.

Sales of converted products, especially corrugated boxes, offset the reduction in paper volume, helping maintain total domestic sales volume at 318 thousand tonnes, very close to the 320 thousand tonnes recorded in 4Q13.

Sales routed abroad, which have a very small share of converted products, felt most of the impact from the decline in available paper and coated board volume. Fourth-quarter exports came to 125 thousand tonnes, 20% down on 4Q13.

In the full year, sales volume stood at 1,771 thousand tonnes, 1% less than in 2013. Despite increased output of sack kraft by machine no. 23, inaugurated at the end of 2013 in Correia Pinto (SC), the modifications to raise coated board capacity in the Monte Alegre (PR) plant and packaging paper capacity in the factory in Angatuba (SP) limited production, adversely impacting annual sales volume. Exports accounted for 31% of total sales volume, the same ratio as the year before.




## Net Revenue

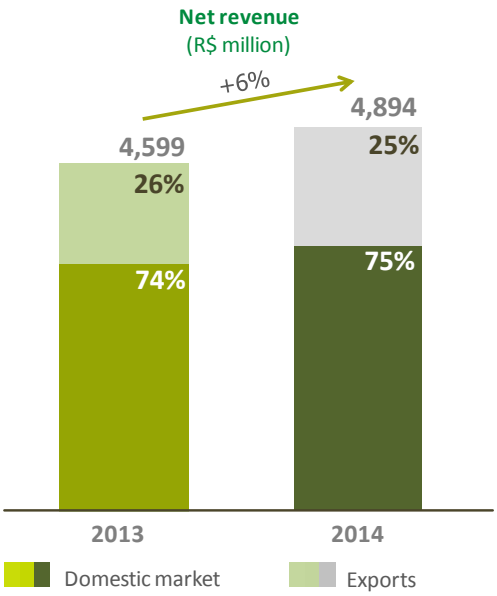
Fourth-quarter net revenue, including wood, increased by 2% over 4Q13 to R$1,257 million, fueled by increased sales of converted products and coated boards in Brazil and by the devaluation of the real against the dollar which offset the reduction in export sales volume.

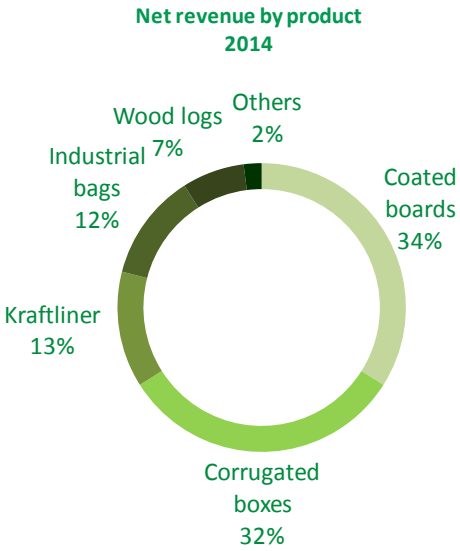
Thanks to this upturn in the sale of converted products and coated boards, fourth-quarter domestic net revenue increased by 6% year-on-year to R$948 million. The domestic market accounted for 75% of total net revenue, versus 73% in 4Q13 and 76% in 3Q14.

The decline in export volume, caused by reduced paper production in the final quarter, led to a 9% year-on-year reduction in export revenue to R$309 million.

In 2014, net revenue came to R$4,894 million, 6% more than in 2013, thanks to the Company's ability to adapt to different economic scenarios throughout the year, benefiting from the flexibility of its product mix despite the impact of the stoppages to add new capacity on paper and coated board sales volume.

Pro-forma net revenue, including Klabin's proportional share of revenue from Florestal Vale do Corisco S.A., came to R$1,271 million in the fourth quarter and R$4,951 million in 2014.

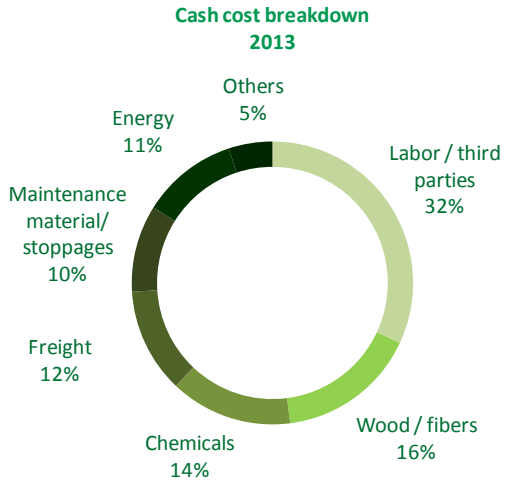


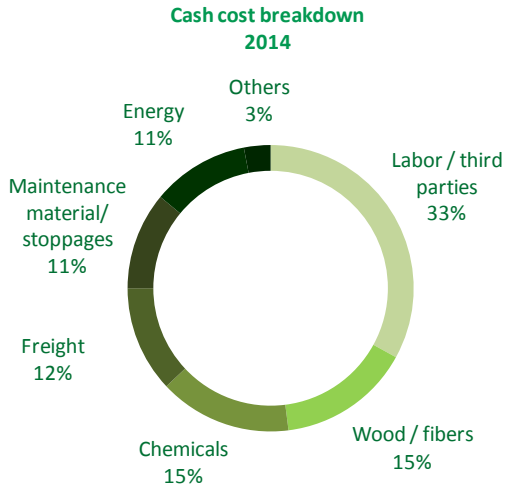




## Operating Costs and Expenses

The 4Q14 **unit cash cost** came to R$1,717/t, 2% up on 4Q13. Excluding non-recurring effects, however, the unit cash cost stood at R$1,778/t, up by 5% in the same period. The impact of the exchange variation and the upturn in production input prices, especially those of chemicals, energy and fuel oil, as well as higher personnel expenses, impacted the Company's costs throughout 2014. However, the decline in sack kraft purchases following the installation of the new machine in Correia Pinto (SC) at the end of 2013 and the reduction in general and administrative expenses offset the price pressure from raw materials and kept the cost increases below inflation.

