



Earnings
Release

2Q21



Earnings Release

2Q21



August 10, 2021

ADJUSTED EBITDA REACHES R\$ 1.798 BILLION IN 2Q21, GROWTH OF 35% IN RELATION TO 2Q20

Net Revenue **R\$ 4.076 bn**

Net Revenue increased 38% on an annual comparison basis with growth reported for all lines of business, and 27% excluding additional revenue from the units acquired from International Paper (IP).

Indebtedness **Deleveraging**

Solid EBITDA and cash generation contribute to the deleveraging even during the current Puma II cycle of investments. The net debt/EBITDA ratio in US\$ ended the quarter at 3.6x compared with 4.0x in 1Q21. In R\$, it was 3.3x in 2Q21 versus 4.2x in 1Q21.

Adjusted FCF yield **16.4%**

The Adjusted Free Cash Flow (FCF) amounted to R\$ 4.7 billion in the last twelve months, corresponding to an Adjusted FCF yield of 16.4%.

Investments **Special Projects**

As the Notice to the Market released on June 29, 2021, approval was given to a set of 23 special and growth projects with fast and high return rates, at a total investment of R\$ 342 million.

ROIC **18.7%**

ROIC (Return on Invested Capital) was 18.7% in the last twelve months, demonstrating the consistent value generation for the shareholders.

Puma II **Start-up of the 1st Machine**

In accordance with the Material Fact published on August 5, 2021, the start-up of the Puma II Project's first machine is scheduled for the second half of August this year.

Klabin

Market Cap

R\$ 28.9 billion¹

¹based on the KLBN11 price on 06/30/21

KLBN11

Closing Price

R\$ 26.34/unit

2Q21 Average Daily Trading Volume

R\$ 201 million

Conference Call

08/11/21 (Wednesday)

10:00 a.m. (NYC)

USA DI +412 717-9627

Code: Klabin

Links: [HD Web Phone](#)
[Webcast](#)

IR Channels

<http://ri.klabin.com.br>

invest@klabin.com.br

Phone: +55 11 3046-8401

Klabin Invest:

Videos and Podcasts

Financial Highlights

R\$ million	2Q21	1Q21	2Q20	Δ 2Q21/1Q21	Δ 2Q21/2Q20	6M21	6M20	Δ 6M21/6M20
Sales Volume (thousand tonnes)	946	909	858	4%	10%	1,855	1,707	9%
% Domestic Market	59%	61%	48%	- 2 p.p.	+ 11 p.p.	60%	52%	+ 8 p.p.
Net Revenue	4,076	3,467	2,956	18%	38%	7,542	5,548	36%
% Domestic Market	60%	62%	51%	- 2 p.p.	+ 9 p.p.	61%	55%	+ 6 p.p.
Adjusted EBITDA	1,798	1,274	1,333	41%	35%	3,073	2,361	30%
Adjusted EBITDA Margin	44%	37%	45%	+ 7 p.p.	- 1 p.p.	41%	43%	- 2 p.p.
Adjusted EBITDA (excl. non-recurring effects)¹	1,798	1,254	1,333	43%	35%	3,052	2,361	29%
Adjusted EBITDA Margin (excl. non-recurring effects) ¹	44%	36%	45%	+ 8 p.p.	- 1 p.p.	40%	43%	- 3 p.p.
Net Income	719	421	(383)	71%	n/a	1,139	(3,525)	n/a
Net Debt	18,770	21,744	20,983	-14%	-11%	18,770	20,983	-11%
Net Debt / EBITDA (LTM - BRL)	3.3x	4.2x	4.4x			3.3x	4.4x	
Net Debt / EBITDA (LTM - USD)	3.6x	4.0x	3.6x			3.6x	3.6x	
CAPEX	904	815	998	11%	-9%	1,719	1,818	-5%

¹ Disconsidering the non-recurring effect of R\$20 million referring to the net gain from the sale of Nova Campina in 1Q21

Note: 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. 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

Quarterly Message

Strong demand for Klabin's products in both the domestic and international markets continued apace in the second quarter 2021. These favorable market conditions, combined with a solid operational performance, boosted the Company's results in the period.

In the pulp market, the balance between supply and demand remained positive throughout the quarter, mainly driven by the recovery in paper consumption in Europe and the United States. Consequently, larger sales volume could be directed to these regions and to the domestic market with market reference prices in the period increasing both for short fiber as well as long fiber and fluff according to the FOEX price index. In China, price recovery that had begun in the second half of 2020, continued across all pulp grades. As the only Brazilian company to produce three different pulp grades (short fiber, long fiber and fluff), Klabin was again able to benefit from its diversified portfolio.

Demand for Kraftliner continued intense during the quarter. In the United States, the largest producer and exporter of this product, strong domestic demand driven by sales via e-commerce and by the recovery in economic activity, remained the main factor behind the reduction in export volume. With this, average FOEX Europe prices for Kraftliner were US\$ 813/t in 2Q21, an increase of 26% compared with the average in 2Q20 and 11% in relation to the first quarter 2021.

This scenario created very favorable commercial conditions for the start-up of the first stage of the Puma II Project, scheduled for the second half of August 2021, as announced in the Material Fact of August 5, 2021. The new paper machine that will produce Eukaliner®, the first Kraftliner in the world made exclusively from eucalyptus fiber, already has 100% of its output sold, 70% of it under contracts. This project represents the largest investment in the history of Klabin and reinforces its integrated, diversified, and flexible business model.

In the packaging market, Empapel reported a significant growth of 16.7% in volume of corrugated box shipments in the second quarter of 2021 in relation to the same period in 2020. The sector has benefited from expansion in domestic market consumption, a reflection of growth in exports such as proteins and fruits as well as increased e-commerce sales combined with the shift in consumer preference to more sustainable forms of packaging.

Similarly, demand in the industrial bags market has been boosted by rising cement consumption in Brazil, which has accumulated an increase of 15.8% compared with the first six months of 2020, based on preliminary data published by the National Cement Industry Union (SNIC). Demand has also been driven by the growing tendency for consumption of packaging made of raw materials derived from recyclable, biodegradable and renewable sources for products such as flour, sugar, and animal feed.

In order to meet this increased demand in the packaging segment, at the end of June this year, a set of 23 special and growth projects was approved, with a total investment of R\$ 342 million. This investment will be directed largely to increasing capacity for converting paper into packaging and to the offer of state of the art technology for the highest quality printing.

The growth in sales volume combined with price increases at all the businesses boosted net revenue in 2Q21 to a total of R\$ 4.076 billion, 38% greater than the same period in the preceding year, and 27% excluding revenues from the assets acquired from IP. This result together with the Company's cost discipline, lifted the Adjusted EBITDA for the quarter to R\$ 1.798 billion, 35% more than in 2Q20. The Adjusted EBITDA and the efficient capital allocation in the period drove cash generation and consequently the creation of shareholder value.

**ROIC reached
18.7% and FCF
Yield 16.4% in the
last twelve months**

Again in the second quarter, Klabin's targets for reducing greenhouse gas emissions (GHG) were approved under the Science Based Targets initiative (SBTi). Over the past 15 years, the Company has reduced its GHG emissions by 60%. Based on scientific criteria, the commitment with the SBTi represents an even more ambitious contribution to the mitigation of the climate change effects, establishing targets for the reduction in GHG emissions per ton of pulp, paper, and packaging production by 25% until 2025, and 49% until 2035, with 2019 as the baseline year.

In June, Klabin published its Sustainability Report containing the main initiatives and practices adopted in 2020 for managing environmental, social and governance themes. An ESG panel has also been launched, combining all the Company's ESG indicators on a single platform and enhancing transparency and facilitating access to information. To access, [click here](#).

The recent initiatives and investments strengthening the portfolio of recyclable, biodegradable solutions and those based on renewable sources are an indication of the Company's protagonism in the development of a more sustainable world. This, combined with operational and financial performance in recent quarters, clearly demonstrates Klabin's capacity to grow and create value for all its stakeholders.

