



**Local Conference Call
Klabin S/A (KLBN11)
2Q21 Earnings Results
August 11th, 2021**

Operator: Good morning and welcome to Klabin's conference call. At this time, all participants are in listen-only mode, afterwards we will have a question-and-answer session when further instructions will be given.

To the benefit of time, we ask analysts to, please, limit your question to two each.

Should you need assistance during the call, please, press star zero to reach the operator. As a reminder, this conference is being recorded and broadcast simultaneously via webcast and you may access it at Klabin's Investor Relations website where the presentation is also available. Forward-looking statement that might be made during this call in relation to Klabin's business outlook, projections, operating and financial targets and potential growth should be understood as forecasts based on the company management expectations in relation to the future of Klabin. Such expectations are highly dependent on market conditions, on Brazil's overall economic performance, on the industry, and international markets, and therefore, they are subject to change.

Today with us we have Mr. Cristiano Teixeira, CEO, Marcos Ivo, CFO and Investor Relations Officer, and other company officers.

Initially, Mr. Teixeira and Mr. Ivo will comment on the company's performance with the first quarter of 21 and afterwards the officers will be available to answer any questions that you might have.

Now I would like to turn the call over to Mr. Teixeira.

Cristianos Teixeira: Welcome everybody to Klabin's conference call referring to the second quarter of 2021.

The second quarter of the year shows a global economy recovery from the COVID-19 economic impact and Klabin with its integrated, diversified, and flexible business model still under a very strong demand for packaging, hygiene, and cleaning high items.

In packaging, the second quarter showed an expansion of the Brazilian market consumption, the full service to export markets that require the use of virgin fibers, such as the case of proteins and fruits, and also the accelerated growth of e-commerce.

After 9 months of the integration since the acquisition of the box and recycled paper operations of IP Brazil, we consolidated a 24% market share in packaging, in corrugated boxes with increase in volumes, revenues and good client portfolio. In the second quarter 21, Klabin announced the approval of 23 special projects with a high return and expansion of the business amounting to 342 million and that will allow us, among other things, to increase the conversion capacity and the supply of state-of-the-art technology for the printing of high-quality packaging.

In pulp, prices in Brazil, Europe, and EU S continued to surprise us positively for short fiber and long fiber as well driven by a still very sound demand. Prices in China operate with stability after the correction occurred in June and July. Klabin sustaining the position of being the only Brazilian producer of the 3 types of pop is highlighted because of the diversified portfolio offered to the market.

In the Kraftliner market, internal demand in the US consistent ended up by reducing the supply of paper to other markets, which favored the increase in prices and further stimulates the global dynamic for packaging paper, creating very favorable conditions for the MP 27 startup.

Eukaliner, which will be produced in MP 27, will bring quality of printing, reduction in the consumption of energy for converters and will reduce the weight of the packaging bringing to the market a new standard of top performance packaging papers.

In the second quarter we also highlight the fact that the targets established by Klabin for the reduction of greenhouse gas emissions were approved by Science Based Targets Initiative based on scientific criteria which represent our alignment for the mitigation of the effects of climate change.

Our results show an increase in revenues in all our businesses, reduction in our leverage compared to the previous quarter and adjusted EBITDA net of the non-recurrent effects of the quarter of R\$1.8 billion, a 35% increase vis-a-vis the same period in 20, reflecting the efficient capital allocation, cash generation, and value creation for our shareholders.

Now I would like to give the floor to Marcos Ivo, who will bring the financial details about the second quarter of 21.

Marcos Ivo: Thank you very much, Cristiano, good morning everybody and thank you for following our call.

In line with what we said before, we delivered another quarter of positive results ratifying the strength of Klabin's business model and the predictability of results. Among the highlights of the period, I would like to mention record net revenue for one single quarter reaching R\$4.1 billion, a 38% increase year on year, adjusted free cash flow of R\$4.7 billion in the last 12 months representing a 16.4% yield, and beginning of the deleveraging of the company even before the startup of the MP 27 closing the quarter with a net EBITDA ratio in dollars of 3.6 times.

