



# 2Q18 Earnings Release

JULY 30<sup>th</sup>, 2018

ADJUSTED EBITDA REACHES R\$ 884 MILLION IN 2Q18  
YEAR ON YEAR GROWTH OF 49%

ADJUSTED EBITDA

**R\$ 884 mn**

Adjusted EBITDA showed a 49% increase in 2Q18 in relation to the same period in 2017.

SALES REVENUES

**R\$ 2,235 mn**

Net sales revenues increased 13% versus 2Q17, driven by the improved price scenario

KRAFTLINER SALES REVENUE

**+33% vs 2Q17**

Kraftliner sales revenue increases on the back of better international prices and product line flexibility.

PULP PRODUCTION IN JUNE

**139 k t**

Puma Unit produced 139 thousand tons of pulp in June, a record since start-up

EBITDA MARGIN OF

**40%**

EBITDA margin of 40% in 2Q18, a year-on-year improvement of 10p.p.

#### Klabin

Market Value\*  
R\$ 21.2 billion

\*based on the price of KLBN11

#### KLBN11

Closing price  
R\$ 19.60  
Daily average volume 2Q18  
R\$ 74.5 million

#### Conference Call

Portuguese (with simultaneous translation)  
Tuesday, July 31, 2018 – 10:00 a.m. (NY)  
Tel: (+5511) 3193-1133  
Password: Klabin  
<http://cast.comunique-se.com.br/Klabin/2Q18>

#### IR

<http://ri.klabin.com.br>  
[invest@klabin.com.br](mailto:invest@klabin.com.br)  
+55 11 3046-8401

## FINANCIAL HIGHLIGHTS

R\$ million	2Q18	1Q18	2Q17	Δ		6M18	6M17	Δ
				2Q18/1Q18	2Q18/2Q17			6M18/6M17
<b>Sales volume (thousand tonnes)</b>	<b>713</b>	<b>761</b>	<b>777</b>	<b>-6%</b>	<b>-8%</b>	<b>1,474</b>	<b>1,535</b>	<b>-4%</b>
% Domestic Market	52%	51%	50%	1 p.p.	2 p.p.	52%	48%	4 p.p.
<b>Net Revenue</b>	<b>2,235</b>	<b>2,189</b>	<b>1,984</b>	<b>2%</b>	<b>13%</b>	<b>4,424</b>	<b>3,851</b>	<b>15%</b>
% Domestic Market	57%	59%	61%	-2 p.p.	-4 p.p.	58%	61%	-3 p.p.
<b>Adjusted EBITDA</b>	<b>884</b>	<b>760</b>	<b>595</b>	<b>16%</b>	<b>49%</b>	<b>1,644</b>	<b>1,133</b>	<b>45%</b>
Adjusted EBITDA Margin	40%	35%	30%	5 p.p.	10 p.p.	37%	29%	8 p.p.
<b>Net Income</b>	<b>(955)</b>	<b>125</b>	<b>(378)</b>	<b>n/a</b>	<b>153%</b>	<b>(830)</b>	<b>224</b>	<b>n/a</b>
<b>Net Debt</b>	<b>12,597</b>	<b>11,108</b>	<b>11,748</b>	<b>13%</b>	<b>7%</b>	<b>12,597</b>	<b>11,748</b>	<b>7%</b>
Net Debt / EBITDA (LTM - BRL)	3.9x	3.8x	4.9x			3.9x	4.9x	
Net Debt / EBITDA (LTM - USD)	3.4x	3.6x	4.5x			3.4x	4.5x	
<b>Capex</b>	<b>193</b>	<b>230</b>	<b>209</b>	<b>-16%</b>	<b>-8%</b>	<b>423</b>	<b>460</b>	<b>-8%</b>

Klabin presents its consolidated financial statements according to international accounting standards (International Financial Reporting Standards - IFRS) as determined by CVM 457/07 and CVM 485/10 instructions. Information on Vale do Corisco is not consolidated in the Financial Statements and is represented by the Equity Pick up method only. Adjusted EBITDA is in accordance with CVM Instruction 527/12.

Some of the figures on the charts and tables may not express a precise result due to rounding. The EBITDA margin incorporates the effects of Vale do Corisco LTM – last 12 months.

## SUMMARY

Imminent general elections, the truckers' strike in May and the increase in global interest rates enhanced uncertainties in the Brazilian market during the second quarter of the year, increasing volatility particularly on the currency and equity fronts. Mindful of this scenario, the Central Bank's Monetary Policy Committee – Copom called a halt to the downward trajectory in interest rates.

In this context, the food industry as well as other non-durable consumer goods producers were especially affected by the truckers' strike. Reflecting this phenomenon, corrugated box shipments were flat in 2Q18 in relation to the same period in 2017 as revealed in data published by the Brazilian Corrugated Board Association (ABPO). On the other hand, the figures show a 1.8% growth for the first half of the year, with outlook remaining positive and growth estimated for 2018 at 2.4% in relation to volumes in 2017.

On the international front, concerns surrounding news of increases in trade tariffs and interest rates in the USA had no effect on packaging paper and pulp prices globally. These markets continue to perform positively with buoyant demand coming mainly from China combined

with restrictions on the use of recycled materials in the light of environmental issues.

The Kraftliner market continued to show strong demand during the quarter, and European list prices, published by FOEX, ended 2Q18 on average at US\$879/tonne. This represents a 31% increase in relation to average prices during the same period last year.

Continued pulp demand from emerging markets, especially from China, saw price improvements throughout the second quarter 2018. In this context, hardwood (short fiber) list prices, published by FOEX, reached US\$ 1.044/t at the end of 2Q18 in Europe, a 3% increase in relation to prices in 1Q18 and 33% compared with the same period in 2017. Softwood (long fiber) market price increases were even stronger, with European list prices on average in the quarter at US\$1,159/t versus US\$1,056/t in 1Q18, and US\$ 860/t at the end of 2Q17, 10% and 35% increases, respectively. This variations culminated in a significant increase in the spread between long and the short fibers, which closed the quarter at US\$ 150/t in Europe.

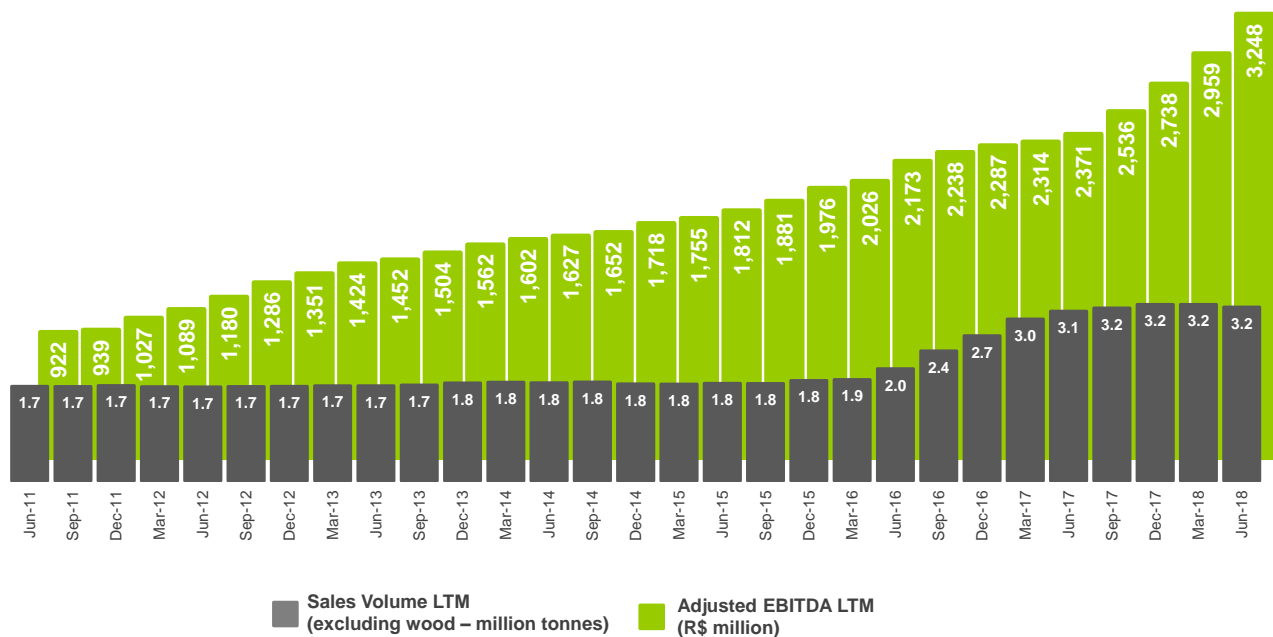
Non-recurring events, such as the truckers' strike in the month of May, impacted Klabin's production during the second quarter. Facing this scenario, Klabin used its flexibility to mitigate these effects and at the same time to focus on improving its sales mix.

Despite the extreme instability during the quarter, this strategy has been successful in leveraging net revenue growth by 13% in relation to 2Q17. With this increase in revenue and cost discipline,

Klabin reported an EBITDA margin of 40% in 2Q18 against 30% during the same period 2017.

The same factors also drove adjusted EBITDA which reached R\$ 884 million in the quarter, a 49% increase year-on-year. In the last twelve months, adjusted EBITDA amounted to R\$ 3,248 million, the 28<sup>th</sup> consecutive quarter or 7<sup>th</sup> consecutive year of growth.