In the full year, the **unit cash cost** totaled R$1,815/t, or R$1,830/t excluding non-recurring effects, 7% up on 2013.






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The **cost of goods sold,** excluding depreciation, depletion and amortization, came to R$1,410/t in 4Q14, 7% up on 4Q13, and R$1,480/t in 2014 as a whole, 8% more than the previous year, chiefly due to the higher variable cost arising from inflationary pressure on input prices, partially offset by the reduced volume of sack kraft purchases.

**Selling expenses** totaled R$96 million in the quarter, 1% down on 4Q13, accompanying the period decline in sales volume. In 2014, selling expenses came to R$380 million, 5% more than in 2013.

**Administrative expenses** stood at R$83 million, 8% up year-on-year, chiefly due to higher personnel expenses in 2014 due to the increase in profit-sharing payouts. In the full year, administrative expenses came to R$298 million, 6% more than in 2013.

**Other operating revenue (expenses)** resulted in revenue of R$43 million in 4Q14, R$27 million of which non-recurring from the sale of forest assets. In 2014, this line was positive by R$85 million.

## Effect of the variation in the fair value of biological assets

The **effect of the variation in the fair value of biological assets** was a gain of R$20 million in 4Q14, primarily due to the growth of forests that were recognized at their fair value. In the same period, the effect of the **depletion of the fair value of biological assets** on the cost of goods sold was R$200 million. As a result, the non-cash impact of the variation in the fair value of biological assets on 4Q14 operating income (EBIT) was a loss of R$180 million.

In 2014, the effect of the variation in the fair value of biological assets was a gain of R$924 million and the effect of the **depletion of the fair value of biological assets** on the cost of goods sold was R$614 million Consequently, the non-cash impact of the variation in the fair value of biological assets on annual operating income (EBIT) was a gain of R$310 million.

## Operating Cash Flow (EBITDA)

| R$ million | 4Q14 | 3Q14 | 4Q13 | Δ 4Q14/3Q14 | Δ 4Q14/4Q13 | 2014 | 2013 | Δ 2014/2013 |
|---|---|---|---|---|---|---|---|---|
| **Net Income (loss)** | **(127)** | **7** | **22** | **-1917%** | **N/A** | **730** | **290** | **152%** |
| (+) Income taxes and social contribution | (88) | (9) | 8 | 885% | N/A | 323 | 90 | 259% |
| (+) Net Financial Revenues | 451 | 499 | 249 | -10% | 81% | 646 | 739 | -13% |
| (+) Depreciation, amortization, depletion | 295 | 222 | 217 | 33% | 36% | 952 | 767 | 24% |
| **Adjustments according to IN CVM 527/12 art. 4º** | | | | | | | | |
| (-) Biological assets adjustment | (20) | (253) | (56) | -92% | -65% | (924) | (336) | 175% |
| (+) Cost of carrying out assigned to property - land | 3 | - | - | N/A | N/A | 3 | - | N/A |
| (-) Equity Pickup | (14) | (23) | (5) | -38% | 194% | (49) | (22) | 119% |
| (+) Vale do Corisco | 9 | 8 | 9 | 5% | -7% | 36 | 34 | 5% |
| **Ajusted EBITDA** | **508** | **451** | **442** | **13%** | **15%** | **1,718** | **1,562** | **10%** |
| Adjusted EBITDA Margin | 40% | 35% | 35% | 5 p.p. | 5 p.p. | 35% | 34% | 1 p.p. |

N / A - Not applicable

Note: EBITDA margin is calculated considering the pro forma net revenue, which includes Vale do Corisco

Even with the restrictions on sales volume due to the modifications to the Angatuba machine, o**perating cash flow (adjusted EBITDA**) in 4Q14 totaled R$508 million, 15% up on 4Q13. Excluding the non-recurring amount from the sale of forest assets, the increase came to 9%, in line with the first nine months of the year. This figure reflects the resilience of the Company's markets, despite the deterioration in the domestic economic scenario, and the flexibility of Klabin's operations in its various business lines.

In 2014 as a whole, adjusted EBITDA came to R$1,718 million, 10% more than the previous year, with an EBITDA margin of 35%. Excluding non-recurring amounts, the annual EBITDA margin stood at 34%, in line with 2013.

These amounts include Klabin's share of Florestal Vale do Corisco S.A., which totaled R$9 million in 4Q14 and R$36 million in 2014.

