Amec
Associação de Investidores no Mercado de Capitais

NOTICE TO THE MARKET: KLABIN

São Paulo, February 27, 2019 – The **Association of Capital Market Investors – AMEC** – hereby informs that its Board of Directors approved, under the terms of its bylaws, the following:

1. We have been witnessing a series of conflicting situations in the capital market between controlling and minority shareholders that usually involve the transfer of values in different ways. One of them is through brand licensing or royalty agreements.

2. Many companies have been channeling legitimate efforts into the adoption of better corporate governance practices by eliminating conflicting situations. Cases involving companies that tried to eliminate such conflicting situations through an immediate monetization of future flows have been heavily criticized and rejected by the market as they represent a breach of confidence between investors and the invested company. Many of these companies cancelled such attempts and controlling shareholders gave up their rights.

3. On February 7, 2019, Klabin SA called an Extraordinary Shareholders' General Meeting to deliberate about the incorporation of Sogemar, the controlling shareholders' company and owner of certain brands licensed by the company. The merger was priced at approximately BRL350 million, to be paid in shares. Klabin says that such value would correspond to some 50 percent of the "fair value" of the company's royalties, according to an evaluation report prepared by Deloitte.

4. Following good practice principles, Klabin decided to submit the decision to an Extraordinary Shareholders' General Meeting in which controlling shareholders shall not vote because of the evident conflict of interests.

5. Notwithstanding the aforementioned merits, Amec identifies serious problems in the proposal submitted by the company that may affect the investors' vote decision and, accordingly, thwart the attempt of eliminating the operation with the related party.

6. First, the care to prevent conflicted shareholders from voting in the Extraordinary Shareholders' General Meeting does not seem to have been observed in the decision taken by the Board of Directors considering that directors who benefit directly from the proposal voted in favor of the merger.

7. The evaluation report on the brand licensing agreement is based on the expected perpetual nature of the payment flows generated by the existing contract. It does not access the value the brands add to Klabin but the flow it currently pays pursuant to the agreement.

8. Additionally, the company has not included the agreement in the material for the shareholders' meeting. It is important that shareholders know the terms and conditions, including detailed information on a possible termination, duration, fines, etc.

9. Based on the aforementioned, Amec requests:

a. Klabin, to provide all the necessary information and disclose the full version of the agreement between the company and Sogemar, as well as the independent evaluation on the intrinsic value of the brands covered by this agreement to the company.

b. Directors, to reflect on their duties of loyalty with the company and to reevaluate whether it is appropriate to maintain or rescind the agreement, as well as the possible conflict of interests when voting on the matter.

c. Investors, to exercise their voting power – along the lines of the principles in the Amec Stewardship Code – in the shareholders' meeting, conscious of the real alternatives for the company.

d. Regulators, to follow and check the compliance of the measures that take to this important operation with related parties.

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