28<sup>th</sup> QUARTER OF EBITDA GROWTH



LTM – Last twelve months

Exchange Rate

A sharp devaluation in the Real in line with a similar trend in other emerging market currencies reflected enhanced uncertainties both in Brazil and abroad. The average FX rate for the period was R\$3.61/US\$, a 12% devaluation in relation to 2Q17 and 11% in relation to 1Q18. The closing rate for marking currency denominated debt was R\$3.86/US\$, a 16% depreciation in relation to the rate at the end of first quarter 2018.

R\$ / US\$	2Q18	1Q18	2Q17	Δ		6M18	6M17	Δ
				2Q18/1Q18	2Q18/2Q17			6M18/6M17
Average Rate	3.61	3.24	3.22	11%	12%	3.43	3.18	8%
End Rate	3.86	3.32	3.31	16%	17%	3.86	3.31	16%

Source: Bacen

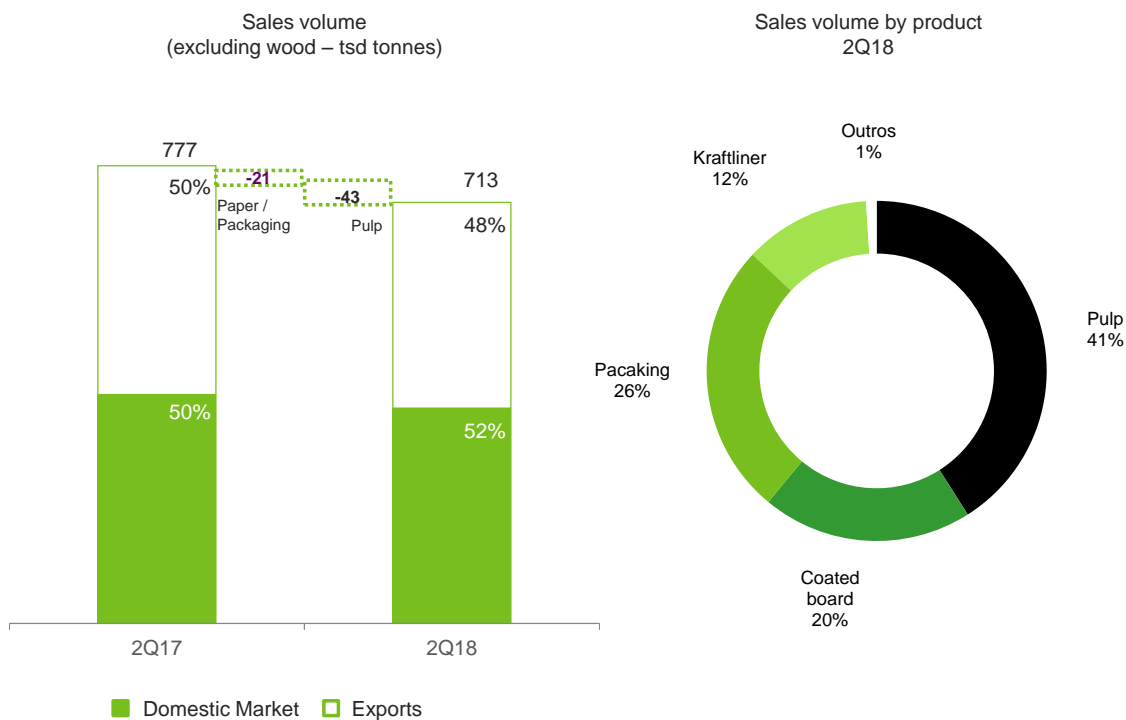


## OPERATING AND ECONOMIC FINANCIAL PERFORMANCE

### Sales volume

Klabin’s sales volume during the second quarter, excluding wood, totaled 713 thousand tons, versus 777 thousand tons sold in the same period of the previous year. Non-recurring events, such as the truckers’ strike in the month of May, in addition to the extended maintenance stoppage at the Puma Unit impacted total sales, especially those of pulp and coated board. Worthy of note however is that in June all units were again operating normally.

While suffering the generalized effects of the strike, Klabin used the flexibility in its product line to good effect by focusing on high return, less affected markets. Also worth highlighting is that despite the unfavorable context, there was a 49% increase in Kraftliner sales volume to the domestic market in relation to 2Q17, in addition to an increase in conversion product exports, mainly driven by the new industrial bag unit which began operations in April.

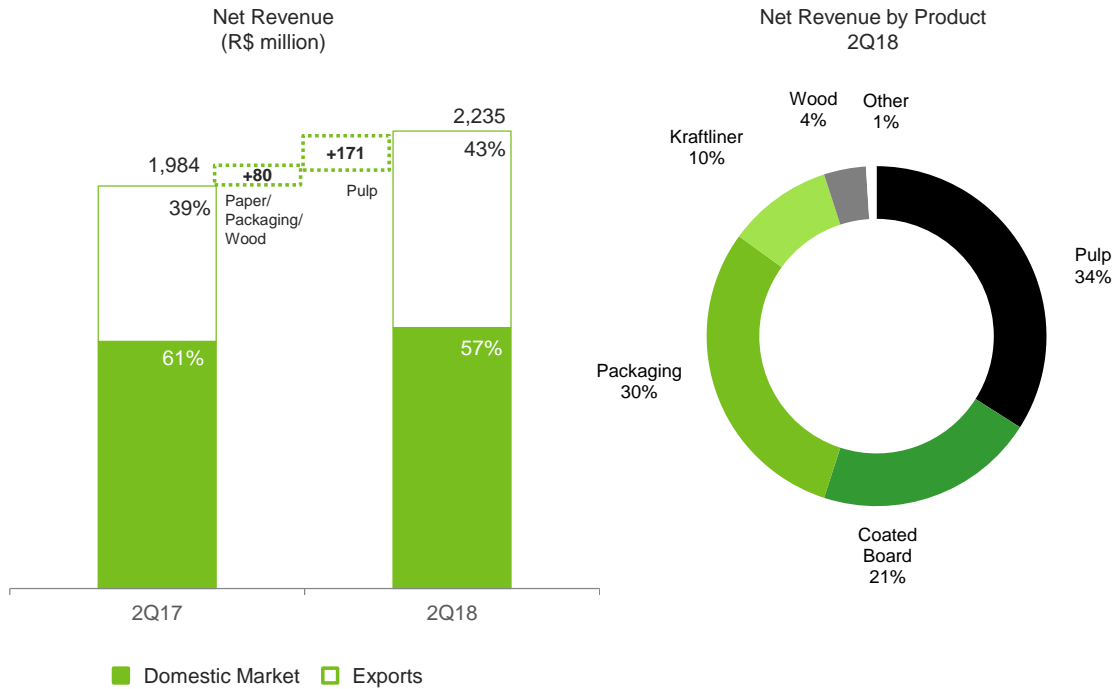


### Net Revenues

Net revenues grew 13% in 2Q18 in comparison to the same period of 2017, reaching R\$2,235 million, despite the decline in volume due to the factors mentioned above. The growth is a reflection of good price momentum in paper and pulp markets, in addition to the devaluation of the Real in relation to the US dollar during the period and enhanced by Klabin’s flexibility in switching sales to markets where returns are better.

Worthy note is the increase of 33% and 29% in Kraftliner and pulp markets, respectively, which in addition the improvement in prices, are also those markets directly benefiting from the devaluation of the Real. In

this context, export revenue increased by 25% versus 2Q17 and now accounts for a 43% share of total revenues.



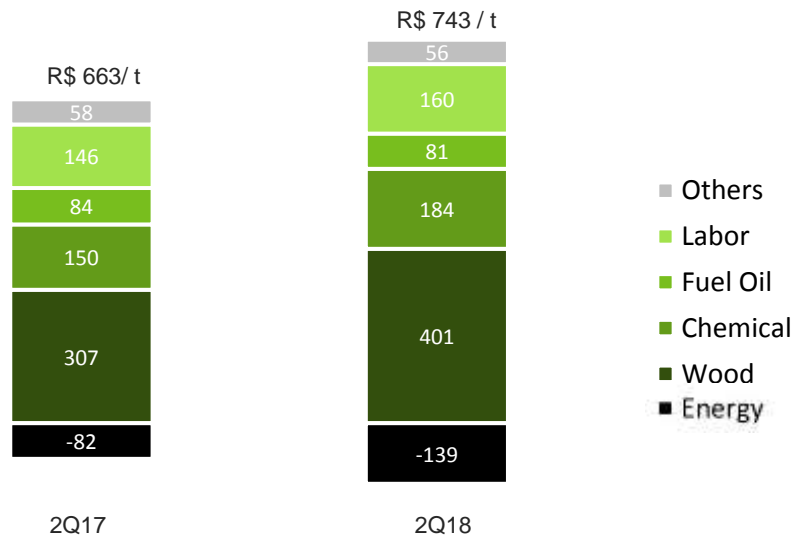
## Operating Costs and Expenses

### PULP CASH COST

For comparative purposes, **the unit cash cost of pulp production** is now disclosed for each quarter, contemplating production costs for hardwood, softwood and fluff and volumes produced during the period. The production cash cost does not include selling and general and administrative expenses, constituting exclusively amounts expended on pulp production as such.