## Indebtedness and Financial Investments

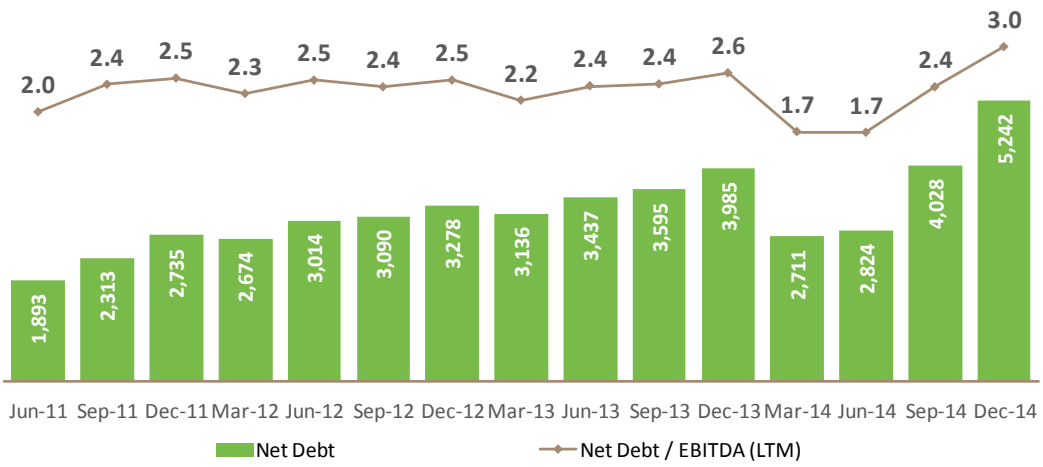
**Gross debt** totaled R$10,985 million on December 31, 2014, R$662 million more than at the close of 3Q14, chiefly due to the 8% devaluation of the real. Of this total, R$6,855 million, or 62% (US$2,581 million) was denominated in dollars, primarily export pre-payment facilities.

**Cash and financial investments** closed the quarter at R$5,743 million, R$552 million less than in 3Q14, mainly due to investments in the Puma Project, exceeding financing amortizations due in the next 48 months. Of this total, R$1,090 million was dollar-denominated.

Consolidated **net debt** totaled R$5,242 million on December 31, R$1,214 million more than the R$4,028 million recorded on September 30, due to investments in the quarter and the accounting impact of the exchange variation on dollar-denominated debt, partially offset by the Company's strong operating cash flow. As a result, the **net debt/adjusted EBITDA ratio** closed the fourth quarter at 3.0x, versus 2.6x at the end of 2013. The substantial devaluation of the real in the fourth quarter had a 0.2x impact on the period net debt/EBITDA ratio. It is worth emphasizing that the exchange variation effect is of a purely accounting nature and most of its impact is on financing related to export pre-payment facilities not linked to the Puma Project and already backed by Klabin's future exports.

The **average maturity term** at the close of 2014 was 52 months (45 months for local-currency financing and 57 months for foreign-currency funding). Short-term debt accounted for 16% of the total and borrowing rates in local and foreign currency averaged 8.7% p.a. and 4.8% p.a., respectively.

Net Debt
(R$ million)






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| Debt (R$ million) | 12/31/2014 | | 09/30/2014 | |
|---|---|---|---|---|
| **Short term** | | | | |
| Local currency | 982 | 9% | 850 | 8% |
| Foreign currency | 773 | 7% | 663 | 7% |
| **Total short term** | **1,755** | **16%** | **1,513** | **15%** |
| | | | | |
| **Long term** | | | | |
| Local currency | 3,148 | 29% | 3,151 | 30% |
| Foreign currency | 6,082 | 55% | 5,659 | 55% |
| **Total long term** | **9,230** | **84%** | **8,810** | **85%** |
| | | | | |
| Total local currency | 4,130 | 38% | 4,001 | 38% |
| Total foreign currency | 6,855 | 62% | 6,322 | 62% |
| **Gross debt** | **10,985** | | **10,323** | |
| (-) Cash | 5,743 | | 6,295 | |
| **Net debt** | **5,242** | | **4,028** | |
| **Net debt / EBITDA (LTM)** | **3.0x** | | **2.4x** | |

## Financial Result

The financial result was affected throughout 2014 by Klabin's current debt profile and cash position, structured to ensure the necessary investments for the new pulp plant. As a result, the increase in gross debt and the cash position on the one hand led to an upturn in financial expenses and, on the other, to an increase in financial revenue due to the investment of the contracted funds.

As a result **financial expenses** totaled R$225 million in 4Q14 and R$655 million in the full year, versus R$120 million in 4Q13 and R$423 million in 2013.

**Financial revenue** came to R$132 million in the quarter, versus R$65 million in 4Q13, and R$535 million in 2014, versus R$213 million in the previous year. As mentioned previously, this result was impacted by increased gains from financial investments following the upturn in the Company's cash position and higher Brazilian interest rates.

Consequently, the 4Q14 **financial result**, excluding the exchange variation, was negative by R$93 million, versus a negative R$55 million in 4Q13. In 2014 as a whole, the financial result was negative by R$120 million, versus a negative R$210 million in 2013.

The exchange rate closed the quarter 8% up on the end of September 2014. As a result, the **net foreign exchange variation** was negative by R$358 million. Note that the exchange variation has an exclusively accounting effect on the Company's balance sheet, with no significant cash impact in the short term.

# Business Performance

Consolidated information by business unit in 2014:

| R$ million | Forestry | Papers | Conversion | Consolidation | Total |
|---|---|---|---|---|---|
| **Net revenue** | | | | | |
| Domestic market | 331 | 1,306 | 2,042 | - | 3,679 |
| Exports | - | 1,061 | 154 | - | 1,215 |
| **Third part revenue** | **331** | **2,367** | **2,196** | - | **4,894** |
| Segments revenue | 575 | 1,081 | 14 | (1,670) | - |
| **Total net revenue** | **906** | **3,448** | **2,210** | (1,670) | **4,894** |
| Change in fair value - biological assets | 924 | - | - | - | 924 |
| Cost of goods sold | (1,197) | (2,239) | (1,809) | 1,670 | (3,575) |
| **Gross income** | **633** | **1,209** | **401** | - | **2,243** |
| Operating expenses | (16) | (317) | (232) | 22 | (543) |
| **Operating results before financial results** | **617** | **892** | **169** | 22 | **1,700** |

Note: In this table, total net revenue includes sales of other products.