Now going to slide number 4, the sales volume grew 10% on a year on year basis reaching 146,000 tons, this growth is explained mainly by the volume of sales coming from the assets acquired from International Paper do Brazil in October 2020, the growth in the net revenue in all lines of businesses on a year on year comparison in spite of some pressures on costs drove the adjusted EBITDA that reach R\$1,798 billion, record for one single quarter with the growth of 35% on a year on year comparison. Of this total, R\$992 million refer to the pub segment and R\$806 million to the paper and packaging segments.

On the next slide, among the highlights of the business, the pulp sales volume was 399,000 tons in the quarter, 5% increase year on year, net revenue of this business reached R\$1.5 billion in the period, a major growth of 48% on a year-on-year basis. EBTIDA per ton of pulp sold reached R\$2,489 in the second quarter 21, an increase of 63% vis-à-vis the same period last year.

On Page 6, another highlight in the quarter was the corrugated box business performance. Sales volume in the segment grew 62% in the annual comparison, net of the effect of IP assets purchase in Brazil, growth was 19%, 2 percentage points higher than Embapel (former ABPO) in the same comparison. Net revenue for corrugated box was R\$1.1 billion in a quarter, up 108% vis-à-vis 2Q20. Net of the IP effects, growth was 51% driven by the prices increase in the last 12 months.

Now turning to page 7, by the end of June, Klabin's net debt was R\$18.8 billion, down 3 billion compared to the prior quarter. this reduction is mainly explained by the appreciation of the Brazilian currency against the dollar, which affects the dollar-denominated debt mark and also by the cash generation in the period. Leverage measured by net debt over EBITDA in dollars went down from 4 times by the end of March to 3.6 times in June starting the company's deleveraging before the first phase startup for Puma II.

Turning to the next slide, Klabin's liquidity remains sound and ended the quarter at R\$10.8 billion, of those R\$8.2 billion are in cash and the remainder in revolving credit line. The average debt maturity between 2021 and 2023 period in which Puma II will still be under construction is of approximately R\$1.1 billion a year, a comfortable level for the company.

The debt average tenor by the end of June 2021 was 110 months, around 9 years vis-a-vis 116 months by the end of 2020. I also remind you that Klabin have credit lines contracted and not withdrawn upon in an amount equivalent to Capex, which will be disbursed by the conclusion of Puma II, as explained in the release.

Now turning to page 9, adjusted free cash flow net of discretionary factors and expansion projects was positive in R\$1.5 billion in the quarter. In addition to strong EBITDA, the result was driven by a R\$328 million reduction in the working capital. In the last 12 months, adjusted free cash flow was R\$4.7 billion representing a free cash flow yield of 16.4%.

Turning to slide 10, the return on invested capital reached 18.7% in the last 12 months proving the company's ability to grow and generate value. Especial attention to strong operation cash generation and lower amount of funds used in the period, mainly thanks to the working capital release.

On slide 11, Puma II first stage is in its final commissioning phase and pre-operation tests and the startup before MP 27 is scheduled for the second half of August, as we announced in the material fact published on the 5th. Since the beginning of the project, R\$6.5 billion were spent, out of those R\$700 million in the second quarter of 2021. For the second half of this year, we estimate an additional disbursement of R\$2.4 billion for the project.

To you conclude, I would like to highlight Klabin's continuous efforts to improve communication with all stakeholders providing full transparency and information disclosure. So, Klabin launched 3 important platforms: Klabin Invest, our podcasts and videos platform with accessible content about topics on the financial market; a new IR portal, more modern, very comprehensive, and with easy access to information about Klabin; and now so the ASG dashboard where in a single platform we have all our ASG indicators including CADE's goals performance. I would like to invite you all to check these new platforms.

So, now Cristiano and the other officers and myself are available to the Q&A session.

Question and Answer Session

Operator: Ladies and gentlemen, we will start the Q&A session now. In order to ask a question, please, press star 1. In order to remove it from the queue, please, press start 2.

Our first question comes from Rafael Barcelos, from Santander.

Rafael Barcellos: Good morning everybody, congratulations for the results. If possible, could you, please, talk about the impact of a hydric stress on your production, especially in Paraná where there is a hydric emergency declared by the government? And the second question is about Puma II, could you give more details about the postponing of the startup and how much of production do you expect from this machine for 2021?