Operating and Economic-Financial Performance

Pulp and Paper Production

Volume (k tons)	2Q21	1Q21	2Q20	Δ	Δ	6M21	6M20	Δ
				2Q21/1Q21	2Q21/2Q20			6M21/6M20
Pulp	416	413	413	1%	1%	829	809	2%
Short Fiber	298	295	299	1%	0%	593	582	2%
Long Fiber/Fluff	118	118	114	0%	4%	236	227	4%
Paper	549	502	504	9%	9%	1,052	1,005	5%
Kraftliner	259	254	260	2%	0%	513	510	1%
Coated Boards	189	150	181	26%	4%	339	369	-8%
Recycled	101	98	62	3%	63%	199	126	58%
Total Production Volume	966	915	916	6%	5%	1,881	1,814	4%

In the second quarter 2021, pulp **production volume** were stable at a high level when compared both annually and quarterly. Debottlenecking projects together with productivity gains have allowed the Puma Unit to operate above its nominal capacity.

Paper production in 2Q21 was 9% higher than for the same period in 2020. The increase is a reflection largely of the additional volumes from the two recycled paper units acquired from International Paper. On a quarterly comparative basis, growth in paper production was also 9%, reflecting higher volumes of coated board, the main product manufactured at the Monte Alegre Unit where there was a maintenance stoppage in the first quarter this year.

Maintenance Stoppages

There were no maintenance stoppages at Klabin's plants during the second quarter 2021. However, in line with plan, there was a general maintenance shutdown at the Otacílio Costa Unit in July, the impact of which will show up in third quarter results this year. Thus, the Company has already completed all its programmed stoppages for 2021 as shown in the following schedule.

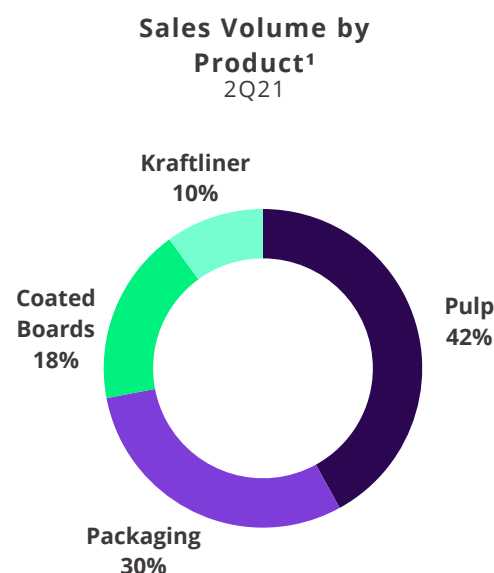
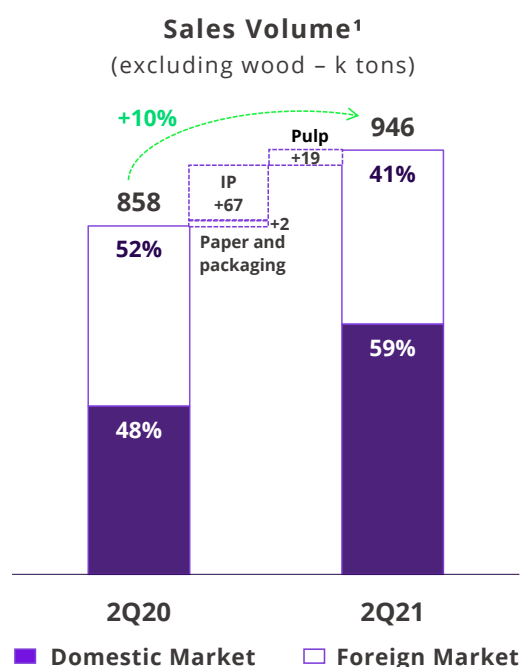
Manufacturing Plant	Maintenance Stoppage Schedule 2021											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Ortigueira (PR) - Puma I												
Monte Alegre (PR)		MA										
Correia Pinto (SC)												
Otacílio Costa (SC)							OC					

Legend: Executed

Sales Volume

Volume (k tons)	2Q21	1Q21	2Q20	Δ 2Q21/1Q21	Δ 2Q21/2Q20	6M21	6M20	Δ 6M21/6M20
Pulp	399	373	380	7%	5%	772	763	1%
Short Fiber	289	269	278	7%	4%	557	555	0%
Long Fiber/Fluff	110	104	102	6%	7%	214	208	3%
Paper	265	256	296	4%	-10%	521	571	-9%
Kraftliner	90	103	114	-13%	-21%	194	220	-12%
Coated Boards	175	153	182	15%	-4%	328	351	-7%
Packaging	282	280	181	1%	56%	562	372	51%
Corrugated Boxes	243	240	150	1%	62%	484	306	58%
Industrial Bags	39	39	31	0%	25%	79	67	18%
Total Sales Volume (ex-wood)	946	909	858	4%	10%	1,855	1,707	9%

In line with the movement seen in previous quarters, in 2Q21, all product sales continued robust as a result of strong demand in the markets in which the Company operates. **Total sales volume** excluding wood was 946 thousand tons in the period, a growth of 10% compared with the same period in the preceding year. Since Klabin is already operating at its maximum production capacity, this increase largely reflects the output of 67 thousand tons from the assets acquired from IP. Excluding this additional volume, the Company posted a 2% increase in 2Q21 compared to 2Q20. On a quarter-on-quarter comparison, sales rose by 4%, since in 1Q21, inventories were replenished following the general maintenance shutdown at the Puma Unit in December 2021 and also coated board sales suffered the impact of the general maintenance stoppage at the Monte Alegre Unit.



¹Excludes Wood

Foreign Exchange

R\$ / US\$	2Q21	1Q21	2Q20	Δ	Δ	6M21	6M20	Δ
				2Q21/1Q21	2Q21/2Q20			6M21/6M20
Average Rate	5.29	5.48	5.38	-4%	-2%	5.39	4.92	9%
End of Period	5.00	5.70	5.48	-12%	-9%	5.00	5.48	-9%

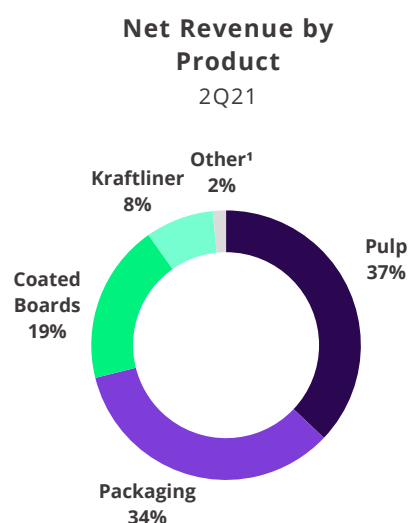
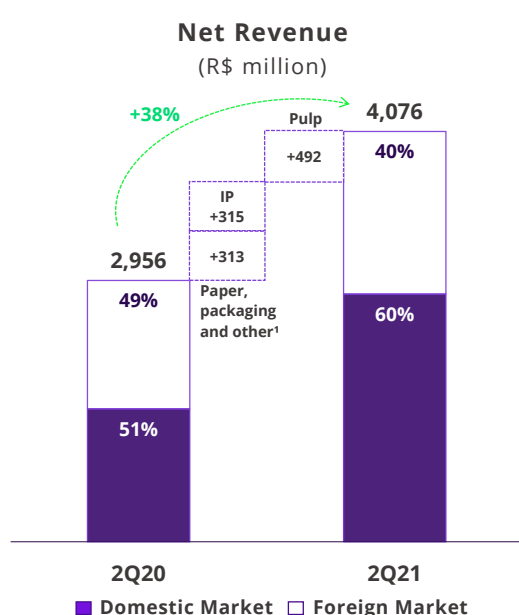
Source: Brazilian Central Bank

Net Revenue

Net Revenue (R\$ million)	2Q21	1Q21	2Q20	Δ	Δ	6M21	6M20	Δ
				2Q21/1Q21	2Q21/2Q20			6M21/6M20
Total Net Revenue	4,076	3,467	2,956	18%	38%	7,542	5,548	36%
Wood	96	62	49	53%	95%	158	97	64%
Pulp	1,511	1,194	1,019	27%	48%	2,704	1,849	46%
Short Fiber	991	782	674	27%	47%	1,773	1,220	45%
Long Fiber/Fluff	520	412	346	26%	50%	931	629	48%
Paper	1,113	973	1,109	14%	0%	2,086	2,028	3%
Kraftliner	333	323	327	3%	2%	656	591	11%
Coated Boards	780	650	782	20%	0%	1,430	1,438	-1%
Packaging	1,387	1,259	742	10%	87%	2,646	1,512	75%
Corrugated Boxes	1,129	1,001	543	13%	108%	2,130	1,107	92%
Industrial Bags	258	258	198	0%	30%	516	405	27%
Other¹	(31)	(21)	37	-44%	n/a	(52)	62	n/a

¹ Includes by-product sales, hedge accounting and sales reversals

Net Revenue amounted to R\$ 4.076 billion in 2Q21, a growth of 38% in relation to 2Q20. Excluding the additional revenue from the units acquired from IP of R\$ 315 million in the quarter, there was an increase of 27% on an annual comparative basis. This performance is the result of price readjustments across all the business units due to the strong demand both in the domestic market as well as export markets, in addition to greater sales volume in the period.