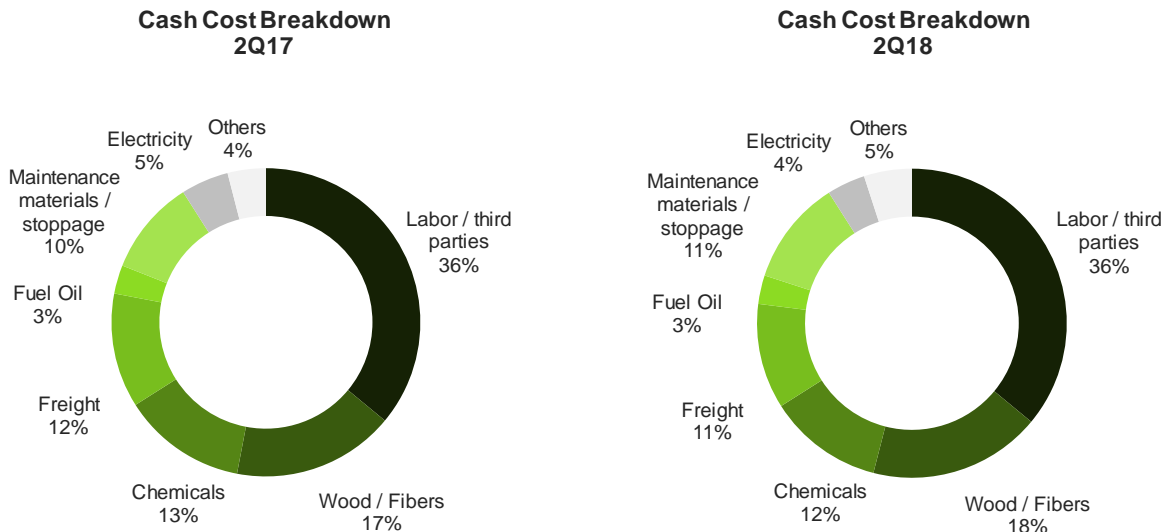
The truck drivers' strike in May and the prolongation of the maintenance stoppage until April, due to an incident during the recovery boiler wash, impacted the production of the Puma Unit by approximately 70 thousand tons in the first half of the year.

Consequently, the **unit cash cost of pulp production** during 2Q18 was R\$ 743/ton, reflecting not only the reduced dilution of fixed costs, but also greater consumption of chemicals and third party wood supplies needed to resume normal plant production levels, affected both by the maintenance shutdown and the truckers' strike. Higher energy generation, enhanced by the increase in spot market prices, partially offset cost increases. It is important to note that in June, month in which the Unit produced 139 thousand tons, the production cash cost fell back to R\$651/ton.



**TOTAL CASH COST**

**Total unit cash cost**, which includes the sale of all Company products, reached R\$ 1,895/t in the quarter, a 6% increase in relation to 2Q17. Even with the non-recurring events mentioned above, higher energy efficiency and normalization of Company’s general and administrative expenses partially offset cost increases in the period. It is worth mentioning that cash costs were also affected by the annual stoppage at the Monte Alegre (PR) plant.



**Cost of goods sold** during the quarter, excluding depreciation, amortization and depletion, was R\$ 1,046 million, 6% below the same period in the preceding year, in line with the reduction in sales volume during

the analyzed periods. This value represents a 2% increase per tonne on the same comparative basis and in line with inflation and impacted on the one hand by higher wood and chemical costs and on the other, by a reduction in energy expenditures.

**Sales expenses** totaled R\$ 173 million in the quarter, flat in relation to 1Q18 and a 14% increase in comparison to 2Q17, and proportional to the increase in Company sales revenue. Sales expenses in 2Q18 represented 7.7% of net revenues, flat in relation to the same period in the preceding year.

**General and administrative expenses** totaled R\$ 132 million in the quarter, a 3% decrease in relation to the same period of the preceding year. A highlight of the quarter was the Company's continued efforts to enhance efficiency following the structural adjustments in the light of expanded pulp operations

**Other operating revenues/expenses** totaled R\$ 0.5 million in expenses in the period.

## Effects of the variation of the fair value of biological assets

During 2Q18, the effects of the variation in fair value of biological assets were positive at R\$ 69 million. In turn, the depletion effect of fair value of the biological assets on the cost of goods sold was R\$ 119 million in the period under review. Hence, the non-cash effect of the fair value of biological assets on operational results (EBIT) was a negative R\$ 50 million in the quarter.

## Operating Cash Generation (EBITDA)

R\$ million	2Q18	1Q18	2Q17	Δ		6M18	6M17	Δ
				2Q18/1Q18	2Q18/2Q17			6M18/6M17
<b>Net Income (loss)</b>	<b>(955)</b>	<b>125</b>	<b>(378)</b>	<b>n/a</b>	<b>153%</b>	<b>(830)</b>	<b>224</b>	<b>n/a</b>
(+) Income taxes and social contribution	(508)	53	(223)	n/a	128%	(455)	35	n/a
(+) Net Financial Revenues	2,012	262	669	667%	201%	2,274	351	548%
(+) Depreciation, amortization, depletion	406	441	626	-8%	-35%	846	1,076	-21%
<b>Adjustments according to IN CVM 527/12 art. 4º</b>								
(+) Biological assets adjustment	(69)	(119)	(102)	-42%	-32%	(188)	(557)	-66%
(-) Equity Pickup	(2)	(2)	1	8%	n/a	(3)	(5)	-37%
(+) Vale do Corisco	-	-	1	n/a	n/a	-	9	n/a
<b>Adjusted EBITDA</b>	<b>884</b>	<b>760</b>	<b>595</b>	<b>16%</b>	<b>49%</b>	<b>1,644</b>	<b>1,133</b>	<b>45%</b>
Adjusted EBITDA Margin	40%	35%	30%	5 p.p.	10 p.p.	37%	29%	8 p.p.

n/a - Not applicable

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

Generalized price increases in all of Klabin's markets more than offset the non-recurring loss on sales volume in the quarter, generating a 13% net revenue increase in relation to 2Q17. This fact, combined with the Company's efforts to control costs contributed to the increase in **operational cash generation (adjusted EBITDA)**, this reporting R\$ 884 million in 2Q18, 49% higher than in the same period of the previous year. Due to these factors, the Company obtained an important increase in EBITDA margin at 40% versus 30% in the 2Q17.

## Free Cash Flow

R\$ million	2Q18	1Q18	2Q17	6M18	6M17	LTM
<b>Adjusted EBITDA</b>	<b>884</b>	<b>760</b>	<b>595</b>	<b>1,644</b>	<b>1,133</b>	<b>3,248</b>
(-) Capex	(193)	(230)	(210)	(423)	(461)	(887)
(-) Interest paid/received	(83)	(396)	(86)	(479)	(351)	(838)
(-) Income tax	(1)	(1)	(2)	(2)	(4)	(3)
(+/-) Working Capital	51	12	137	63	184	287
(-) Dividends	(152)	(171)	(108)	(323)	(238)	(592)
(+/-) Others	(1)	(3)	(1)	(4)	(33)	(12)
<b>Free Cash Flow</b>	<b>505</b>	<b>(29)</b>	<b>325</b>	<b>476</b>	<b>230</b>	<b>1,203</b>
Dividends	152	171	108	323	238	592
Special projects and growth	51	74	58	125	176	243
<b>Adjusted Free Cash Flow*</b>	<b>708</b>	<b>216</b>	<b>491</b>	<b>924</b>	<b>644</b>	<b>2,038</b>
<b>Adjusted FCF Yield</b>						<b>10.4%</b>

\* excluding dividends and expansion projects

- LTM - last twelve months.

- Yield - Adjusted FCF per share (excluding treasury stock) divided by the average price of the Units in the LTM.

**Adjusted free cash flow** before dividends and expansion projects was positive at R\$ 708 million during 2Q18. Free cash flow for the first half 2017 was R\$923 million, an increase in relation to R\$644 million seen in 6M17, largely a reflection of growth in the Company's operating cash generation. Considering the last twelve months, adjusted free cash flow was R\$ 2,038 million, equivalent to a **FCF yield** for the period of 10.4%