* Forestry COGS includes the exaustion of the fair value of biological assets in the period.

## BUSINESS UNIT - FORESTRY

| thousand tonnes | 4Q14 | 3Q14 | 4Q13 | Δ 4Q14/3Q14 | Δ 4Q14/4Q13 | 2014 | 2013 | Δ 2014/2013 |
|---|---|---|---|---|---|---|---|---|
| Wood | 763 | 723 | 745 | 6% | 2% | 2,870 | 2,869 | 0% |
| **R$ million** | | | | | | | | |
| Wood | 82 | 82 | 81 | 0% | 2% | 335 | 316 | 6% |

* 3Q14 amounts include adjustments due to reclassifications

In the final quarter of 2014, the Company increased its wood sales volume to third parties. The period exchange variation fueled higher exports of wood products by Klabin clients, essentially plywood and moldings.

Log sales to third parties climbed by 2% over 4Q13, reaching 763 thousand tonnes, while sales in 2014 came to 2,870 thousand tonnes, in line with the previous year.

Net revenue from wood sales totaled R$82 million in 4Q14, 2% up on 4Q13, accompanying the period increase in log sales volume. Annual log revenue came to R$265 million, 5% higher than in 2013.

## BUSINESS UNIT - PAPER

| thousand tonnes | 4Q14 | 3Q14 | 4Q13 | Δ 4Q14/3Q14 | Δ 4Q14/4Q13 | 2014 | 2013 | Δ 2014/2013 |
|---|---|---|---|---|---|---|---|---|
| Kraftliner DM | 32 | 38 | 41 | -16% | -23% | 137 | 157 | -13% |
| Kraftliner EM | 58 | 71 | 75 | -19% | -23% | 252 | 220 | 14% |
| **Total Kraftliner** | **90** | **109** | **116** | **-17%** | **-23%** | **389** | **377** | **3%** |
| Coated boards DM | 106 | 96 | 102 | 11% | 5% | 377 | 375 | 0% |
| Coated boards EM | 60 | 64 | 73 | -7% | -18% | 260 | 300 | -13% |
| **Total Coated boards** | **166** | **160** | **175** | **4%** | **-5%** | **637** | **675** | **-6%** |
| **Total Paper** | **256** | **269** | **291** | **-5%** | **-12%** | **1,026** | **1,052** | **-3%** |
| **R$ million** | | | | | | | | |
| Kraftliner | 160 | 174 | 187 | -8% | -14% | 639 | 598 | 7% |
| Coated boards | 450 | 419 | 430 | 7% | 5% | 1,661 | 1,608 | 3% |
| **Total Paper** | **610** | **593** | **617** | **3%** | **-1%** | **2,300** | **2,206** | **4%** |



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### Kraftliner

Kraftliner sales volume in 4Q14 was jeopardized by the stoppage to increase the capacity of the machine in Angatuba (SP) by 35 thousand tonnes over the current figure. As a result, period sales volume totaled 90 thousand tonnes, 23% down year-on-year in both the domestic and export markets, while net revenue closed at R$160 million.

In the full year, on the other hand, sales volume climbed by 3% to 389 thousand tonnes, reflecting the installation of the sack kraft machine in Correia Pinto at the end of 2013. Another important factor in 2014 was the increase in kraftliner and sack kraft sales volume in the export market, which accounted for 65% of these products, versus 58% in 2013, favored by the year-long devaluation of the real, which raised the average price disclosed by FOEX from R$1,684/t, in 2013, to R$1,740/t in 2014.

Thus, even with the sales slide in the fourth quarter, annual net revenue moved up by 7% over the year before to R$639 million, due to higher sales volume, especially abroad, thanks to the more competitive exchange rate. In 2015, the Company expects to increase sales volume still further due to the additional capacity from the machines in Piracicaba and Angatuba and the operational start-up of the new recycled paper machine in Goiana (PE).

### Coated Boards

The weak performance of certain sectors of the economy and the poor prospects for the beginning of 2015 were the main reasons for the new decline in domestic demand for coated boards, excluding sales of liquid packaging boards, as disclosed by the IBÁ. In 4Q14, national board demand fell by 5% over 4Q13, while annual sales dipped by 3%. However, Klabin's own domestic coated board sales, including liquid packaging boards, increased by 5% year-on-year in the quarter and remained flat in the annual comparison.

In the full year, the company's coated board sales were impacted by the modifications to paper machine no. 9 in the Monte Alegre plant and totaled 637 thousand tonnes, 6% down on 2013, particularly affected by the reduction in export volume. Sales volume in the fourth quarter came to 166 thousand tonnes, higher than in 3Q14 thanks to the ramp-up of machine no. 9, but still 5% down on 4Q13.

As a result of the greater share of domestic market sales and the benefits of the devaluation of the real on export market sales, net revenue grew by 5% year-on-year in 4Q14 and 3% in 2014 over 2013.

## BUSINESS UNIT - CONVERSION

| thousand tonnes | 4Q14 | 3Q14 | 4Q13 | Δ 4Q14/3Q14 | Δ 4Q14/4Q13 | 2014 | 2013 | Δ 2014/2013 |
|---|---|---|---|---|---|---|---|---|
| Total conversion | 176 | 185 | 175 | -5% | 1% | 712 | 693 | 3% |
| **R$ million** | | | | | | | | |
| Total conversion | 544 | 569 | 523 | -4% | 4% | 2,171 | 2,017 | 8% |

According to the Brazilian Corrugated Boxes Association (ABPO), the market closed 1% down on 4Q13, pointing to a less buoyant local packaging market at the end of 2014. However, Klabin continued to benefit from its strategic commercial positioning with certain non-durable consumer goods sectors and sales volume continued to move up over the same period the year before.