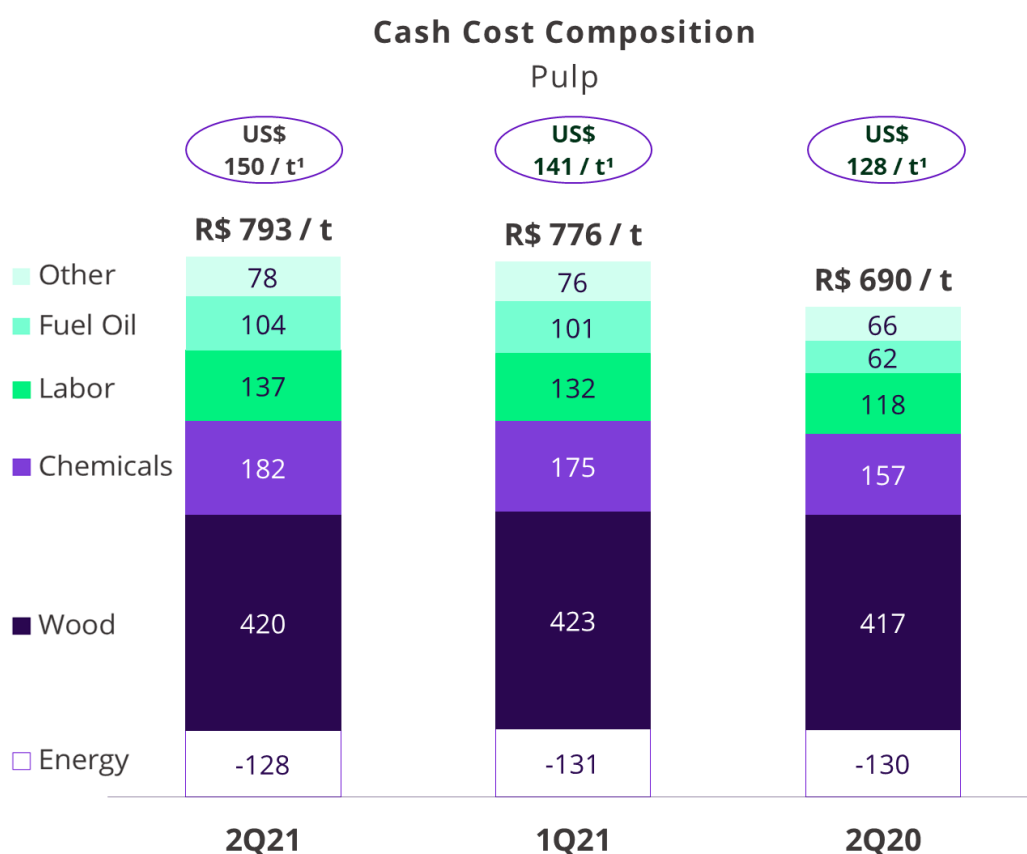
¹Includes Wood, Eliminations and Other Revenues

Operational Costs and Expenses

Pulp Cash Cost

For informational purposes, the unitary cash cost of pulp production is shown, covering the production costs of short, long and fluff fibers in relation to the output of pulp volume in the period. Production cash costs do not include selling, general and administrative expenses, constituting solely the amount expended on pulp production as such.

The production **cash cost** of pulp in 2Q21 was R\$ 793 per ton, a growth of 15% compared to 2Q20, and 2% compared with 1Q21. The main reasons for the increase on an annual comparative basis, in addition to inflation, relate to rising commodity prices which impacted costs of fuel oils and chemical inputs, more particularly chlorate and caustic soda. With an increase in these lines and the appreciation in the Real in the period, pulp cash costs in US\$ in 2Q21 were US\$150/t, 17% higher in relation to 2Q20 and 6% greater than 1Q21.



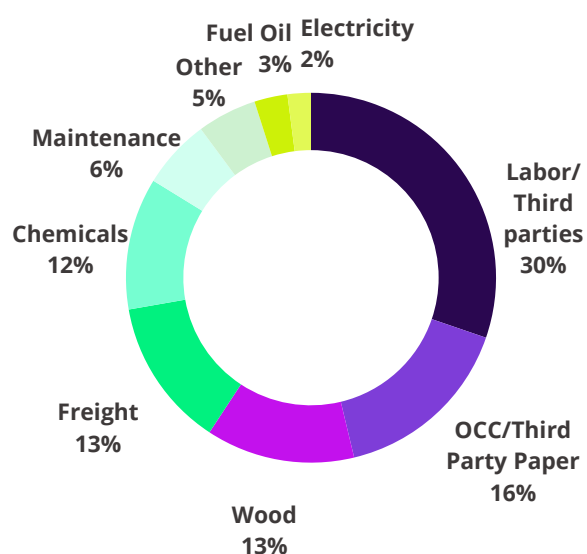
¹Calculated on the average US Dollar for the period

Total Cash Cost

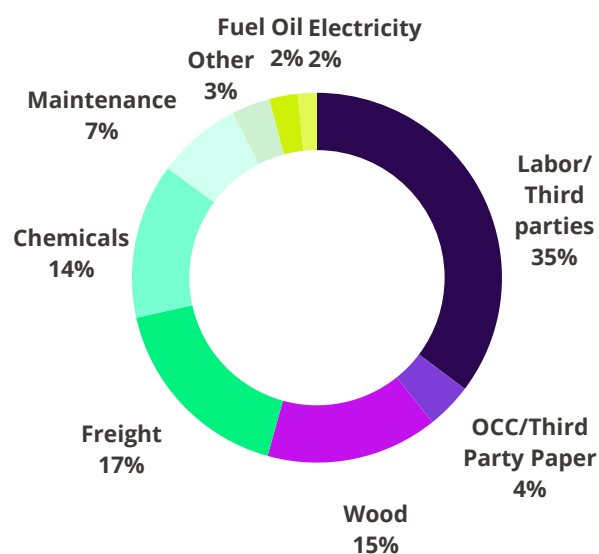
Incorporating the sale of all the Company's products, **total unitary cash cost** was R\$ 2,406/t in the quarter, 27% higher than in 2Q20. Approximately two thirds of this increase, as mentioned in the previous quarters, reflect the changing product sales mix following the acquisition of IP's packaging assets, as corrugated boxes, which has become more representative, has a higher cash cost in relation to other products given its greater value added. Additionally, there was also an impact of the OCC cost increase for supplying the recycled paper plants. Market data published by Anguti shows average OCC prices increasing to R\$ 1,816/t in 2Q21 compared to the average of R\$ 669/t in 2Q20.

Compared with 2Q21, which already includes the IP incorporation effect in the Company's sales mix, and excluding the impact of the Monte Alegre Unit maintenance stoppage carried out in 1Q21, there was a 4% increase in cash cost per ton. This was mainly the result of the 25% increase in average OCC costs in 2Q21 in relation to 1Q21 (based on market data from Anguti), in addition to greater volumes of wood acquired from third parties.