## Debt and financial investments

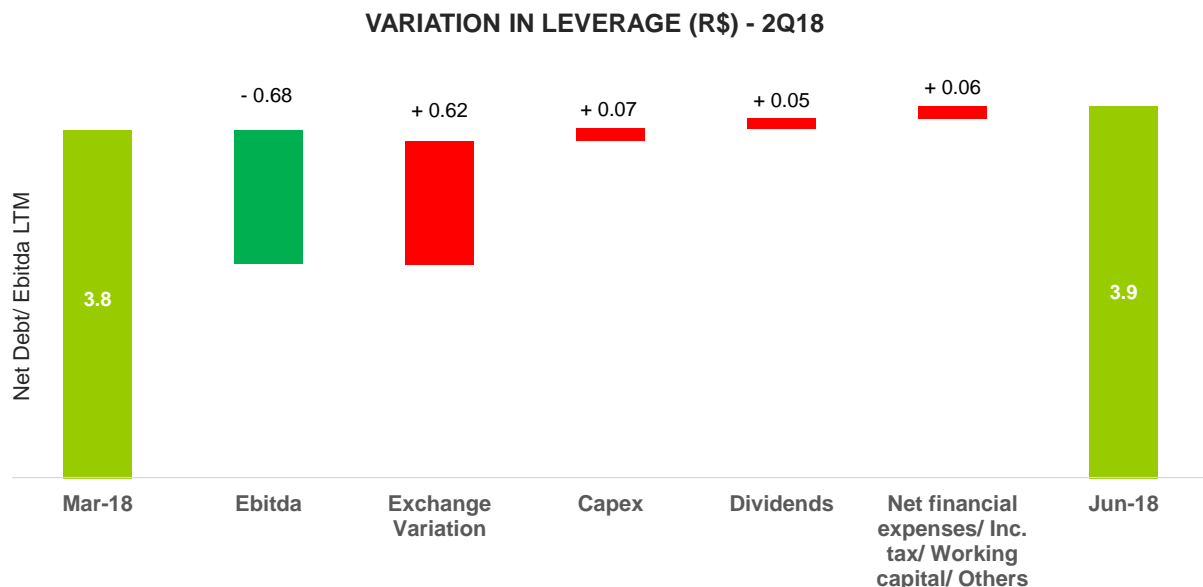
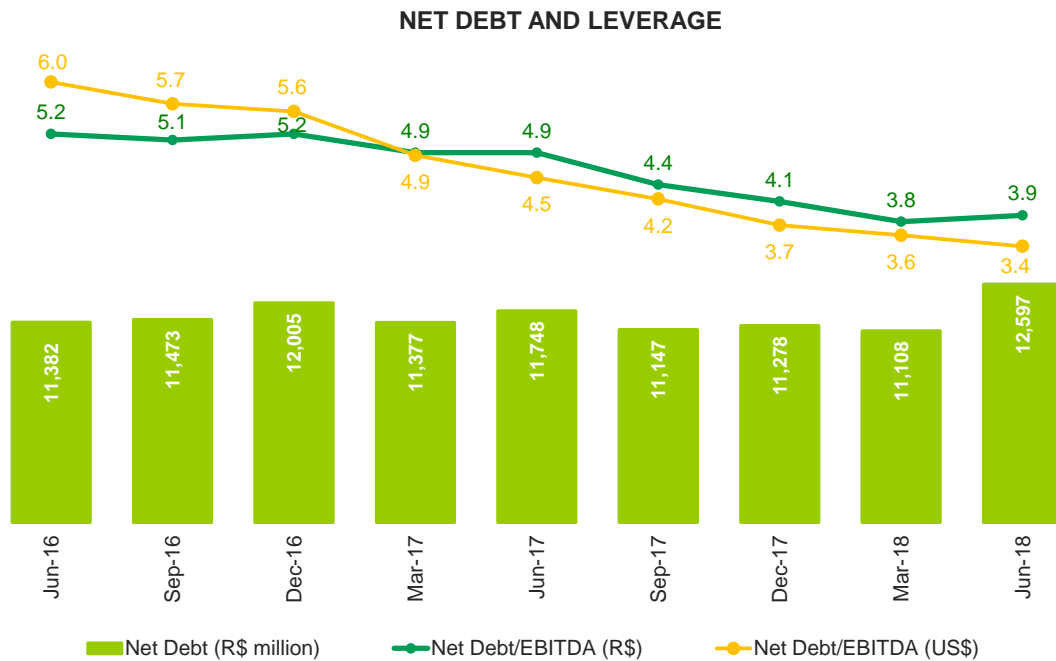
Gross debt on June 30, 2018 was R\$ 19,492 million, a R\$ 1,794 million increase in relation to the end of 1Q18, mainly due to the impact of FX rates on Company debt denominated in US Dollars. Out of total debt, R\$ 14,449 million, or 71% (US\$ 3,756 million), is US Dollar denominated. **Average maturity** all outstanding debt is now 45 months, of which 37 months for loans in Reais and 50 months in currency-denominated lines. Short-term debt at the end of the quarter was 11% of the total with the **average cost** of local funding and currency-denominated lines being 7.2% p.a. and 4.9% p.a. respectively.

The company's position in **cash and cash equivalents** at the end of 2Q18 amounted to R\$ 6,895 million, R\$ 305 million more than at the end of the 1Q18 due mainly to cash generation during the period. This amount is sufficient to cover debt payments maturing over the next 34 months.

Debt (R\$ million)	Jun-18		Mar-18	
<b>Short term</b>				
Local currency	692	4%	643	4%
Foreign currency	1,508	8%	1,144	6%
<b>Total short term</b>	<b>2,200</b>	<b>11%</b>	<b>1,787</b>	<b>10%</b>
<b>Long term</b>				
Local currency	4,301	22%	4,509	25%
Foreign currency	12,991	67%	11,403	65%
<b>Total long term</b>	<b>17,293</b>	<b>89%</b>	<b>15,912</b>	<b>90%</b>
Total local currency	4,993	26%	5,152	29%
Total foreign currency	14,499	74%	12,547	71%
<b>Gross debt</b>	<b>19,492</b>		<b>17,699</b>	
(-) Cash	6,895		6,590	
<b>Net debt</b>	<b>12,597</b>		<b>11,108</b>	
<b>Net debt / EBITDA (LTM)</b>	<b>3.9x</b>		<b>3.8x</b>	



Consolidated **net debt** on June 30, 2018 amounted to R\$ 12,597 million, a R\$ 1,489 million increase compared with March 31, largely reflecting the devaluation of the Real in relation to currency denominated debt. For this reason, despite strong cash generation during the period, the net debt/EBITDA ratio was flat in relation to the end of 1Q18, as shown in the chart below. However, the leverage in dollar terms continued its downward trend, going from 3.6x at the end of the first quarter of the year to 3.4x in 2Q18. For this analysis, the total net debt is divided by the final exchange rate of each period and the Adjusted Ebitda divided by the average exchange rate of the respective quarters. This analysis shows, with the stabilized exchange rate, the Company's continued deleveraging since the beginning of the Puma Unit's operations



LTM – Last twelve months

## Financial Result

(R\$ mil)	2Q18	1Q18	2Q17	Δ		6M18	6M17	Δ
				2Q18/1Q18	1Q18/1Q17			6M18/6M17
Financial Expenses	(326)	(346)	(340)	-6%	-4%	(672)	(665)	1%
Financial Revenues	157	136	228	16%	-31%	293	494	-41%
<b>Financial result</b>	<b>(169)</b>	<b>(210)</b>	<b>(112)</b>	<b>-20%</b>	<b>51%</b>	<b>(379)</b>	<b>(172)</b>	<b>121%</b>
Net Foreign Exchange Losses	(1,843)	(52)	(557)	3426%	231%	(1,895)	(179)	958%
<b>Net Financial Revenues</b>	<b>(2,012)</b>	<b>(262)</b>	<b>(669)</b>	<b>667%</b>	<b>201%</b>	<b>(2,274)</b>	<b>(351)</b>	<b>548%</b>

**Financial expenses** were R\$ 326 million in the quarter, a R\$ 19 million reduction in relation to 1Q18. **Financial revenues** reached R\$ 157 million in the quarter, a R\$ 22 million increase on the same comparative basis. Consequently, the **financial result** in the period, excluding the currency translation effect, was a negative R\$ 169 million.

FX rates ended the quarter at R\$3.86/US\$, reflecting a 16% devaluation relative to the end of 1Q18. Thus, due to the higher impact on currency denominated debt, **net FX variation** amounted to a negative R\$ 1,843 million in 2Q18. Note that the effect of FX variation on the company's balance sheet is purely an accounting one with no short-term cash effect.

## BUSINESS PERFORMANCE

Consolidated information per unit in 2Q18:

R\$ million	Forestry	Pulp	Papers	Packaging	Consolidation	Total
<b>Net revenue</b>						
Domestic market	80	187	403	612	(2)	1,280
Exports	-	567	313	75	-	955
<b>Third part revenue</b>	<b>80</b>	<b>754</b>	<b>716</b>	<b>687</b>	<b>(2)</b>	<b>2,235</b>
Segments revenue	330	19	337	4	(690)	-
<b>Total net revenue</b>	<b>410</b>	<b>773</b>	<b>1,053</b>	<b>691</b>	<b>(692)</b>	<b>2,235</b>
Change in fair value - biological assets	69	-	-	-	-	69
Cost of goods sold	(495)	(384)	(813)	(591)	831	(1,452)
<b>Gross income</b>	<b>(16)</b>	<b>389</b>	<b>240</b>	<b>100</b>	<b>139</b>	<b>852</b>
Operating expenses	(29)	(85)	(107)	(89)	7	(303)
<b>Operating results before financial results</b>	<b>(45)</b>	<b>304</b>	<b>133</b>	<b>11</b>	<b>146</b>	<b>549</b>

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

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

Note: Comparison basis in Annex 5

## FORESTRY BUSINESS UNIT

Volume (tsd tons)	2Q18	1Q18	2Q17	Δ		6M18	6M17	Δ
				2Q18/1Q18	2Q18/2Q17			6M18/6M17
Wood	531	556	565	-5%	-6%	1,087	1,089	0%
<b>R\$ million</b>								
Wood	83	84	86	-2%	-4%	167	168	-1%

In the second quarter 2018, sales volume of wood logs to third parties was 531 thousand tons, 6% less than posted in 2Q17, reflecting in a 4% reduction in net revenues by the same comparison.