In relation to the sack market, the 9M14 reduction in sales volume continued throughout the final quarter. The downward trajectory of the construction industry was still in evidence despite the paralyzation of the

disclosure of Brazilian cement sales by the National Cement Industry Association (SNIC) since May, which made it more difficult to monitor this market. In the full year, the weak performance of Brazil's cement market strengthened Klabin's position in the Northeast, where it tripled capacity and accompanied the region's growth. The Company also sought to increase sales to other economic segments such as flour, animal feed and chemicals, thereby minimizing the decline in those segments linked to construction, such as cement, mortar and gypsum.

Accordingly, converted product sales totaled 176 thousand tonnes in 4Q14, 1% up on 4Q13, while annual sales volume stood at 712 thousand tonnes, 3% up on the year before.

Fourth-quarter net revenue climbed by 4% over 4Q13, reaching R$544 million, while 2014 net revenue came to R$2,171 million, 8% up on the previous year.

# Investments

| R$ million | 4Q14 | 2014 |
|---|---|---|
| Forestry | 31 | 102 |
| Maintenance | 65 | 282 |
| Special projects and growth | 58 | 319 |
| Puma Project | 763 | 2,242 |
| **Total** | **917** | **2,945** |

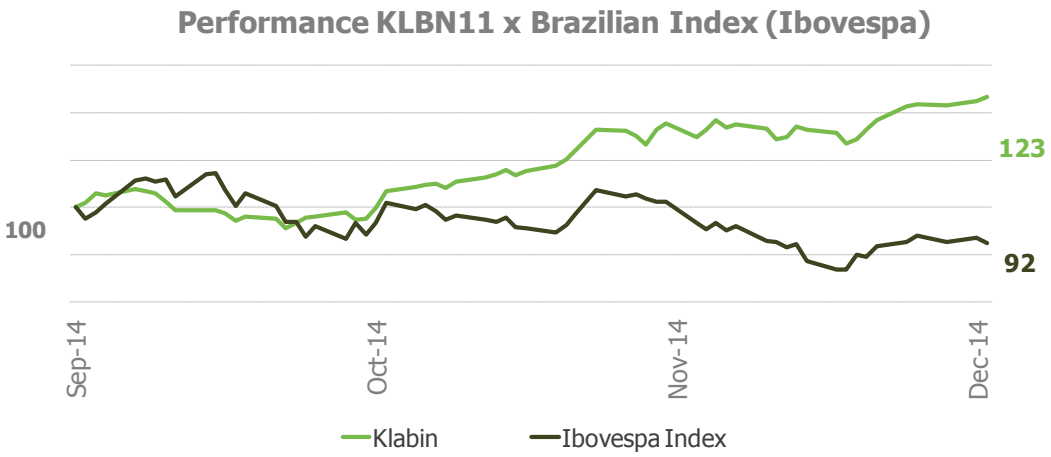
Klabin invested R$916 million in 4Q14, led by investments in the new pulp plant in Ortigueira (PR). Of this total, R$65 million went to the continuity of mill operations, R$31 million to forestry operations, R$58 million to special projects and capacity expansions, and R$763 million to the Puma Project. In 2014, investments in the Puma Project totaled R$2,242 million. Klabin's new pulp plant will have a capacity of 1.5 million tonnes per year. The works are moving ahead in line with the previously established schedule and were 38% complete by the end of the year.

On February 2, the new 110 thousand tonne/year recycled paper machine in Goiana (PE) began operations and produced its first reel of paper. Modifications to the machine in Piracicaba (SP) to add 15 thousand tonnes/year of recycled paper capacity are scheduled for April 2015.

# Capital Market

## Shares

Klabin's Units (KLBN11) moved up by 23% in 4Q14, while the Ibovespa Index depreciated by 8%. The Company's Units were traded in all sessions of the BM&FBovespa, totaling 381 thousand trades involving 203 million shares, giving average daily traded volume of R$42 million at the end of the period.