Cristiano Teixeira: Thank you, Rafael, Francisco Razzolini, our officer, will answer your questions.

We apologize, there was a problem with connection and Flávio Deganutti is going to answer the question.

Flávio Deganutti: Rafael, this is a very worrisome scenario not only for Paraná state and we're very careful about that, we monitor not only Paraná, but the whole of Brazil from North to South and the Center West as well, we have the construction with the entities of [unintelligible], important contingency plans in place, and they lead us to a situation that is not limited to the hydric stress, we use start from the principle of

placing additional capacity of generation in the places that could be affected and still maintaining their production levels, and we also consider that in the peak of demand we have options to reduce plants that do not affect the production capacity so as we may keep production to the limit and the scenario that we see today, well, we set up a committee in order to track this theme on a weekly basis and we know that this theme also had the most critical moment in November when the rain starts right afterwards.

and about Puma, this is a very major project, 2 important machines, it's very big and the plant is in very advanced stages, and you must remember that we have the pandemic, and we have to be very safe and careful testing and with professionals from the whole of Brazil and the world, and they continue in a very good place and we're very close to start production. The impact is negligible so far.

Rafael Barcellos: Thank you very much.

Operator: Our next question is in English from George Staphos, from Bank of America. Please, George, you may ask your question.

George Staphos: Thank you for taking my question and good morning everybody. I wanted to ask a question on the Puma II PM 27 startup. Could you give us your best estimate as to when you would be running at nameplate capacity and when the machine should be generating EBITDA per ton equal to or greater than average for your other containerboard machines assuming we hold cost and pricing constant to today's level? And then I had a follow-on question.

Cristiano Teixeira: Thank you very much, George, for your question. I will share the answer among 2 officers and myself, but about the ramp-up, Flávio Deganutti will start answering and then the expected result in the cycle of 12 months for this machine when compared to the last 12 months Marcos Ivo will then add to the answer of Flávio Deganutti.

Flávio Deganutti: Hello, George, good morning. Well, this machine is starts as a production now in August, it has a projected curve that is on the release, you can check there, and it has that material there. Of course, there is a learning curve therefore we start at 70% capacity in the initial months, and we'll move towards 100% over the second year. This production, considering we have Puma II in 2 stages, this will benefit from the context of Puma I, so there will be a dilution of fixed costs, we will have the benefit of scale gain, but the full benefit and therefore the cost impact will come after the implementation of phase 2 with the coated board machine in 2023.

Even then as a starting point, considering we have an important scale, the cost of production of this machine is equivalent to the other sites that produce a Kraftliner in Klabin's group.

Marcos Ivo: Hello, George, this is Marcos Ivo, good morning. Just adding to what Flávio said, and I think he covered everything in the question, but let me comment, in

the first 12 months and also months 13 to 24 the main difference that we are going to have is a greater dilution of fixed cost because of the 27 machine ramp-up, approximately 70% of production into in first year and then in the second year very close to 100%, end from 13 to 24 that is 13th month up to 24th month it is also going to we are also... we're going to have the production of machine 28 of coated board, that is, what is going really change is the dilution of fixed cost overtime, therefore this curve will be fully on when we have both machines working.

So, we should remember that structurally wise this factory will have the lower cash cost per ton in the world, which in our point of view is going to ensure our competitiveness and also return of this project.

George Staphos: Thank you. My second question: some of your peer companies in fluff pulp have discussed the need to improve their commercial arrangements overtime with their customers. Has that provided any opportunity to Klabin in its fluff business vis-a-vis to change commercial terms, improve pricing or gain share?

And then just back to PM 27, should we not expect that white top and some of the other products that you are making on PM 27 should have a premium? I thought they would. Thank you very much and good luck in the quarter.

Cristiano Teixeira: Thank you, George, for your second question. Yes, we will talk a little bit about that. The white top is a product of MP 27, this is a premium product not only white top, but also the low grammage paper and brown base where we have important competitive advantage in the market.

The fluff question is timely, and Nicolini is our pulp officer he's going to talk about that question.