## PULP BUSINESS UNIT

### Production

Volume (tsd tons)	2Q18	1Q18	2Q17	Δ		6M18	6M17	Δ
				2Q18/1Q18	2Q18/2Q17			
Short Fiber	262	205	269	28%	-3%	467	480	-3%
Long Fiber	82	76	95	8%	-14%	158	169	-7%
<b>Total Pulp Volume</b>	<b>344</b>	<b>281</b>	<b>363</b>	<b>23%</b>	<b>-5%</b>	<b>625</b>	<b>648</b>	<b>-4%</b>

### Sales Volume

Volume (tsd tons)	2Q18	1Q18	2Q17	Δ		6M18	6M17	Δ
				2Q18/1Q18	2Q18/2Q17			
Short Fiber DM	21	25	34	-17%	-37%	47	56	-17%
Short Fiber EM	203	204	218	-1%	-7%	408	421	-3%
<b>Total short fiber volume</b>	<b>224</b>	<b>230</b>	<b>252</b>	<b>-2%</b>	<b>-11%</b>	<b>454</b>	<b>477</b>	<b>-5%</b>
Long Fiber DM	47	47	43	0%	11%	94	71	33%
Long Fiber EM	22	36	43	-38%	-48%	58	90	-35%
<b>Total long fiber volume</b>	<b>70</b>	<b>83</b>	<b>85</b>	<b>-16%</b>	<b>-18%</b>	<b>153</b>	<b>161</b>	<b>-5%</b>
<b>Total pulp volume</b>	<b>294</b>	<b>313</b>	<b>337</b>	<b>-6%</b>	<b>-13%</b>	<b>607</b>	<b>638</b>	<b>-5%</b>
<b>R\$ million</b>								
Short Fiber	552	470	395	18%	40%	1,021	697	46%
Long Fiber	202	215	187	-6%	8%	416	335	24%
<b>Total Pulp Revenues</b>	<b>753</b>	<b>684</b>	<b>582</b>	<b>10%</b>	<b>29%</b>	<b>1,438</b>	<b>1,032</b>	<b>39%</b>

Maintenance of strong demand from Asian countries continued to influence international prices for pulp, mainly softwood (long fiber) for which average list prices reached US\$1,159/ton in Europe (FOEX), increasing 10% in relation to average prices in 1Q18. On the same comparison, hardwood (short fiber) prices were up by 3%, representing a 33% increase in the last twelve months.

Sales volume during the period was negatively influenced by non-recurring factors, particularly the truckers strike and a maintenance stoppage that was longer than scheduled at the Puma Unit, affecting plant output by approximately 70 thousand tons. With the normalization of operations in June, total production reached 139 thousand tons, an all-time monthly record for the Puma Unit, indicating its excellent performance under usual conditions.

Sales of hardwood are mainly anchored to an agreement with Fibria signed in May 2015. Under this agreement, Klabin supplies Fibria with a minimum of 900 thousand tons of hardwood pulp annually, to be sold by Fibria on an exclusive basis to countries outside South America. Klabin commercializes directly all of the remaining pulp output, hardwood pulp being sold in Brazil and South America, and softwood and fluff pulps in both domestic and global markets.

## PAPER BUSINESS UNIT

Volume (tsd tons)	2Q18	1Q18	2Q17	Δ		6M18	6M17	Δ
				2Q18/1Q18	2Q18/2Q17			6M18/6M17
Kraftliner DM	33	34	22	-3%	49%	67	42	60%
Kraftliner EM	50	61	60	-18%	-17%	110	130	-15%
<b>Total Kraftliner</b>	<b>83</b>	<b>95</b>	<b>82</b>	<b>-13%</b>	<b>1%</b>	<b>177</b>	<b>172</b>	<b>3%</b>
Coated boards DM	88	94	96	-6%	-8%	182	184	-1%
Coated boards EM	51	61	59	-16%	-12%	112	137	-18%
<b>Total Coated boards</b>	<b>140</b>	<b>155</b>	<b>154</b>	<b>-10%</b>	<b>-9%</b>	<b>295</b>	<b>321</b>	<b>-8%</b>
<b>Total Paper</b>	<b>222</b>	<b>250</b>	<b>236</b>	<b>-11%</b>	<b>-6%</b>	<b>472</b>	<b>493</b>	<b>-4%</b>
<b>R\$ million</b>								
Kraftliner	219	222	165	-1%	33%	441	336	31%
Coated boards	475	506	467	-6%	2%	981	968	1%
<b>Total Paper</b>	<b>694</b>	<b>727</b>	<b>633</b>	<b>-5%</b>	<b>10%</b>	<b>1,422</b>	<b>1,304</b>	<b>9%</b>

### Kraftliner

Demand for Kraftliner in world markets continued strong and FOEX published list prices in Europe closed 2Q18 at US\$ 879/t. This value indicates a 31% increase in relation to average values reported during the same period of the preceding year, indicating the continuity of strong global demand for virgin fiber papers.

Klabin used its production flexibility, maintaining Kraftliner sales volume steady in relation to 2Q17 despite the effects of the truckers' strike, while sales to the domestic market reporting a particularly impressive jump of 49%. Net revenues for the quarter from Kraftliner production were R\$ 219 million, 33% more than in the same period of the previous year thanks to higher prices in all markets and the devaluation of the Real against the US Dollar.

### Coated boards

Data published by the Brazilian Tree Industry (IBÁ) showed that the strike depressed Brazilian coated board production by 16% during May. For the consolidated April/May period, coated board sales to the domestic market declined about 5% year-on-year.

Klabin's coated board production was also affected by the truckers strike and sales volume also declined during the period. However, sales revenues totaled R\$475 million, 2% more than in 2Q17 as a result of the Company's manufacturing flexibility and efforts to achieve greater profitability. It should also be noted that the annual maintenance stoppage at the Monte Alegre plant takes place in the second quarter.

## PACKAGING UNIT BUSINESS

Volume (tsd tons)	2Q18	1Q18	2Q17	Δ		6M18	6M17	Δ
				2Q18/1Q18	2Q18/2Q17			6M18/6M17
<b>Total packaging</b>	<b>187</b>	<b>189</b>	<b>190</b>	<b>-1%</b>	<b>-2%</b>	<b>376</b>	<b>376</b>	<b>0%</b>
R\$ million	2Q18	1Q18	2Q17	%		6M18	6M17	Δ
<b>Total packaging</b>	<b>675</b>	<b>665</b>	<b>647</b>	<b>2%</b>	<b>4%</b>	<b>1,340</b>	<b>1,273</b>	<b>5%</b>

The truckers' strike had a direct impact on the corrugated box market which was flat in 2Q18 year-on-year according to data published by the Brazilian Corrugated Board Association (ABPO), albeit, recording a 1.8% increase for the first half of the year. As from June, the market showed signs of recovery and ABPO estimates for 2018 indicate a 2.4% growth in volume compared with 2017.

In the industrial bags segment, the strike plus the weak economy were reflected in a 1.5% drop in cement sales in the first half of 2018 in relation to the same period of the previous year, according to data published by SNIC (National Cement Industry Union). With this scenario, the SNIC has revised its forecasts for 2018 from growth of between 1% and 2% to a possible decline in sales in relation to 2017. In spite of the effects of the strike, Klabin has been outperforming the sector with increasingly robust sales to new markets such as chemicals and food, and especially exports. This strategy was enhanced in April with the start in operations of the new industrial bags machine.

In this context, Klabin's packaging sales decreased by 2% although net revenues increased 4% in 2Q18 in relation to 2Q17, a consequence of the Company's strategy and manufacturing flexibility which maximize opportunities in the paper and packaging product markets.

## INVESTMENTS

R\$ million	2Q18	1Q18	6M18	
Forestry	63	62	124	Klabin invested R\$ 193 million in second quarter 2018. Of the total invested in the quarter, R\$ 63 million was allocated to forestry operations, R\$ 79 million to investments in the operational uptime of the plants, and R\$ 51 million to special and expansion projects, more particularly those with a high return for improving performance in all the segments in which the Company operates. During the first half year the Company invested R\$ 423 million.
Maintenance	79	95	174	
Special projects and growth	51	73	125	
<b>Total</b>	<b>193</b>	<b>230</b>	<b>423</b>	

## CAPITAL MARKETS

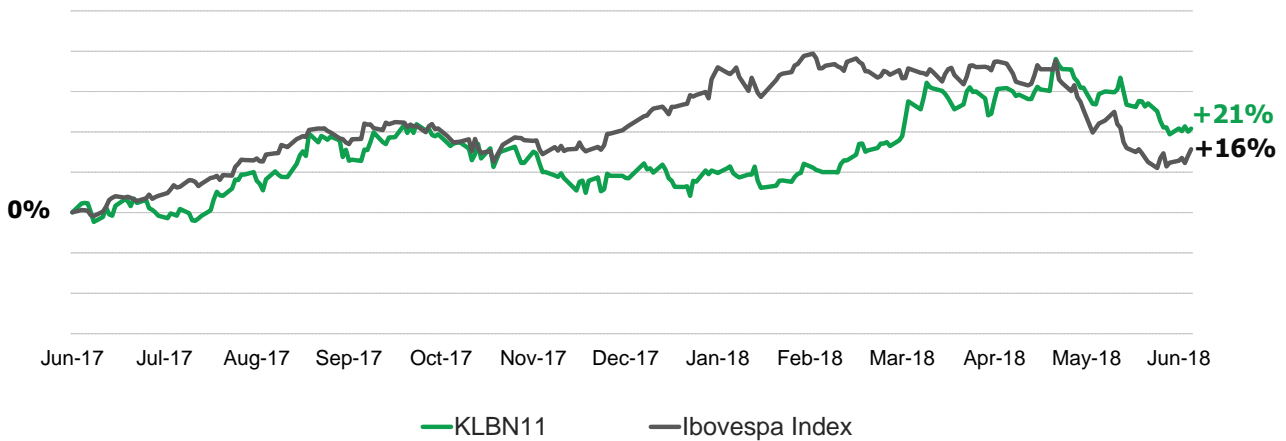
### Equity Markets

In the second quarter of 2018, Klabin's units (KLBN11) reported a 5% depreciation versus 15% for the IBOVESPA. However, in the first half, KLBN11 reported an 11% appreciation in comparison with 8% for the IBOVESPA in the same period. Trading on every day B3 was open for business, the Units registered 750 thousand transactions involving 225 million securities and an average daily trading volume of R\$ 74 million at the end of 2Q18.