**Cash Cost
Composition**
2Q21



**Cash Cost
Composition**
2Q20



Costs and Expenses (R\$ million)	2Q21	1Q21	2Q20	Δ 2Q21/1Q21	Δ 2Q21/2Q20	6M21	6M20	Δ 6M21/6M20
Cost of Goods Sold (COGS)¹	(1,764)	(1,764)	(1,224)	0%	44%	(3,528)	(2,403)	47%
Variable Costs	(1,271)	(1,096)	(745)	16%	71%	(2,366)	(1,496)	58%
Labor and Third Parties	(504)	(482)	(416)	4%	21%	(986)	(821)	20%
Other	11	(186)	(63)	n/a	n/a	(175)	(86)	104%
Sales Expenses	(296)	(267)	(289)	11%	2%	(563)	(536)	5%
Administrative Expenses	(220)	(204)	(157)	8%	40%	(424)	(306)	39%
Other Net Expenses²	3	32	47	-91%	-94%	35	59	-41%
Total Cash Cost	(2,277)	(2,203)	(1,623)	-3%	-40%	(4,480)	(3,187)	-41%
Cash Cost/t	2,406	2,424	1,893	-1%	27%	2,415	1,868	29%

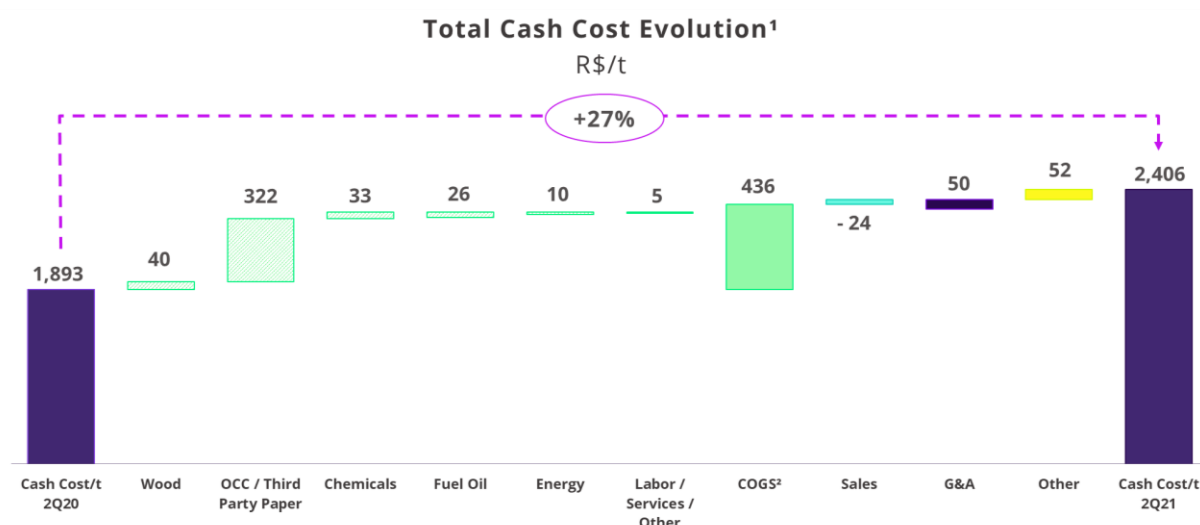
¹ Net of Depreciation, Amortization and Exhaustion contained in COGS and SG&A

² Includes the non-recurring effect of R\$20 million regarding the net gain from the sale of Nova Campina in 1Q21

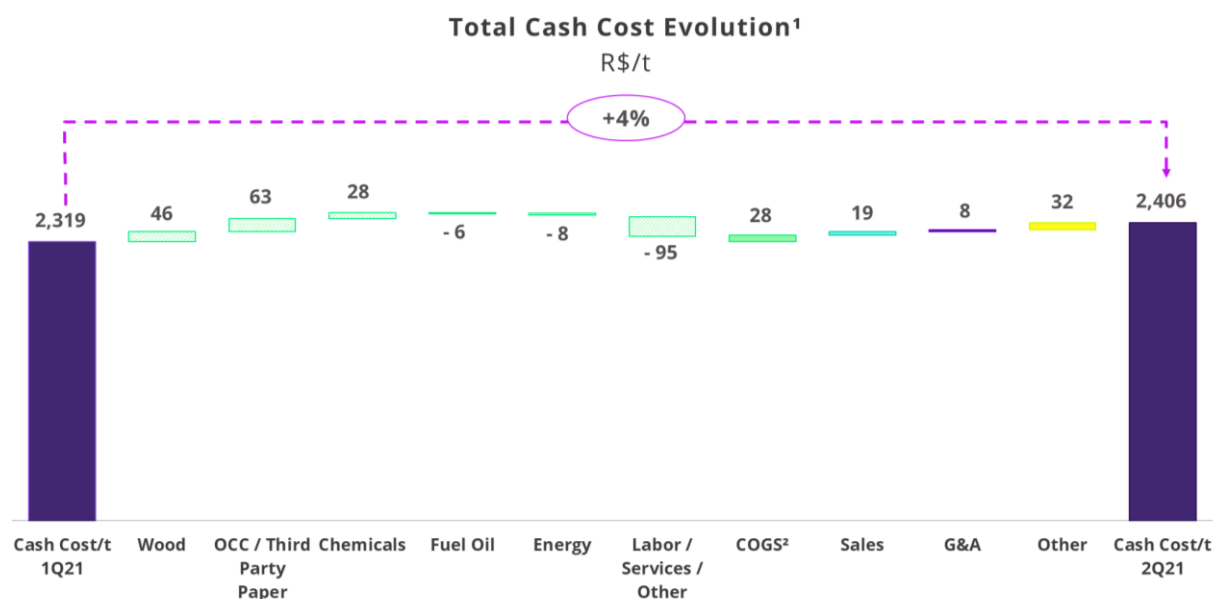
The **cost of goods sold (COGS)**, excluding depreciation, amortization, and depletion, was R\$ 1.764 billion in the second quarter 2021, and equivalent to R\$ 1,864/t, 31% above 2Q20. As already mentioned, this reflects the changing product mix with an increased share of packaging at a greater average unitary cost given the higher value added nature of the product in addition to the increase in OCC prices.

Sales expenses amounted to R\$ 296 million in the period, equivalent to 7.3% of net revenue and less than the 9.8% registered in 2Q20 and the 7.7% in 1Q21, in line with the increase in net revenue. On an annual comparison basis, the reduction in relation to net revenue reflects lower export volumes and the elimination of royalty payments from 1Q21. Additionally, the Company was successful in maintaining freight costs under control through the use of long-term freight agreements, mainly in the form of break bulk cargos, in spite of the worldwide logistics challenges experienced since last year.

General and administrative expenses totaled R\$ 220 million in 2Q21, an increase of R\$ 63 million compared to the same period in 2020. In addition to inflationary pressures, the increase was driven by the engagement of consultancies for strategic projects as well as expenditures relating to COVID-19 in the form of donations and services for reinforcing the Company's health protocols. In relation to the preceding quarter, this item increased by 8%.



¹ Cost of goods sold and operating expenses, excluding depreciation, amortization and exhaustion. ² COGS represents the sum of the categories detailed in the graph: Forestry / Paper / OCC + Chemicals + Fuel Oil + Energy + Labor / Services / Others



¹ Cost of goods sold and operating expenses, excluding depreciation, amortization and exhaustion. ² COGS represents the sum of the categories detailed in the graph: Forestry / Paper / OCC + Chemicals + Fuel Oil + Energy + Labor / Services / Others

Effect of the variation of fair value of biological assets

Biological Assets (R\$ million)	2Q21	1Q21	2Q20	Δ		6M21	6M20	Δ
				2Q21/1Q21	2Q21/2Q20			6M21/6M20
Beginning Balance	4,543	4,658	4,583	-2%	-1%	4,658	4,712	-1%
Additions and Subtractions	291	209	137	40%	112%	500	220	127%
Planting	291	209	137	40%	112%	500	268	87%
Disposal of Biological Assets	-	-	-	n/a	n/a	-	(48)	n/a
Exhaustion	(454)	(367)	(349)	24%	30%	(820)	(707)	16%
Historical Cost	(197)	(135)	(81)	46%	143%	(332)	(156)	113%
Fair Value Adjustment	(256)	(232)	(268)	11%	4%	(488)	(551)	-11%
Fair Value Variation	199	43	32	365%	530%	241	177	37%
Price	131	195	(57)	-33%	n/a	326	(94)	n/a
Growth	68	(152)	88	n/a	-23%	(85)	343	n/a
SPV Constitution	-	-	-	n/a	n/a	-	(72)	n/a
Ending Balance	4,579	4,543	4,402	1%	4%	4,579	4,402	4%

The **evaluation of the biological assets** at their fair value takes into account certain estimates such as the price of wood, discount rate, forest harvest plan and productivity, variations of which have non-cash effects on the Company's results.