Alexandre Nicolini: Good morning, George, and thank you for your question. In fact, George, fluff is a niche segment when compared to other pulp grades, such as a long fiber, and yes, there is an opportunity of a special pricing in year end, that is thanks to long-term contracts when compared to other fibers. There are some discussions ongoing, and we believe this is going to be a tight market for fluff not only for this year, but also next one. So, my answer is yes, there is a possibility of a better differentiation in terms of pricing for this product.

Geroge Staphos: Thank you very much.

Cristiano Teixeira: Therefore, George, just adding to that, I think Klabin is placing itself in the market as a manufacturer of differentiated products and with great performance in pulp and paper.

George Staphos: Thank you very much.

Operator: Daniel Sasson, from Itaú BBA.

Daniel Sasson: Good morning, thank you for the question. About Puma, do you have 100% of production sold for the next 6 months? And what about the 70% of the sales

volume? These contracts, do they have a final price already or will the price be defined when the volumes are available?

And what about the ramp-up of the machine, could you bring it forward in order to tap into this very favorable market condition, the favorable demand? And afterwards I will ask the second question.

Cristiano Teixeira: OK, let's start by the market and Flávio will answer and afterwards we will again try to reach Francisco so that he could talk about an improvement possibility in the ramp-up of this machine.

Flávio Deganutti: Sasson, good morning. The contract established the volume, with maximums and minimums, some variation, some are annually, and some are longer, and they are indexed with a basket of indexing factors, so we do have a price already defined as a starting point, which is the price of these operations, but there is a variation regarding the indicators that are used for these restatements with the client.

Cristiano Teixeira: Chico, could you, please, answer?

Francisco Razzolini: Can you hear me now?

Cristiano Teixeira: Yes, perfect.

Francisco Razzolini: Thank you very much, there was a problem trying to enter the first question, but talking about Puma – thank you very much for the question, Sasson, and also thank you for the questions from Rafael and George – on machine 27 most of the system is already in operation, it's already commissioned, we already have all the wood part and we already generate chips and biomass and we have the biomass boiler already in operation generating steam and the recovery boiler is already burning, liquor coming from Puma I, we concentrated this liquor in the evaporation of Puma II and the system is reaching balance.

Also regarding the recovery of chemicals and calcification, it is ready for the startup and the water system and operating system all up and running and the affluent lines are already in operation, the tanks are already working and operating, in the fiber line we have already carried out all the test with water with the full heating of the system, everything normal, and now we are in the final phase of commissioning of the MP 27, which is the most critical area because of the large number of controls, over 8,000 points of control that we have to commission.

So, we are going in great strides, and up to now we have found no critical problems in the project, nothing whatsoever in the hardware of the system, and now we have to do the final tuning of the control systems and by the end of the month we believe that we will start production.

As far as we can see, we will probably have a ramp-up better than we had estimated in a conservative fashion, and we always make conservative estimates, but this depends on what will occur in the next few weeks, but it's important to say that we

are finding no problems whatsoever and now it's just a matter of finishing the fine tuning and the tests and go up and running and startup.

Daniel Sasson: Thank you. My second question: if you could compare qualitatively the level of prices in the domestic market, especially boxes and cart, could we expect some carryover of prices over the second or from the second quarter to the third quarter?

Cristiano Teixeira: Thank you, Sasson. Douglas Dalmasi will answer your question.

Douglas Dalmasi: Sasson, good morning, thank you for the question. Yes, we applied the price increase in a major part of our portfolio as of July and this should be reflected fully in the third quarter. Overall, this has been happening in all markets, so we do see better prices in the third quarter and for the second half of the year.

Flávio Deganutti: Well, we have a coated board market that has a very high demand, the highest demand level in the last decade, and we had a price increase in the second quarter with a very high level of backlog, so we see a very important carryover of prices happening in the next few months. For comparison purposes, the profitability of exports has an additional price increase ahead.

Daniel Sasson: Thank you very much.

Operator: Our next question is from Thiago Lofiego, from Bradesco BBI. Please, Thiago.

Thiago Lofiego: Thank you very much and good morning. Cristiano, my first question if you can comment more on the special projects that you have recently announced about the R\$40 million investment, what is the capacity, the improvement and what is the extra EBITDA that you will have when you add these capacities and now so the improvements that you will carry out in costs and efficiency?