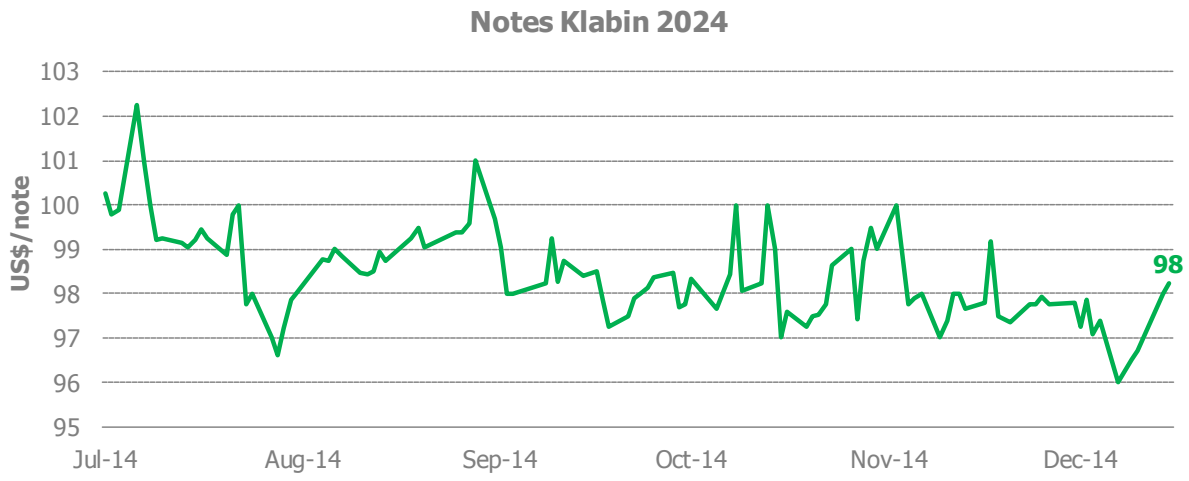



Klabin's capital stock is represented by 4,730 million shares, 1,849 million of which common shares and 2,881 million preferred shares. Klabin's shares are also traded on the U.S. over-the-counter market as Level 1 ADRs, under the ticker KLBAY.

For the second consecutive year, Klabin was included in the BM&FBovespa's Corporate Sustainability index (ISE). The new portfolio, which became effective on January 5, 2015, contains 51 shares from 40 companies, all of which recognized for their high level of commitment to the sustainability of their businesses and the country as a whole. This achievement reinforces Klabin's historic commitment to sustainable development, underlined by its pioneering role in obtaining pulp and paper sector certifications and its handling of biodiversity.

## Fixed Income

Klabin's debt securities (notes) are due in July 2024. The issue totaled US$500 million and the notes are being traded on the secondary market of the Luxemburg Stock Exchange. They were issued at 5.25% p.a., with interest payments every six months in January and July. Klabin's credit rating is BBB- with a negative outlook, according to the risk rating agencies Standard & Poor's and Fitch Ratings.



# Conference Call

## Portuguese (with simultaneous translation)

Thursday, February 12, 2015 – 11:00 a.m. (Brasília).

Password: Klabin

Phone: (11) 3193-1133 or (11) 2820-4133

Replay: (11) 3193-1012 or (11) 2820-4012 – Password: 2133982#

The conference call will also be broadcast via the internet.

Access: http://webcall.riweb.com.br/klabin

## English (with simultaneous translation)

Thursday, February 12th, 2015 – 08:00 a.m. (EST).

Password: Klabin

Phone: U.S. participants: 1-888-700-0802

International participants: 1-786-924-6977

Brazilian participants: (55 11) 3193-1133

Replay: (55 11) 3193-1012 or (55 11) 2820-4012 – Password: 5176977#

The conference call will also be broadcast via the internet.

Access: http://webcall.riweb.com.br/klabin/english

With gross revenue of R$5.9 billion in 2014, **Klabin** is the largest integrated manufacturer, exporter and recycler of packaging paper in Brazil, with an annual production capacity of 1.9 million tonnes. Klabin has adopted a strategic focus on the following businesses: paper and coated boards for packaging, corrugated boxes, industrial sacks and wood logs. It is the leader in all of its market segments.

*The statements in this earnings release concerning the Company's business prospects, projected operating and financial results and potential growth are merely projections and were based on Management's expectations regarding the Company's future. These expectations are highly susceptible to changes in the market, the general performance of the Brazilian economy, the industry and the international markets, and are therefore subject to change.*

# Appendix 1
# Consolidated Income Statement (R$ thousands)

| (R$ thousand) | 4Q14 | 3Q14 | 4Q13 | Δ 4Q14/3Q14 | Δ 4Q14/4Q13 | 2014 | 2013 | Δ 2014/2013 |
|---|---|---|---|---|---|---|---|---|
| **Gross Revenue** | **1,518,233** | **1,540,725** | **1,485,726** | **-1%** | **2%** | **5,900,091** | **5,554,345** | **6%** |
| **Net Revenue** | **1,257,110** | **1,282,208** | **1,236,221** | **-2%** | **2%** | **4,893,882** | **4,599,337** | **6%** |
| Change in fair value - biological assets | 19,644 | 252,784 | 56,362 | -92% | -65% | 924,104 | 336,289 | 175% |
| Cost of Products Sold | (919,770) | (909,269) | (845,033) | 1% | 9% | (3,573,609) | (3,206,917) | 11% |
| **Gross Profit** | **356,984** | **625,723** | **447,550** | **-43%** | **-20%** | **2,244,377** | **1,728,709** | **30%** |
| Selling Expenses | (95,853) | (98,218) | (96,777) | -2% | -1% | (379,726) | (362,638) | 5% |
| General & Administrative Expenses | (83,171) | (69,367) | (76,666) | 20% | 8% | (298,350) | (280,526) | 6% |
| Other Revenues (Expenses) | 42,985 | 15,384 | (1,342) | 179% | N/A | 84,785 | 11,472 | 639% |
| **Total Operating Expenses** | **(136,039)** | **(152,201)** | **(174,785)** | **-11%** | **-22%** | **(593,291)** | **(631,692)** | **-6%** |
| **Operating Income (before Fin. Results)** | **220,945** | **473,522** | **272,765** | **-53%** | **-19%** | **1,651,086** | **1,097,017** | **51%** |
| **Equity pickup** | **14,268** | **23,032** | **4,860** | **-38%** | **194%** | **48,649** | **22,235** | **119%** |
| Financial Expenses | (224,971) | (226,856) | (119,667) | -1% | 88% | (654,932) | (423,350) | 55% |
| Financial Revenues | 131,778 | 149,318 | 64,803 | -12% | 103% | 535,340 | 212,957 | 151% |
| Net Foreign Exchange Losses | (357,697) | (420,970) | (193,655) | -15% | 85% | (526,520) | (528,641) | 0% |
| **Net Financial Revenues** | **(450,890)** | **(498,508)** | **(248,519)** | **-10%** | **81%** | **(646,112)** | **(739,034)** | **-13%** |
| **Net Income before Taxes** | **(215,677)** | **(1,954)** | **29,106** | **10938%** | **N/A** | **1,053,623** | **380,218** | **177%** |
| Income Tax and Soc. Contrib. | 88,306 | 8,963 | (7,586) | 885% | N/A | (323,293) | (90,121) | 259% |
| **Net income** | **(127,371)** | **7,009** | **21,520** | **N/A** | **N/A** | **730,330** | **290,097** | **152%** |
| | | | | | | | | |
| Depreciation and amortization | 295,216 | 222,366 | 216,749 | 33% | 36% | 951,965 | 766,553 | 24% |
| Cost of carrying out assigned to property - land | 3,169 | - | - | N/A | N/A | 3,169 | - | N/A |
| Change in fair value of biological assets | (19,644) | (252,784) | (56,362) | -92% | -65% | (924,104) | (336,289) | 175% |
| Vale do Corisco | 8,708 | 8,326 | 9,330 | 5% | -7% | 35,972 | 34,400 | 5% |
| **Adjusted EBITDA** | **508,394** | **451,430** | **442,482** | **13%** | **15%** | **1,718,088** | **1,561,681** | **10%** |