Klabin’s capital stock comprises 5,410 million shares, of which 1,985million are common and 3,425 million, preferred shares. The Company’s shares are also traded in the United States market and listed under a Level I ADR program on the Over-the-Counter market under the KLBAY ticker symbol.

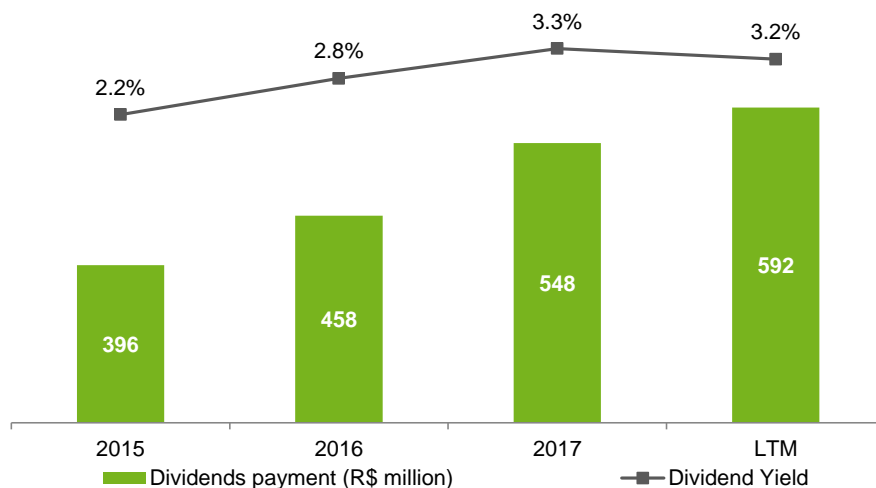
Klabin is a component of B3’s Corporate Sustainability Index (ISE). The index represents shares of companies that are outstanding in the degree of their commitment to the sustainability of the business and the country as a whole. The participating companies are selected annually, based on the criteria of the Getúlio Vargas Foundation’s Center for Sustainability Studies (GVces)

**KLBN11 x Ibovespa**  
Last twelve months



## Dividends

In the second quarter of 2018, the Company paid out R\$ 152 million in dividends that on interim results for 2018. In the last twelve months, dividend payments have totaled R\$ 592 million, equivalent to a 3.2% dividend yield.

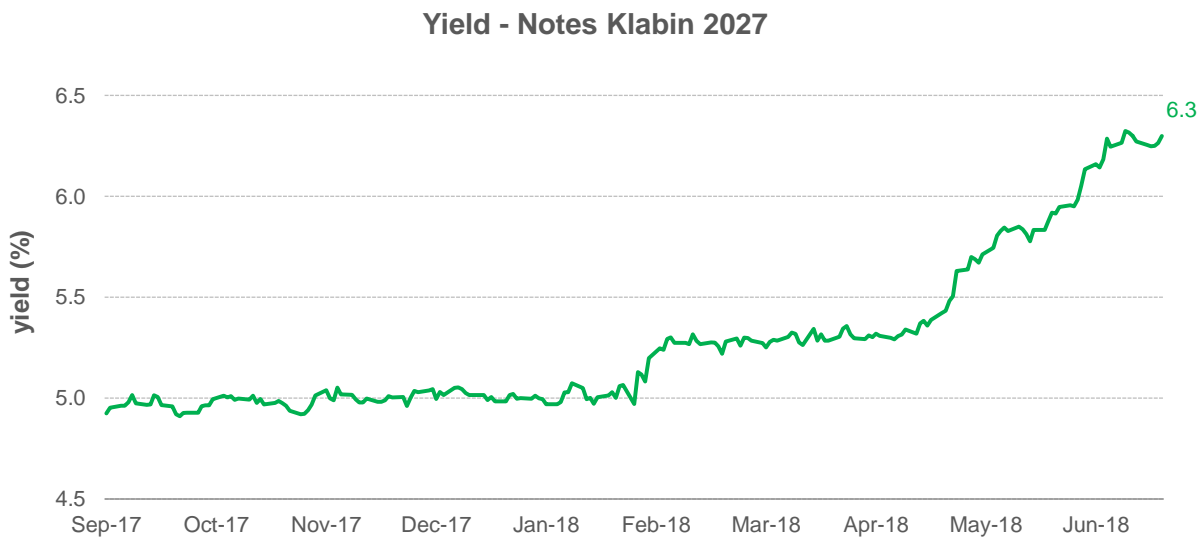
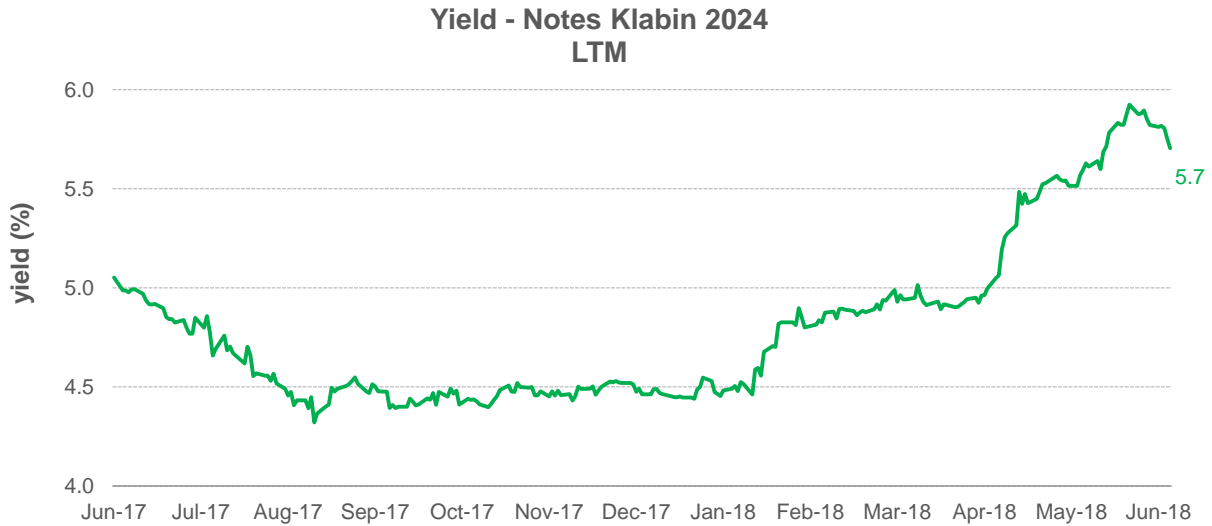


LTM – Last twelve months

## Fixed Income

Klabin’s securities representing debt (notes) maturing in October 2024 and September 2027, both with an issue value of US\$ 500 million, are listed in the secondary market of the Luxembourg Stock Exchange. The Notes were issued at a coupon rate of 5.25% p.a. and 4.875% p.a. with interest disbursed semi-annually

Klabin has an investment grade rating of BB+ from Fitch Ratings and Standard & Poors.



## CONFERENCE CALL

### Português

Terça-feira, 31 de julho de 2018 – 11h00 (Brasília).

Senha: Klabin

Telefone: (11) 3193-1133 ou (11) 2820-4133

Replay: (11) 3193-1012 ou (11) 2820-4012

Senha: 4301451#

O áudio da Teleconferência também será transmitido pela internet.

Acesso: <http://cast.comunique-se.com.br/Klabin/2T18>

### English (simultaneous translation)

Tuesday, July 31, 2018 – 10:00 a.m. (NY).

Password: Klabin

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

International participants: 1-786-924-6977

Brazilian participants: (55 11) 3193-1133 or (55 11) 2820-4133

Replay: (55 11) 3193-1012 or (55 11) 2820-4012

Password: 28666827#

The conference call will also be broadcast by internet.