In the second quarter 2021, the fair value variation of the biological assets resulted in revenue of R\$ 199 million, principally due to the impact of the increase in price of the biological assets (standing timber) based on market surveys published by specialized companies. Additionally, the depletion effect of the fair value of the biological assets on the cost of products sold was R\$ 256 million in the same period. Hence, the non-cash effect of the fair value of the biological assets on operating results (EBIT) in 1Q21 was a negative R\$ 57 million.

EBITDA and Operating Cash Generation

R\$ million	2Q21	1Q21	2Q20	Δ 2Q21/1Q21	Δ 2Q21/2Q20	6M21	6M20	Δ 6M21/6M20
Net Income (loss)	719	421	(383)	71%	n/a	1,139	(3,525)	n/a
(+) Income Taxes and Social Contribution	372	57	(268)	553%	n/a	429	(1,981)	n/a
(+) Net Financial Revenues	207	203	1,398	2%	-85%	410	6,886	-94%
(+) Depreciation, Amortization, Depletion	701	626	621	12%	13%	1,327	1,256	6%
Adjustments According to IN.CVM 527/12 art. 4								
(+) Variation of Fair Value of Biological Assets	(199)	(43)	(32)	-365%	530%	(241)	(249)	3%
(+) Cash Flow Hedge Effect	-	11	-	n/a	n/a	11	-	n/a
(+) Equity Pickup	(2)	(1)	(4)	-87%	-54%	(3)	(26)	90%
Adjusted EBITDA	1,798	1,274	1,333	41%	35%	3,073	2,361	30%
Adjusted EBITDA Margin	44%	37%	45%	+ 7 p.p.	- 1 p.p.	41%	43%	- 2 p.p.
(+) Non-Recurring Effects ¹	-	(20)	-	n/a	n/a	(20)	-	n/a
Adjusted EBITDA (excluding non-recurring effects)	1,798	1,254	1,333	43%	35%	3,052	2,361	29%
Adjusted EBITDA Margin (excluding non-recurring effects)	44%	36%	45%	+ 8 p.p.	- 1 p.p.	40%	43%	- 3 p.p.
Cash Generation (Adjusted EBITDA - Maintenance Capex)	1,613	1,003	1,247	61%	29%	2,616	2,177	20%
Cash Generation / t²	1,705	1,103	1,455	54%	17%	1,410	1,276	11%

¹ Refers to the net gain from the sale of Nova Campina in 1Q21

² Sales volume disconsidering wood

Higher sales volume and price readjustments were determining factors for the increase in net revenue in 2Q21 in relation to 2Q20. Combined with the Company's cost discipline, the increase resulted in an **Adjusted EBITDA** of R\$ 1.798 billion, 35% higher than 2Q20 and 43% more than 1Q21, excluding non-recurring effects. The adjusted EBITDA margin in 2Q21 was 44%, an 8 p.p. expansion relative to 1Q21, excluding non-recurring effects. Cash generation per ton, measured by the Adjusted EBITDA less maintenance Capex in relation to volume sold, was R\$ 1,705/t in 2Q21, a 17% annual increase and an indication of the Company's capacity to match growth with the creation of value.

EBITDA by Segment ¹	2Q21	1Q21	2Q20	Δ 2Q21/1Q21	Δ 2Q21/2Q20	6M21	6M20	Δ 6M21/6M20
Adjusted EBITDA (R\$ million)	1,798	1,254	1,333	43%	35%	3,052	2,361	29%
Pulp	992	716	581	39%	71%	1,708	984	74%
% EBITDA Participation	55%	57%	44%	- 2 p.p.	+ 13 p.p.	56%	42%	+ 14 p.p.
Paper and Packaging	806	538	752	50%	7%	1,344	1,376	-2%
% EBITDA Participation	45%	43%	56%	+ 2 p.p.	- 13 p.p.	44%	58%	- 14 p.p.
Adjusted EBITDA/t²	1,900	1,380	1,555	38%	22%	1,645	1,383	19%
Pulp	2,489	1,918	1,528	30%	63%	2,213	1,290	72%
Paper and Packaging	1,472	1,005	1,576	46%	-7%	1,241	1,459	-15%

¹ Excluding non-recurring effects. For purposes of this EBITDA by segment calculation, the 'others' results were allocated in the respective businesses

² Sales volume disconsidering wood sales to third parties

In 2Q21, total Adjusted EBITDA per ton was R\$ 1,900/t, 22% higher than 2Q20, driven by price readjustments for all lines of business implemented in recent quarters. Adjusted EBITDA/t for the pulp segment rose 63% in 2Q21 compared with the same period in 2020. In addition to higher prices, Klabin enjoys the benefits of diversified exposure to the three types of pulp fibers. In the paper and packaging segment, the 7% annual reduction in EBITDA/t on an annual comparative basis is largely explained by the sales mix with a greater preponderance of corrugated boxes and also the increase in OOC costs, already mentioned. However, the increase of 46% in Adjusted EBITDA when comparing 2Q21 x 1Q21 shows that this effect is being compensated by price readjustments.

Debt and Financial Investments

Debt (R\$ million)	Jun-21	Prop. %	Mar-21	Prop. %
Short Term				
Local Currency	1,128	4%	1,192	4%
Foreign Currency	426	2%	536	2%
Total Short Term	1,554	6%	1,728	6%
Long Term				
Local Currency	4,384	16%	4,587	15%
Foreign Currency	21,083	78%	23,961	79%
Total Long Term	25,467	94%	28,548	94%
Total Local Currency	5,512	20%	5,779	19%
Total Foreign Currency ¹	21,509	80%	24,497	81%
Gross Debt	27,021		30,276	
(-) Cash	8,250		8,531	
Net Debt	18,770		21,744	
Net Debt / EBITDA (LTM) - US\$	3.6 x		4.0 x	
Net Debt / EBITDA (LTM) - R\$	3.3 x		4.2 x	

¹Includes BRL to USD swaps, as well as the instrument's mark-to-market gains or losses

Gross debt as of June 30, 2021 was R\$ 27.021 billion, a reduction of R\$ 3.255 billion in relation to the end of 1Q21. This decrease is largely explained by the effect of exchange rate appreciation on currency denominated debt, albeit without a material cash effect in the period, in addition to the early settlement of three Credit Note for Exportation (NCEs) worth R\$ 277 million in the period.

Average Maturity / Cost of Debt	2Q21	1Q21	2Q20
Local Currency Cost	8.5% p.y.	6.5% p.y.	3.6% p.y.
Foreign Currency Cost	5.1% p.y.	5.1% p.y.	4.6% p.y.
Average maturity	110 months	114 months	114 months

The total average maturity of loans and financing at the end of 2Q21 was 110 months, 61 months for local currency debt and 122 months in currency denominated debt. The average cost of currency denominated financing, the main source of the Company's credit, remained unchanged on a quarterly comparison basis at 5.1% per year. For debt in local currency, the financial cost increased to 8.5% p.y. in 2Q21, a result of the acceleration of inflation as measured by the accumulated IPCA which increased from 6.1% in March 2021 to 8.1% in June 2021 and from CDI rates that rose from 2.7% in March 2021 to 4.2% in June 2021.

Cash and cash equivalents ended the second quarter 2021 totaling R\$ 8.250 billion, a reduction of R\$ 281 million compared to 1Q21, mainly reflecting the early settlement in June of this year of three NCEs amounting to R\$ 277 million. This cash position gives sufficient coverage to amortize 68 months of debt. The Company also has a Revolving Credit Facility of US\$ 500 million (equivalent to R\$ 2.501 billion) maturing in December 2023 at an annual cost of 0.4%. Should the credit line be drawn, the cost of the financing would be 12-month Libor + 1.35%.