And my second question is more of a short-term one, I would like to understand about the demand temperature for coated board, you just mentioned that the market is still strong, but I just would like to better understand what you expect for the second half of the year, and also for boxes, what do you foresee in your order book for the second half of the year? Thank you.

Cristiano Teixeira: Thank you very much, Thiago, for your questions. Yes, perfect, first about investments, let's see, we need to understand that the packaging market is more and more demanding printing capacity, mainly printing capacity, so this investment specifically – and I would say, you know, first off – this one we invested in capacity of conversion with a better printing technology, basically that is change the level of printing quality of packaging here in Brazil, obviously here focusing on the corrugated boxes.

This is in line to our strategic vision and that's something that we have always been bringing to you that this paper that will come later on with the production of MP 27 after the ramp-up, well I believed that this paper will change the standard and also

the printing standard and cost as well of converters, therefore our clients this is a high performance paper that, yes, will allow better printing at a better cost and also in terms of energy savings and always bringing a competitive advantage from Brazil of low-weight packages, and this is also in line with sustainability and CO2 emissions matters.

So, Brazil in the short-term of this investment now focused on conversion and it's important to say that is focused in conversion and that doesn't change the total capacity of Klabin, the models that you run, what we are talking here is more converted paper with a high-quality, this is converted packaging paper, so that doesn't change or total number, and this investment whenever we have high return investments we quickly bring to you investments of that level that will improve also the deleveraging of the company.

About the second question, I think it is regarding corrugated boxes and the consistency of this market, and in another event I mentioned that we are talking a lot about e-commerce growth, I am suspicious but in a good way that this raw material, mainly paper packaging and e-commerce, they should be higher than what we normally say and believe they are because we also consider food delivery, so in addition to e-commerce, if you add food delivery and our indirect sales of paper to converters that work with e-commerce. So, all that reality maybe it has been underestimated by all of us in terms of volume, and today I believe that this curve is just in the beginning, but it won't go backwards anymore. We can't go back now, this is regardless a new normal or not; this is the reality, and we have to say that the e-commerce was happening already, the pandemic has accelerated the process, but the curve acceleration should not back down, I think.

So, considering the circumstances of e-commerce growth, considering the demand for packaging for consumption and we believe this will be there and also associated to a possible structural improvement and the economy's investments, which may or should generate income because we are also seeing real income gains because of employment, the consistency of the packaging sector just rectifies the strategic vision of this company.

So, I would say that the consistency of the strategic vision today really expresses everything that we have been saying in the past few years.

Thiago Lofiego: Thank you, Cristiano. A quick follow-up about the first question, please. You are going to increase the conversion capacity, right? For instance, boxes. Do you have a figure, something that you can tell us? How much more in boxes you will have available for sale, or we cannot think on those terms?

Cristiano Teixeira: Yes, you can think on those terms. We are going to increase in 50,000 tons our conversion capacity of bags and specifically corrugated boxes, but that does not add up to the total tonnage of the company because that means less paper sold, OK?

Thiago Lofiego: Yes, that's fine, that's very clear, yes, 50,000 tons. And then, I'm sorry, going back to the second question then and the context that you just mentioned and analyzing coated board, what has changed in the market? The market for coated board is very strong and from what you say this is not a slowing down now and we do not have any signs that this is going to slow down. So, what has changed?

In boxes I think we can understand a little bit better what was the dynamics here, but in coated board what has changed in the post-pandemic? So, if you compare the mid of 2021 and mid 2019 pre-pandemic, what changed in the market that was so relevant so that you have the demand so high?

Cristiano Teixeira: I think that we need to talk about the beverages market. If you go to the supermarket – you know, for those who like to go to the supermarket – it's just amazing to see all types of different beers that you have available with all types of different packaging, I think packages for beers, not only in Brazil, those have brought... they replaced the plastic in a more accelerated fashion and that affects coated boards and also corrugated box, but with a different characteristic, which also has to do with printing and new ways of working with packaging.