Access: <http://cast.comunique-se.com.br/Klabin/2Q18>

Klabin is the largest integrated producer, exporter and packaging paper recycler in Brazil with gross revenues of R\$ 9.7 billion in 2017. The Company has a capacity to produce 3.5 million tons of products annually. It has defined the strategic focus of its operation on the following businesses: paper and coated boards for packaging, hardwood (short fiber) and softwood (long fiber) pulp, corrugated boxes, industrial bags and wood logs. The Company is a leader in all markets in which it operates

*Statements in this release relative to the Company's business perspectives, estimates for operational and financial and the Company's potential growth are merely forecasts and based on Management's expectations in relation to the future of the Company. These expectations are highly dependent on market changes, on Brazilian general economic performance, on the industry and on international markets, therefore being subject to change*



## Annex 1 – Consolidated Income Statement (R\$ thousand)

(R\$ thousands)	2Q18	1Q18	2Q17	Δ		6M18	6M17	Δ
				2Q18/1Q18	2Q18/2Q17			6M18/6M17
<b>Gross Revenue</b>	<b>2,586,863</b>	<b>2,523,182</b>	<b>2,241,657</b>	<b>3%</b>	<b>15%</b>	<b>5,110,045</b>	<b>4,481,849</b>	<b>14%</b>
<b>Net Revenue</b>	<b>2,235,178</b>	<b>2,189,154</b>	<b>1,984,195</b>	<b>2%</b>	<b>13%</b>	<b>4,424,332</b>	<b>3,850,887</b>	<b>15%</b>
Change in fair value - biological assets	69,105	119,153	101,845	-42%	-32%	188,258	585,151	-68%
Cost of Products Sold	(1,451,332)	(1,557,653)	(1,738,226)	-7%	-17%	(3,008,985)	(3,266,075)	-8%
<b>Gross Profit</b>	<b>852,951</b>	<b>750,654</b>	<b>347,814</b>	<b>14%</b>	<b>145%</b>	<b>1,603,605</b>	<b>1,169,963</b>	<b>37%</b>
Selling Expenses	(172,658)	(170,913)	(152,008)	1%	14%	(343,571)	(307,377)	12%
General & Administrative Expenses	(132,159)	(126,340)	(136,726)	5%	-3%	(258,499)	(261,797)	-1%
Other Revenues (Expenses)	(460)	(15,266)	11,131	-97%	n/a	(15,726)	4,084	n/a
<b>Total Operating Expenses</b>	<b>(305,277)</b>	<b>(312,519)</b>	<b>(277,603)</b>	<b>-2%</b>	<b>10%</b>	<b>(617,796)</b>	<b>(565,090)</b>	<b>9%</b>
<b>Operating Income (before Fin. Results)</b>	<b>547,674</b>	<b>438,135</b>	<b>70,211</b>	<b>25%</b>	<b>680%</b>	<b>985,809</b>	<b>604,873</b>	<b>63%</b>
<b>Equity pickup</b>	<b>1,762</b>	<b>1,629</b>	<b>(1,177)</b>	<b>8%</b>	<b>n/a</b>	<b>3,391</b>	<b>5,412</b>	<b>-37%</b>
Financial Expenses	(326,304)	(345,628)	(339,952)	-6%	-4%	(671,932)	(665,373)	1%
Financial Revenues	157,428	135,712	228,123	16%	-31%	293,140	493,665	-41%
Net Foreign Exchange Losses	(1,842,763)	(52,260)	(557,367)	3426%	231%	(1,895,023)	(179,095)	958%
<b>Net Financial Revenues</b>	<b>(2,011,639)</b>	<b>(262,176)</b>	<b>(669,196)</b>	<b>667%</b>	<b>201%</b>	<b>(2,273,815)</b>	<b>(350,803)</b>	<b>548%</b>
<b>Net Income before Taxes</b>	<b>(1,462,203)</b>	<b>177,588</b>	<b>(600,162)</b>	<b>n/a</b>	<b>144%</b>	<b>(1,284,615)</b>	<b>259,482</b>	<b>n/a</b>
Income Tax and Soc. Contrib.	507,569	(52,933)	222,579	n/a	128%	454,636	(35,040)	n/a
<b>Net income</b>	<b>(954,634)</b>	<b>124,655</b>	<b>(377,583)</b>	<b>n/a</b>	<b>153%</b>	<b>(829,979)</b>	<b>224,442</b>	<b>n/a</b>
Depreciation and amortization	405,548	440,579	625,785	-8%	-35%	846,127	1,076,262	-21%
Change in fair value of biological assets	(69,105)	(119,153)	(101,845)	-42%	-32%	(188,258)	(585,151)	-68%
Vale do Corisco	-	-	538	n/a	n/a	-	9,124	n/a
<b>Adjusted EBITDA</b>	<b>884,117</b>	<b>759,561</b>	<b>594,689</b>	<b>16%</b>	<b>49%</b>	<b>1,643,678</b>	<b>1,133,311</b>	<b>15%</b>

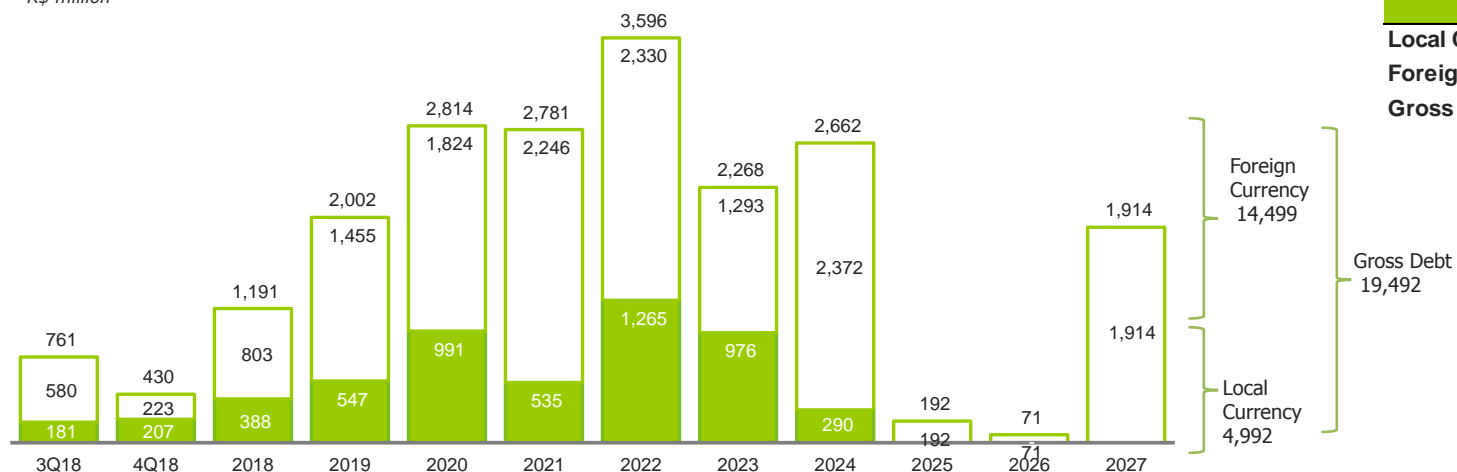
## Annex 2 – Consolidated Balance Sheet (R\$ thousand)

Assets	Mar-18	Jun-18	Liabilities and Stockholders' Equity	Mar-18	Jun-18
<b>Current Assets</b>	<b>9,983,947</b>	<b>10,290,857</b>	<b>Current Liabilities</b>	<b>2,916,014</b>	<b>3,550,861</b>
Cash and banks	97,876	108,501	Loans and financing	1,708,080	2,136,784
Short-term investments	5,231,578	5,517,185	Debentures	77,553	61,686
Securities	1,260,828	1,269,779	Suppliers	617,465	807,059
Receivables	1,673,378	1,706,115	Taxes payable	46,495	54,174
Inventories	984,105	1,041,103	Salaries and payroll charges	192,642	262,543
Recoverable taxes and contributions	488,148	381,320	Dividends to pay	0	0
Other receivables	248,034	266,854	REFIS Adherence	72,007	72,627
			Other accounts payable	201,772	155,988
<b>Noncurrent Assets</b>	<b>18,530,048</b>	<b>18,545,988</b>	<b>Noncurrent Liabilities</b>	<b>18,396,849</b>	<b>19,193,319</b>
Long term			Loans and financing	15,273,193	16,681,594
Taxes to compensate	1,253,563	1,419,231	Debentures	639,112	611,521
Judicial Deposits	83,759	86,363	Deferred income tax and social contribution	1,538,043	959,388
Other receivables	360,134	334,653	Other accounts payable - Investors SCPs	277,218	284,715
Other investments	170,505	169,898	REFIS Adherence	299,834	288,658
Property, plant & equipment, net	12,420,961	12,297,060	Other accounts payable	369,449	367,443
Biological assets	4,152,320	4,149,689			
Intangible assets	88,806	89,094	<b>Stockholders' Equity</b>	<b>7,201,132</b>	<b>6,092,665</b>
			Capital	4,076,035	4,076,035
			Capital reserve	(361,268)	(361,231)
			Revaluation reserve	48,704	48,705
			Profit reserve	2,653,234	1,546,599
			Valuation adjustments to shareholders' equity	981,008	979,138
			Treasury stock	(196,581)	(196,581)
<b>Total</b>	<b>28,513,995</b>	<b>28,836,845</b>	<b>Total</b>	<b>28,513,995</b>	<b>28,836,845</b>

