MOODY'S
INVESTORS SERVICE

Rating Action: Moody's revises Fibria's Ba1/Aa2.br ratings outlook to positive

Global Credit Research - 03 Sep 2013

Approximately USD 1.7 billion in rated debt affected

Sao Paulo, September 03, 2013 -- Moody's Investors Service has today affirmed Fibria's Ba1 global scale rating and Aa2.br national scale ratings and changed the ratings outlook to positive from stable. The change in outlook reflects the company's ongoing improvement in operational performance, reduction in debt levels, and Moody's expectations that the depreciation of the Brazilian Real will help offset potentially weaker pulp prices in the short to medium term, supporting a continued deleveraging of Fibria's balance sheet. Our belief that Fibria will continue to manage capex and dividends distribution to support its improving credit profile, as well as the affiliation with Votorantim Participações S.A. (Baa3; positive outlook) also support the positive outlook.

Ratings affirmed:

Issuer: Fibria Celulose S.A.

CFR: Ba1 (global scale) and Aa2.br (national scale rating)

Issuer: Fibria Overseas Finance Limited

USD 63mm notes due 2019: Ba1 (global scale)

USD 870mm notes due 2020: Ba1 (global scale)

USD750mm notes due 2021: Ba1 (global scale)

The outlook for the ratings is positive.

RATINGS RATIONALE

Fibria's Ba1 rating reflects its leading position as the largest producer of market pulp in the world and its competitive production costs, which are among the lowest worldwide based on structural advantages in Brazil relative to international peers. "Such competitive cost base has supported healthy operating margins for the past periods, and Fibria's financial discipline with regard to capital expenditures and shareholder distribution allowed for material free cash flow generation in the past three years, most of which was directed to gross debt reduction" says Moody's Vice President - Senior Analyst Barbara Mattos. "The change in outlook reflects Moody's expectations that Fibria's leverage will decline even further over the next 12-18 months backed by the recent depreciation of the Brazilian Real, which translates into higher local currency pulp prices and offsets the impact of potentially weaker international pulp prices in Fibria's cash flow", added Mattos.

The Ba1 rating also incorporates the benefit from the ownership (29.4% of total common shares) and expected support from Votorantim Participações (Baa3; positive outlook) due to existing cross acceleration provisions in part of its outstanding debt. Votorantim's positive outlook reflects the company's conservative liquidity profile and strategy of leverage reduction, which is being adopted by Fibria. Conversely, Fibria's low product diversity given its full exposure to pulp and its relative small size when compared with global industry peers as measured by net revenues are constraining factors for its rating.

The positive outlook incorporates Moody's expectations that Fibria will continue to deleverage its balance sheet even amid expected lower international pulp prices in the next 12-18 months. The outlook also reflects our belief that Fibria will continue to manage its capex program and dividend distribution to preserve its liquidity profile while the company reduces its gross debt.

The ratings could be upgraded if Fibria manages to reduce leverage as measured by Total Adjusted Debt to Adjusted EBITDA approaching 3.0x (4.7x as of LTM ended June 2013) together with Retained Cash Flow (defined as Funds From Operations less Dividends) less Capex to Total Adjusted Debt above 12% on a consistent basis (6.9% as of LTM ended June 2013).

Downgrade pressure on the ratings would result if Fibria is unable to continue to deleverage, or experiences a deterioration in liquidity. Also, a deterioration of Votorantim Participações' (Baa3; positive outlook) credit quality could negatively impact Fibria's ratings. A substantial increase in secured debt could negatively affect the senior unsecured notes rating. Negative rating pressure would also arise if Total Adjusted Debt to Adjusted EBITDA stays above 4.5x consistently in the upcoming quarters together with Retained Cash Flow (defined as Funds From Operations less Dividends) less Capex to Total Adjusted Debt below 5% on a consistent basis and Adjusted EBITDA to Interest Expenses below 2.5x (3.1x as of LTM ended June 2013) on a consistent basis. All credit metrics are adjusted according to Moody's standard adjustments and definitions.

The principal methodology used in this rating was the Global Paper and Forest Products Industry Methodology published in September 2009. Please see the Credit Policy page on www.moodys.com.br for a copy of this methodology.

Moody's National Scale Ratings (NSRs) are intended as relative measures of creditworthiness among debt issues and issuers within a country, enabling market participants to better differentiate relative risks. NSRs differ from Moody's global scale ratings in that they are not globally comparable with the full universe of Moody's rated entities, but only with NSRs for other rated debt issues and issuers within the same country. NSRs are designated by a ".nn" country modifier signifying the relevant country, as in ".mx" for Mexico. For further information on Moody's approach to national scale ratings, please refer to Moody's Rating Methodology published in October 2012 entitled "Mapping Moody's National Scale Ratings to Global Scale Ratings".

Fibria Celulose S.A. ("Fibria") is the world's largest producer of market pulp with annual production capacity of 5.25 million metric tons. With the conclusion of the sale of the Piracicaba paper unit in the third quarter of 2011, Fibria became solely a market pulp producer focused on the international market. In the last twelve months ended June 2013, Fibria reported consolidated net revenues of BRL 6.5 billion (USD 3.2 billion converted by the average foreign exchange rate for the period), coming mostly from Europe (40%), North America (27%), Asia (24%) and Latin America (9%).

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