Klabin also has financing earmarked to the execution of the Puma II Project, contracted, and partially drawn for the following amounts: (i) BID Invest, IFC and JICA, US\$ 700 million; (ii) Finnvera, US\$ 178 million; (iii) BNDES, R\$ 2 billion. These credit lines may be drawn either in full or partially, according to the construction schedule of the Puma II Project and/or as and when the Company requires a cash injection.

Consolidated **net debt** as of June 30, 2021 amounted to R\$ 18.770 billion, a reduction of R\$ 2.974 billion compared to the net amount at the close of 1Q21 and largely due to the positive impact of exchange variation on US\$ denominated debt and cash generation in the period.

Financial leverage measured by the Net Debt/Adjusted EBITDA ratio in US\$ - which best reflects Klabin's financial leverage - fell from 4.0x in 1Q21 to 3.6x in 2Q21, even during the Puma II investment cycle, and remaining within parameters established in the **Company's Financial Debt Policy**. This positive performance is related to the increase in cash generation and to the accumulated Adjusted EBITDA over the past twelve months.

Hedge Accounting

From January 2021, Klabin implemented the cash flow hedge accounting method. This practice, in line with the Company's risk management and strategy, seeks to demonstrate the equalization of the effects of exchange variation in the income statement as they are effectively realized with their cash effect.

Debts in US\$ are designated as instruments of protection of the highly probable future revenues in US\$ and the effects of the currency variation on these debts are recorded under shareholders' equity in the "Valuation adjustments to shareholders' equity" line. With the realization of revenues in US\$ linked to the designated debts for hedge accounting purposes, so the respective accumulated amounts of currency variation are recorded in the income statements under "Net Revenue".

At the end of the 2Q21, the currency variation of debt designated for hedge accounting totaled a positive net effect of R\$ 470 million in the shareholders' equity. This amount summed to R\$ 11 million of realization of the hedge reserve plus R\$ 242 million of Income Tax and Social Contribution totaled the balance of R\$ 701 million in the "Valuation adjustments to shareholders' equity" line.

In 2Q21, no revenue linked to the settlement of loans and financing designated as a hedge instrument was realized.

The implementation of hedge accounting is exclusively of an accounting nature and does not impact the Company's cash generation and Adjusted EBITDA.

For more information, please see the financial statements for the period.

Financial Result¹

R\$ million	2Q21	1Q21	2Q20	Δ 2Q21/1Q21	Δ 2Q21/2Q20	6M21	6M20	Δ 6M21/6M20
Financial Expenses	(379)	(470)	(312)	-19%	22%	(849)	(826)	3%
Financial Revenues	72	30	126	142%	-43%	102	233	-56%
Subtotal	(307)	(440)	(186)	-30%	65%	(747)	(593)	26%
Net Foreign Exchange Losses	1,845	(1,156)	(747)	n/a	n/a	689	(4,111)	n/a
Derivative Instruments (SWAP)	684	(336)	(464)	n/a	n/a	349	(2,181)	n/a
Hedge Accounting Effect	(2,429)	1,728	-	n/a	n/a	(701)	-	n/a
Subtotal	100	237	(1,211)	-58%	n/a	337	(6,292)	n/a
Financial Result	(207)	(203)	(1,398)	2%	-85%	(410)	(6,886)	-94%

¹ Pro-forma numbers. For more details, please access the Company's Financial Statements

In 2Q21, financial expenses, excluding the hedge accounting and the swaps effects, amounted to R\$ 379 million, 19% lower than the preceding quarter, largely due to the positive effect from the devaluation of the US\$ Dollars against the Real on the interest of US\$ dollar denominated debt. The increase of 22% on an annual comparison basis was mainly due to the increasing inflation (IPCA) in the period. Financial revenues totaled R\$ 72 million in the quarter, an increase of R\$ 42 million in relation to 1Q21, the latter having been negatively impacted by the mark-to-market of the NTN-Bs and LFTs. Compared with the same period in 2020, the reduction of 43% is due to non-recurring events in 2Q20.

The closing FX rate for the quarter was R\$ 5.00/US\$, 12% less than the rate at the end of 1Q21, thus generating the positive result in the net foreign exchange variation line of R\$ 1.845 billion due to the impact on US\$ denominated debt and R\$ 684 million in the mark-to-market of interest rate swaps. These swaps are earmarked to loans and financing contracted in Reais and through these derivative instruments, have an effect similar to a liability contracted in US\$ Dollars.

As mentioned in the preceding section, the Company adopted the cash flow hedge accounting methodology, with a negative pre-Income Tax/Social Contribution effect of R\$ 2.429 billion in 2Q21, a reflection of the appreciation in the Real against the US\$ Dollars on the marking of currency denominated debt. This amount ceases to be booked to the income statement through an offsetting amount to shareholders' equity in the "Valuation adjustments to shareholders' equity" line. Important to note that the currency variation on US\$ Dollars denominated debt, the mark-to-market of the swaps as well as the partial compensation according to the hedge accounting methodology – amounting to R\$ 100 million – had no cash effect in the period.

Investments

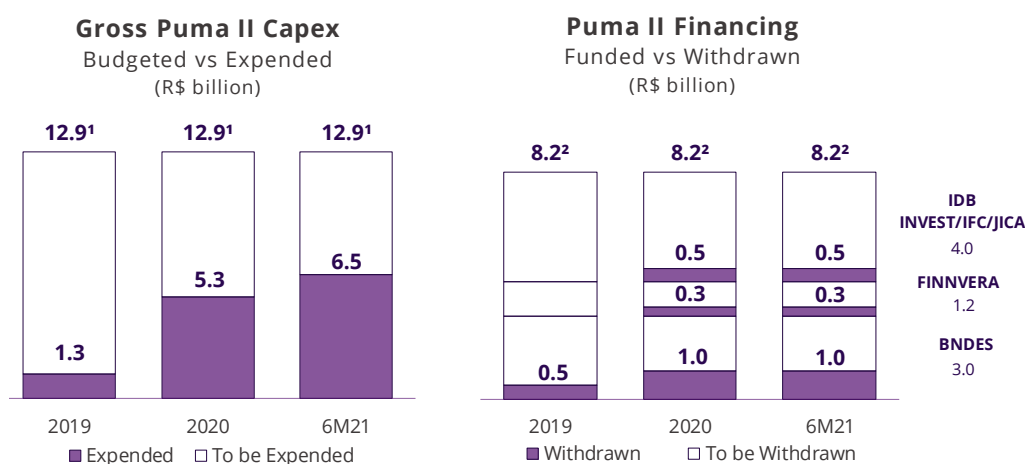
R\$ million	2Q21	1Q21	2Q20	Δ		6M21	6M20	Δ
				2Q21/1Q21	2Q21/2Q20			6M21/6M20
Forestry	70	67	47	5%	51%	137	118	16%
Operational Continuity	115	184	39	-38%	194%	299	237	26%
Maintenance Capex	185	251	86	-26%	116%	436	355	23%
Special Projects and Growth	18	67	4	-73%	325%	86	27	216%
Puma II Project	700	497	908	41%	-23%	1,197	1,435	-17%
Total	904	815	998	11%	-9%	1,719	1,817	-5%

In 2Q21, Klabin invested R\$ 904 million in its operations and in expansion projects. Out of the total amount invested, R\$ 70 million were allocated to forestry operations and R\$ 115 million to the operational continuity of the plants. Together these amounts, R\$ 185 million, represent investments in the operational maintenance of the Company. On an annual comparison basis, the largest investments reflect the partial postponement of maintenance capex from 2Q20 to the second half of the same year due to the pandemic-related restrictions. In addition, a further R\$ 18 million was invested in special projects and expansions in the period.

As these are investments from a cash point of view, the amounts do not consider those investments related to the forestry activities of the subsidiaries through Special Purpose Corporations (SPC's), executed via the injection of forestry assets already existing in Klabin's balance sheet.

As per the Notice to the Market published on June 29, 2021, approval was given to a set of 23 special and growth projects with fast and high returns. The total investment is R\$ 342 million, of which R\$ 125 million is to be disbursed in the second half of 2021 and the remainder in 2022. [Click here](#) to access the Notice to the Market.