### Annex 3 – Loan Maturity Schedule – 06/30/18

R\$ million	3Q18	4Q18	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total
BNDES	111	111	222	405	328	284	284	284	248	-	-	-	2,057
Others	70	35	105	81	205	189	950	691	42	-	-	-	2,262
Debentures Interests	-	62	62	62	458	62	31	-	-	-	-	-	673
<b>Local Currency</b>	<b>181</b>	<b>207</b>	<b>388</b>	<b>547</b>	<b>991</b>	<b>535</b>	<b>1265</b>	<b>976</b>	<b>290</b>	-	-	-	<b>4992</b>
Trade Finance	270	163	433	909	1,302	1,737	1,887	905	71	-	-	-	7,244
Fixed Assets	57	53	110	206	189	179	179	179	179	15	-	-	1,233
Bonds	72	-	72	-	-	-	-	-	1,914	-	-	1,914	3,901
ECA's	181	7	188	340	333	331	265	209	209	177	71	-	2,121
<b>Foreign Currency</b>	<b>580</b>	<b>223</b>	<b>803</b>	<b>1,455</b>	<b>1,824</b>	<b>2,246</b>	<b>2,330</b>	<b>1,293</b>	<b>2,372</b>	<b>192</b>	<b>71</b>	<b>1,914</b>	<b>14,499</b>
<b>Gross Debt</b>	<b>761</b>	<b>430</b>	<b>1,191</b>	<b>2,002</b>	<b>2,814</b>	<b>2,781</b>	<b>3,596</b>	<b>2,268</b>	<b>2,662</b>	<b>192</b>	<b>71</b>	<b>1,914</b>	<b>19,492</b>

R\$ million



	Average Cost	Average Tenor
<b>Local Currency</b>	7.2% p.y.	37 months
<b>Foreign Currency</b>	4.9% p.y.	50 months
<b>Gross Debt</b>		45 months

Local currency : R\$ 5.0 billion  
Average tenor: 37 months

Foreign currency: R\$ 14.5 billion  
Average tenor : 50 months

## Annex 4 – Consolidated Cash Flow (R\$ thousand)

R\$ million	2Q18	2Q17	6M18	6M17
<b>Cash flow from operating activities</b>	<b>862,480</b>	<b>585,945</b>	<b>1,373,203</b>	<b>1,192,174</b>
<b>Operating activities</b>	<b>892,885</b>	<b>459,771</b>	<b>1,318,333</b>	<b>824,547</b>
. Net income	(954,634)	(377,583)	(829,979)	224,442
. Depreciation and amortization	251,681	244,483	516,217	493,453
. Depletion in biological assets	153,867	381,302	329,910	582,809
. Change in fair value - biological assets	(69,105)	(101,845)	(188,258)	(585,151)
. Equity results	2,634	6,192	3,059	20,219
. Results on Equity Pickup	(1,762)	1,177	(3,391)	(5,412)
. Deferred income taxes and social contribution	(572,479)	(291,251)	(579,507)	(83,825)
. Income taxes and social contribution	(1,057)	(1,938)	(2,012)	(3,979)
. Interest and exchange variation on loans and financing	2,276,176	848,964	2,561,434	692,106
. Interest, exchange variation and profit sharing of debentures	16,873	(110,534)	39,209	(72,589)
. Variation of the present value of debentures	-	4,982	-	8,828
. Payment of interest on loans	(190,998)	(205,865)	(519,401)	(503,231)
. REFIS Reserve	7,550	10,400	18,798	21,649
. Others	46,095	51,287	44,210	35,228
<b>Variations in Assets and Liabilities</b>	<b>(30,405)</b>	<b>126,174</b>	<b>54,870</b>	<b>367,627</b>
. Receivables	(32,737)	(87,737)	47,948	224,788
. Inventories	(56,998)	(43,588)	(107,942)	(55,671)
. Recoverable taxes	(57,783)	192,015	56,209	129,403
. Marketable Securities	(8,951)	(8,494)	(26,606)	(23,259)
. Other receivables	(8,049)	66,181	(815)	36,668
. Suppliers	120,583	(15,598)	126,752	63,643
. Taxes and payable	7,679	10,402	(1,499)	(825)
. Salaries, vacation and payroll charges	69,901	61,777	(18,923)	(11,535)
. Other payables	(64,050)	(48,784)	(20,254)	4,415
<b>Net Cash Investing Activities</b>	<b>(176,450)</b>	<b>(143,030)</b>	<b>(394,388)</b>	<b>(390,880)</b>
. Purchase of property, plant and equipment	(110,605)	(144,470)	(279,539)	(351,943)
. Cust biological assets planting (ex taxes)	(82,131)	(64,822)	(143,562)	(108,704)
. Sale of property, plant and equipment	2,805	-	10,455	-
. Income of assets sale	13,481	66,262	18,258	69,767
<b>Net Cash Financing Activities</b>	<b>(389,798)</b>	<b>(755,687)</b>	<b>(2,381,551)</b>	<b>(334,277)</b>
. New loans and financing	2,327	421,451	2,327	1,948,673
. Debentures capitalization	-	-	-	-
. Debentures interest payment	(60,331)	(78,980)	(239,872)	(284,216)
. Loan amortization	(250,400)	(986,255)	(1,901,523)	(1,727,219)
. Minority shareholders entry	-	-	-	-
. Minority shareholders exit	(1,350)	(3,974)	(4,365)	(35,324)
. Dividends payment	(152,000)	(107,929)	(323,000)	(237,820)
. Stocks repurchase	-	-	-	(11,468)
. Stocks disposal	-	-	12,926	13,097
<b>Increase (Decrease) in cash and cash equivalents</b>	<b>296,232</b>	<b>(312,772)</b>	<b>(1,402,736)</b>	<b>467,017</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>5,329,454</b>	<b>6,652,509</b>	<b>7,028,422</b>	<b>5,872,720</b>
<b>Cash and cash equivalents at end of period</b>	<b>5,625,686</b>	<b>6,339,737</b>	<b>5,625,686</b>	<b>6,339,737</b>

## Annex 5 – Business Units Evolution

### 2Q18

R\$ million	Forestry	Pulp	Papers	Packaging	Consolidation	Total
<b>Net revenue</b>						
Domestic market	80	187	403	612	(2)	1,280
Exports	-	567	313	75	-	955
<b>Third part revenue</b>	<b>80</b>	<b>754</b>	<b>716</b>	<b>687</b>	<b>(2)</b>	<b>2,235</b>
Segments revenue	330	19	337	4	(690)	-
<b>Total net revenue</b>	<b>410</b>	<b>773</b>	<b>1,053</b>	<b>691</b>	<b>(692)</b>	<b>2,235</b>
Change in fair value - biological assets	69	-	-	-	-	69
Cost of goods sold	(495)	(384)	(813)	(591)	831	(1,452)
<b>Gross income</b>	<b>(16)</b>	<b>389</b>	<b>240</b>	<b>100</b>	<b>139</b>	<b>852</b>
Operating expenses	(29)	(85)	(107)	(89)	7	(303)
<b>Operating results before financial results</b>	<b>(45)</b>	<b>304</b>	<b>133</b>	<b>11</b>	<b>146</b>	<b>549</b>

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

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

### 1Q18

R\$ million	Forestry	Pulp	Papers	Packaging	Consolidation	Total
<b>Net revenue</b>						
Domestic market	78	178	419	617	(3)	1,289
Exports	-	508	332	60	-	900
<b>Third part revenue</b>	<b>78</b>	<b>686</b>	<b>751</b>	<b>677</b>	<b>(3)</b>	<b>2,189</b>
Segments revenue	334	15	350	5	(704)	-
<b>Total net revenue</b>	<b>412</b>	<b>701</b>	<b>1,101</b>	<b>682</b>	<b>(707)</b>	<b>2,189</b>
Change in fair value - biological assets	119	-	-	-	-	119
Cost of goods sold	(487)	(462)	(723)	(590)	705	(1,557)
<b>Gross income</b>	<b>44</b>	<b>239</b>	<b>378</b>	<b>92</b>	<b>(2)</b>	<b>751</b>
Operating expenses	(26)	(94)	(101)	(85)	(5)	(311)
<b>Operating results before financial results</b>	<b>18</b>	<b>145</b>	<b>277</b>	<b>7</b>	<b>(7)</b>	<b>440</b>

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

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

### 2Q17

R\$ million	Forestry	Pulp	Papers	Packaging	Consolidation	Total
<b>Net revenue</b>						
Domestic market	77	147	391	606	(2)	
Exports	-	436	274	55	-	
<b>Third part revenue</b>	<b>77</b>	<b>583</b>	<b>665</b>	<b>661</b>	<b>(2)</b>	
Segments revenue	327	13	311	6	(657)	
<b>Total net revenue</b>	<b>404</b>	<b>596</b>	<b>976</b>	<b>667</b>	<b>(659)</b>	
Change in fair value - biological assets	102	-	-	-	-	
Cost of goods sold	(659)	(409)	(778)	(556)	664	
<b>Gross income</b>	<b>(153)</b>	<b>187</b>	<b>198</b>	<b>111</b>	<b>5</b>	
Operating expenses	(31)	(74)	(91)	(83)	-	
<b>Operating results before financial results</b>	<b>(184)</b>	<b>113</b>	<b>107</b>	<b>28</b>	<b>5</b>	

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

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