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# Appendix 2
# Consolidated Balance Sheet (R$ thousands)

| Assets | dec-14 | dez-13 |
|---|---|---|
| **Current Assets** | **7,899,676** | **4,826,148** |
| Cash and banks | 400,684 | 130,836 |
| Short-term investments | 4,845,149 | 2,599,036 |
| Securities | 497,604 | 249,511 |
| Receivables | 1,148,676 | 1,145,154 |
| Inventories | 563,709 | 495,852 |
| Recoverble taxes and contributions | 331,968 | 120,050 |
| Other receivables | 111,886 | 85,709 |
| | | |
| **Noncurrent Assets** | **13,274,179** | **10,093,348** |
| Long term | | |
| Taxes to compensate | 428,884 | 123,684 |
| Judicial Deposits | 84,689 | 90,969 |
| Other receivables | 236,050 | 171,322 |
| Other investments | 494,747 | 466,581 |
| Property, plant & equipment, net | 8,351,387 | 5,909,507 |
| Biological assets | 3,667,085 | 3,321,985 |
| Intangible assets | 11,337 | 9,300 |
| | | |
| **Total** | **21,173,855** | **14,919,496** |

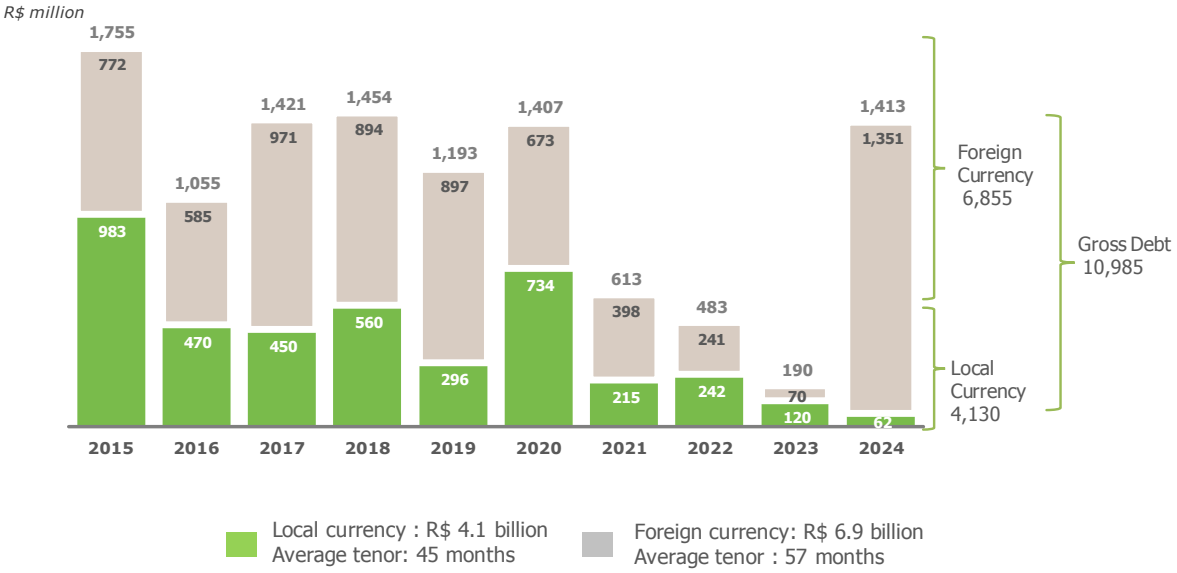
| Liabilities and Stockholders' Equity | dec-14 | dez-13 |
|---|---|---|
| **Current Liabilities** | **2,518,873** | **1,779,513** |
| Loans and financing | 1,479,788 | 1,124,976 |
| Debentures | 275,201 | 0 |
| Suppliers | 438,864 | 345,384 |
| Income tax and social contribution | 0 | 18,209 |
| Taxes payable | 55,137 | 43,298 |
| Salaries and payroll charges | 139,879 | 127,356 |
| REFIS Adherence | 50,400 | 50,400 |
| Other accounts payable | 79,604 | 69,890 |
| | | |
| **Noncurrent Liabilities** | **11,596,659** | **7,747,316** |
| Loans and financing | 8,160,320 | 5,838,621 |
| Debentures | 1,070,263 | 0 |
| Deferred income tax and social contribution | 1,699,823 | 1,220,187 |
| Other accounts payable - Investors SCPs | 131,526 | 125,767 |
| REFIS Adherence | 384,607 | 393,492 |
| Other accounts payable | 150,120 | 169,249 |
| | | |
| **Stockholders´Equity** | **7,058,323** | **5,392,667** |
| Capital | 2,271,500 | 2,271,500 |
| Capital reserve | 1,295,919 | 4,419 |
| Revaluation reserve | 48,767 | 49,269 |
| Profit reserve | 2,534,302 | 2,159,949 |
| Valuation adjustments to shareholders'equity | 1,065,446 | 1,065,437 |
| Treasury stock | (157,611) | (157,907) |
| | | |
| **Total** | **21,173,855** | **14,919,496** |