Regarding the Puma II Project, until the end of 2Q21, R\$ 6.513 billion has been disbursed, of which R\$ 5.316 billion up to 2020 and R\$ 1.197 billion in the first six months of 2021. Investments in the project will be financed by the Company's cash position and through cash generation from current businesses. Complementary funding could be obtained by drawing against credit lines already in place with the ECA's, BNDES, BID Invest, IFC and JICA, with no requirements for additional financing.



¹ Initial gross capex of R\$9.1 bi (2019) updated to 2021 prices by exchange rate variation and inflation added to incremental capex of R\$2.6 bi due to the change in PM 28 to coated board

² Considers the end of period R\$/US\$ rate

Free Cash Flow

R\$ million	2Q21	1Q21	2Q20	LTM 2Q21	LTM 2Q20
Adjusted EBITDA	1,798	1,274	1,333	5,618	4,721
(-) Capex ¹	(904)	(815)	(998)	(5,075)	(3,514)
(-) Interest Paid/Received	(391)	(222)	(453)	(1,428)	(1,268)
(-) Income Tax	(71)	(40)	(3)	(116)	(48)
(+/-) Working Capital Variation	328	(532)	578	1,637	171
(-) Dividends & IOC	-	-	-	-	(709)
(+/-) Others	3	74	(1)	(181)	(32)
Free Cash Flow	763	(261)	457	454	(679)
Dividends & IOC	-	-	-	-	709
Puma II Project	700	497	908	3,806	2,419
Special Projects and Growth	18	67	4	397	157
Adjusted Free Cash Flow²	1,481	303	1,370	4,657	2,606
Adjusted FCF Yield³				16.4%	13.7%

¹ Capex under cash accrual method does not consider investments into SPVs (Special Purpose Vehicles)

² Excluding dividends and expansion projects

³ Yield - Adjusted FCF per share (excluding treasury stock) divided by the average price of the Units in the LTM (Last Twelve Months)

The Adjusted Free Cash Flow for the second quarter 2021 was driven by the increase in Adjusted EBITDA as well as the reduction in working capital, mainly the result of monetization of tax credits, and a larger outstanding balance to suppliers.

The interest paid/received line in 2Q21 was impacted by the seasonal effect of semi-annual interest payments in the months of April and October on the bonds maturing in 2029 and 2049.

Excluding discretionary factors and growth projects, the **Adjusted Free Cash Flow** for the last twelve months amounted to R\$ 4.657 billion, equivalent to a Free Cash Flow Yield of 16.4%, and a significant increase in relation to the R\$ 2.606 billion reported for the twelve month period ending 2Q20, illustrative of the Company's capacity to grow, at the same time generating value for shareholders.

ROIC - Return on Invested Capital

ROIC (R\$ million) - LTM ¹	2Q21	1Q21	2Q20
Total Asset	36,993	36,730	35,762
(-) Total Liability (ex-debt)	(4,446)	(4,006)	(3,483)
(-) Construction in Progress	(6,010)	(5,065)	(2,424)
Invested Capital	26,537	27,660	29,855
(-) CPC 29 Adjustment ²	(1,716)	(1,543)	(1,745)
Adjusted Invested Capital	24,821	26,116	28,110
Adjusted EBITDA	5,618	5,153	4,721
(-) Sustaining Capex	(872)	(773)	(938)
(-) Income Tax and Soc. Contr. (cash)	(116)	(48)	(48)
Adjusted Operating Cash-Flow	4,630	4,333	3,735
ROIC³	18.7%	16.6%	13.3%

¹ Average of the last 4 quarters (Last Twelve Months)

² Fair Value of Biological Assets minus Deferred Taxes of Biological Assets

³ ROIC (Last Twelve Months): Adjusted Operating Cash-Flow / Adjusted Invested Capital

Klabin's consolidated return as measured by the Return on Invested Capital (ROIC)¹ metric was 18.7% in the last 12 months, better than the results both for 2Q20 and also 1Q21. The improvement of this indicator is directly related to the increase in cash generation and the reduction in invested capital in the period, mainly due to the release of working capital in the last twelve months, with emphasis on the higher balance of suppliers, as a result of investments in the Puma II Project.

Business Performance

Consolidated information by unit in 2Q21:

R\$ million	Forestry	Pulp	Papers	Packaging	Eliminations	Total
Net revenue						
Domestic market	105	543	609	1,283	(79)	2,460
Exports	-	978	519	118	-	1,615
Third part revenue	105	1,520	1,129	1,401	(79)	4,076
Segments revenue	423	31	587	10	(1,051)	-
Total net revenue	528	1,551	1,716	1,411	(1,130)	4,076
Change in fair value - biological assets	199	-	-	-	-	199
Cost of goods sold ¹	(829)	(491)	(1,098)	(1,149)	1,102	(2,465)
Gross income	(103)	1,060	618	262	(28)	1,809
Operating expenses	(82)	(183)	(156)	(142)	52	(511)
Op. results before financial results	(185)	877	462	120	24	1,298

Note: In this table, total net revenue includes sales of other products; Comparison basis in Annex V

¹ Forestry COGS includes the exhaustion on the fair value of biological assets in the period

Forestry Business Unit

Volume (k tons)	2Q21	1Q21	2Q20	Δ 2Q21/1Q21	Δ 2Q21/2Q20	6M21	6M20	Δ 6M21/6M20
Wood	1,369	410	404	234%	239%	1,779	795	124%
Revenue (R\$ million)								
Wood	96	62	49	53%	95%	158	97	64%

In 2Q21, 1,369 thousand tons of wood were sold, a volume considerably larger than 2Q20 and 1Q21. The increase in volume and, consequently, in revenue was the result of an opportunistic sale of 819 thousand tons of standing timber during the quarter.

Pulp Business Unit

Volume (k tons)	2Q21	1Q21	2Q20	Δ 2Q21/1Q21	Δ 2Q21/2Q20	6M21	6M20	Δ 6M21/6M20
Short Fiber DM	84	76	68	11%	24%	161	164	-2%
Short Fiber EM	204	193	209	6%	-2%	397	390	2%
Short Fiber	289	269	278	7%	4%	557	555	0%
Long Fiber/Fluff DM	57	52	42	10%	37%	110	90	22%
Long Fiber/Fluff EM	53	52	60	2%	-13%	104	118	-12%
Long Fiber/Fluff	110	104	102	6%	7%	214	208	3%
Total Pulp	399	373	380	7%	5%	772	763	1%
Revenue (R\$ million)								
Short Fiber	991	782	674	27%	47%	1,773	1,220	45%
Long Fiber/Fluff	520	412	346	26%	50%	931	629	48%
Total Pulp	1,511	1,194	1,019	27%	48%	2,704	1,849	46%
Net Price (R\$/ton)								
Short Fiber	3,435	2,908	2,427	18%	42%	3,181	2,199	45%
Long Fiber/Fluff	4,719	3,954	3,373	19%	40%	4,347	3,018	44%
Total Pulp	3,790	3,200	2,682	18%	41%	3,504	2,423	45%

Pulp volume sold in 2Q21 was 399 thousand tons, a growth of 5% compared with the same quarter of 2020, the result of the Puma Unit's solid operational performance and the strong demand across all pulp grades, notably in the European and United States' markets.

The balance between supply and demand in the market remained positive throughout the quarter, driven mainly by the recovery in paper consumption in both Europe and the United States. With the reduction of restrictions resulting from the COVID-19 pandemic, stronger demand paved the way for an expansion in contracted volumes with some clients in these regions. On the supply side, logistical difficulties continued with low expectation of normalization in the short-term, the balance in the supply and demand remaining tight.

In the light of this market scenario, Klabin was able to implement price increments for long and short fiber. Sales to Europe, USA and the domestic market followed reference prices with increases of 27% compared with the average for 1Q21. In China, with further price hikes during the course of the quarter, short and long fiber posted average price quotations of US\$ 774/t and US\$ 975/t, respectively, representing adjustments of 27% and 18% in relation to 1Q21. Both grades measured by the FOEX price index.