But coated board and corrugated boxes have responded very well the replacement of plastic packaging for beers, and not only that, I would say that in general you can also see – and I always tend to make the correlations with our daily lives – you can see the packages that come to your homes, you have a lot of coated board packaging for food I would say, for food delivery.

So, for me the main answer here is the plastic replacement because of an increase in consumption and companies in general, large brands or the small retailers or deliveries also with a greater demand of paper packaging, Thiago.

Thiago Lofiego: OK, that's clear. Yes, so it seems to be something permanent this higher demand in the past months.

Cristiano Teixeira: Yes, for me this is permanent, that's here to stay. I do not see in the mid-term, unless something very different would happen in the world, but, you know, I do not see a change in the consumers' view in terms of sustainability and recycled products or products with a high level of recyclability, biodegradable products, I think it's very hard to have this trend changed.

Thiago Lofiego: Thank you.

Operator: Caio Ribeiro, from Credit Suisse.

Caio Ribeiro: Good morning everybody, thank you for the question. I would like to know about the price of OCC that dropped sharply in the last few months.

Do you think it already reflects a more normal level of availability of OCC in the market, and do you expect this drop to continue? And in your view, would it make more difficult to implement increases of corrugated boxes? And could you talk about the demand for pulp in China given the fact that we are getting into a stronger

seasonality, and do you think there would be some room for price increases in the fourth quarter in the price of pulp? Thank you.

Cristiano Teixeira: Thank you, Caio. I would ask Douglas, or packaging officer, to answer your question and he will be talking about the dynamic prices of OCC in Brazil that were really misplaced in fact, and in dollar they were extremely high in comparison to the rest of the world. So, he's going to talk about that.

Douglas Dalmasi: Thank you for the question, Caio. In the second quarter, with the improvement of the epidemic, we see prices of OCC dropping already significantly and very close to R\$1,000 or R\$1,100 per ton, and in the second half the demand for boxes is higher, so we expect a strong market for the second half of the year and this, of course, has an impact on prices and we believe it should stabilize around R\$1,200 in the second half. We do not see an impact on the prices of boxes themselves, the market in general has a very well-balanced demand and it sustained the carryover of prices.

So, we do have better prices in the second half and the average price of OCC in the second half regarding the first half of the year is significantly lower.

Cristiano Teixeira: Thank you, Douglas, and Nico will answer about the pulp.

Alexandre Nicolini: Thank you very much for the question. In fact, we see an improvement in seasonality in China in spite of a bigger price correction that we saw in July. In August, we see a better order book already, we already see a higher consumption of pulp vis-a-vis July, so this is very positive, and we also see a certain stabilization in prices, and of course, discussions start to occur as of the second half of the current month, but we have a very good outlook for stabilization.

And I would like to remind you that other markets also have a very strong demand and very high prices, in Europe, United States and Brazil, so the outlook for the quarter is very positive.

Caio Ribeiro: Perfect, very clear. And I would like to make a very quick follow-up with Douglas: is there some automatic adjustment mechanism for corrugated boxes prices based on the fluctuation of the OCC prices?

Douglas Dalmasi: No, we don't have this today. This really the market dynamics. Only in very special cases, but our prices vary very according to the market thermometer so to say.

Caio Ribeiro: Thank you very much.

Operator: To ask a question, please, press start 1.

If there are no further questions, I would like to turn the floor to Mr. Teixeira for his final remarks.

Cristiano Teixeira: Thank you very much. So, now my remarks about the third quarter of 2021.

The third quarter is seasonably strong, and we should deliver a good cash generation measured by the EBTIDA in addition to the ramp-up of MP 27, and in 3Q2021 we will deliver stronger growth when compared to the pace of 2Q2021 vis-à-vis 2Q20.

About sustainability, I stress our full commitment to the best practices in the private sector in the world, and I highlight engagement of a team of Klabin's experts supporting authorities in Brazil and in the world in the climate change global agenda. Klabin is relentless in its growth vision and value generation in the long-term focusing on people, innovation, and sustainable development.

Thank you all very much for being here with us and I will be waiting for you in our next call results.

Operator: The conference call for Klabin's results has ended. Thank you very much for your participation, have a nice day and you may disconnect. Thank you.