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# Appendix 3
## Loan Maturity Schedule – December 31, 2014

| R$ milhões | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| BNDES | 543 | 275 | 264 | 250 | 197 | 88 | 43 | 34 | 31 | 23 | **1,749** |
| Outros | 165 | 40 | 27 | 180 | 51 | 217 | 123 | 105 | 89 | 40 | **1,037** |
| Debêntures | 275 | 155 | 159 | 129 | 49 | 428 | 49 | 102 | | | **1,344** |
| **Moeda Nacional** | **983** | **470** | **450** | **560** | **296** | **734** | **215** | **242** | **120** | **62** | **4,130** |
| Pré Pagamento | 537 | 239 | 576 | 661 | 680 | 486 | 358 | 211 | 44 | - | **3,793** |
| Financ. de Ativo Fixo - BNDES | 31 | 26 | 47 | 53 | 59 | 52 | 40 | 30 | 26 | 23 | **390** |
| *Bonds* | 32 | - | - | - | - | - | - | - | - | 1,328 | **1,360** |
| Outros | 172 | 319 | 348 | 180 | 158 | 134 | - | - | - | - | **1,311** |
| **Moeda Estrang.** | **772** | **585** | **971** | **894** | **897** | **673** | **398** | **241** | **70** | **1,351** | **6,855** |
| **End. Bruto** | **1,755** | **1,055** | **1,421** | **1,454** | **1,193** | **1,407** | **613** | **483** | **190** | **1,413** | **10,985** |




| | Average Cost | Average Tenor |
|---|---|---|
| **Local Currency** | 8.7 % p.y. | 45 months |
| **Foreign Currency** | 4.8 % p.y. | 57 months |
| **Gross Debt** | | 52 months |



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# Appendix 4
# Consolidated Cash Flow Statement (R$ thousand)

| | 2014 | 2013 |
|---|---|---|
| **Cash flow from operating activities** | **1,555,391** | **1,032,322** |
| **Operating activities** | **2,208,713** | **1,064,600** |
| . Net income | 730,330 | 290,097 |
| . Depreciation and amortization | 277,783 | 237,241 |
| . Change in fair value - biolgical assets | (924,104) | (336,289) |
| . Depletion in biological assets | 674,182 | 529,312 |
| .Income taxes and social contribution | 477,464 | (151,321) |
| . Interest and exchange variation on loans and financing | 1,262,068 | 934,217 |
| Payment of interest on loans | (392,969) | (306,533) |
| . Interest, exchange variation and profit sharing of debentures | 85,744 | - |
| . Variation of the present value of debentures | 51,596 | - |
| . REFIS Reserve | 46,263 | 39,973 |
| . Equity results | (33,288) | 2,258 |
| . Results on Equity Pickup | (48,649) | (22,235) |
| . Deferred income taxes and social contribution | (11,052) | (149,719) |
| . Others | 13,345 | (2,401) |
| **Variations in Assets and Liabilities** | **(653,322)** | **(32,278)** |
| . Receivables | (1,469) | (164,803) |
| . Inventories | (67,857) | (22,194) |
| . Recoverable taxes | (506,066) | 169,697 |
| . Marketable Securities | (248,093) | (9,434) |
| . Prepaid expenses | 47 | (5,535) |
| . Other receivables | (26,511) | (13,075) |
| . Suppliers | 232,918 | 64,262 |
| . Taxes and payable | (6,370) | (49,975) |
| . Salaries, vacation and payroll charges | 12,523 | 1,549 |
| . Other payables | (42,444) | (2,770) |
| **Net Cash Investing Activities** | **(2,909,308)** | **(865,358)** |
| . Purchase of property, plant and equipment | (2,842,350) | (818,316) |
| . Cust biological assets planting (ex taxes) | (103,085) | (81,095) |
| . Income of assets sale | 18,277 | 16,203 |
| . Sale of property, plant and equipment | 17,850 | 17,850 |
| **Net Cash Financing Activities** | **3,869,878** | **45,596** |
| . New loans and financing | 2,837,527 | 1,407,193 |
| . Debentures capitalization | 2,470,151 | - |
| . Loan amortization | (1,104,217) | (1,106,384) |
| . Dividends payed | (332,054) | (301,074) |
| . Stocks repurchase | (5,822) | (8,821) |
| . Stocks disposal | 5,391 | 4,894 |
| . Minority shareholders entry | - | 50,000 |
| . Minority shareholders exit | (1,098) | (212) |
| **Increase (Decrease) in cash and cash equivalents** | **2,515,961** | **212,560** |
| **Cash and cash equivalents at beginning of period** | **2,729,872** | **2,517,312** |
| **Cash and cash equivalents at end of period** | **5,245,833** | **2,729,872** |