Klabin's position as the only Brazilian company producing hardwood, softwood and fluff pulps translates into greater flexibility in building a strategic sales mix, allowing the Company to benefit from price increases in the three fibers, thus maximizing returns from the business. With the successful implementation of these price readjustments across all grades, the price differential between hardwood and softwood pulp in China reached US\$ 201/t at the end of June. It is worth also highlighting the solid performance in fluff pulp, with characteristics of greater resilience both in terms of demand as well as price.

Given this favorable market scenario and in spite of a more appreciated Real against the US\$, net revenue from the pulp business was R\$ 1.511 billion in 2Q21, a growth of 48% compared to the same period in 2020, the result of the strong recovery and better sales mix.

Paper Business Unit

Volume (k tons)	2Q21	1Q21	2Q20	Δ 2Q21/1Q21	Δ 2Q21/2Q20	6M21	6M20	Δ 6M21/6M20
Kraftliner DM	43	54	40	-21%	7%	97	87	11%
Kraftliner EM	48	49	74	-4%	-36%	97	133	-27%
Kraftliner	90	103	114	-13%	-21%	194	220	-12%
Coated Boards DM	107	109	95	-1%	13%	216	189	15%
Coated Boards EM	68	44	87	55%	-22%	112	162	-31%
Coated Boards	175	153	182	15%	-4%	328	351	-7%
Paper	265	256	296	4%	-10%	521	571	-9%
Revenue (R\$ million)								
Kraftliner	333	323	327	3%	2%	656	591	11%
Coated Boards	780	650	782	20%	0%	1,430	1,438	-1%
Paper	1,113	973	1,109	14%	0%	2,086	2,028	3%
Net Price (R\$/ton)								
Kraftliner	3,691	3,126	2,864	18%	29%	3,389	2,690	26%
Coated Boards	4,455	4,258	4,299	5%	4%	4,363	4,093	7%
Paper	4,195	3,801	3,746	10%	12%	4,002	3,553	13%

Kraftliner

Demand in the Kraftliner market continued intense in 2Q21. The United States, the largest producer and exporter of this product in the world, has restricted its exports at lower levels to domestic market demand. As a result, the supply and demand equation continues tight.

In this context, the price recovery which began in the second half of 2020, has continued with further announcements of price increases and their subsequent implementation. In 2Q21, the average price in Europe as measured by the FOEX price index for Kraftliner, was US\$ 813/t, 26% more than the average for 2Q20 and 11% greater compared with the average for 1Q21.

In the 2Q21 Klabin's kraftliner sales volume was down on a quarterly comparative basis, reflecting greater integration of volumes for conversion in order to meet the strong demand for packaging in the Brazilian market.

Market conditions continue very favorable for the sale of the production from the Puma II Project's first paper machine, with 100% of its production sold, 70% of which on a contractual basis.

Coated Boards

Just as with Kraftliner, the coated board market continues on a growth trajectory with good perspectives for the second half of 2021. Business has been largely driven by the movement away from single-use plastic to sustainable packaging as well as a growing tendency in the food market on the part of the consumer towards food service, such as delivery and to go food. This scenario has been reflected in increased domestic demand which, based on Brazilian Tree Industry (IBÁ) data, rose 28% in the first five months in relation to 2020.

Klabin's coated boards sales in 2Q21 was 15% higher than 1Q21 due to the maintenance shutdown at the Monte Alegre Unit in that quarter. Compared to 2Q20, sales continued flat but bearing in mind that the Company's plants were already operating at maximum capacity. Sales to export markets fell by 22% compared with 2Q20 due to a spike in export business in the latter quarter.

Given the current market context, the Company has been able to readjust prices during the quarter. Thus, the sales of coated boards increased by 14% versus 1Q21, despite the Real appreciation against the US\$.

Packaging Business Unit

Volume (k tons)	2Q21	1Q21	2Q20	Δ 2Q21/1Q21	Δ 2Q21/2Q20	6M21	6M20	Δ 6M21/6M20
Corrugated Boxes	243	240	150	1%	62%	484	306	58%
Industrial Bags	39	39	31	0%	25%	79	67	18%
Packaging	282	280	181	1%	56%	562	372	51%
Revenue (R\$ million)								
Corrugated Boxes	1,129	1,001	543	13%	108%	2,130	1,107	92%
Industrial Bags	258	258	198	0%	30%	516	405	27%
Packaging	1,387	1,259	742	10%	87%	2,646	1,512	75%
Net Price (R\$/ton)								
Corrugated Boxes	4,645	4,163	3,628	12%	28%	4,405	3,622	22%
Industrial Bags	6,574	6,547	6,294	0%	4%	6,560	6,069	8%
Packaging	4,913	4,498	4,091	9%	20%	4,707	4,061	16%

Corrugated Board

Data published by Empapel, formerly the Brazilian Association of Corrugated Board (ABPO), shows a notable increase of 16.7% in volumes of corrugated boxes shipments in 2Q21 compared with 2Q20.

Growth in shipment volumes has continued at record levels and well above general economic activity since the second half of 2020. Figures from Empapel show that on an annual comparative basis, June 2021 was a record for the 12th consecutive month, reflecting expanded consumption and growth in the e-commerce segment of retailing as well as in exporting sectors such as proteins and fruit.

Klabin's sales volume of corrugated board including additional volumes following the acquisition of the IP assets, reached 243 thousand tons in 2Q21, an increase of 62% compared with the same period in 2020. Excluding volumes from the new units, growth was 19% in relation to 2Q20. Net revenue increased by 108% in relation to 2Q20 and 51% on the same comparative base excluding revenue from the new units. The increase in net revenue reflects higher shipment volumes and price readjustments in the face of significantly higher costs such as those of OCC.

Industrial Bags

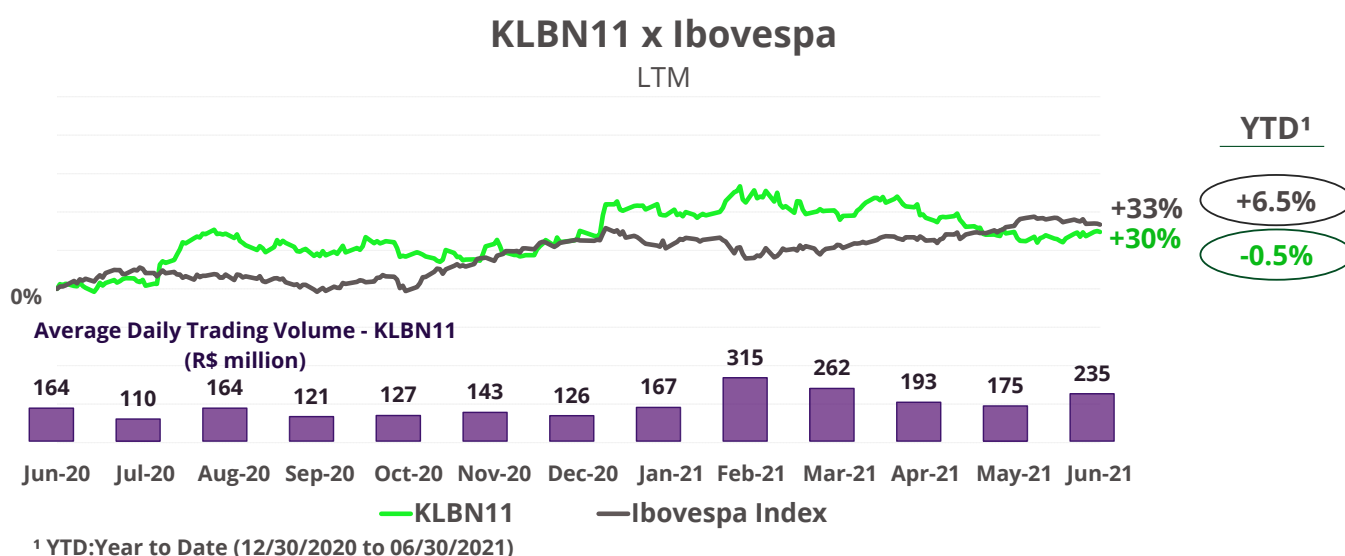
Preliminary data published by the National Cement Industry Union (SNIC) indicates that Brazilian cement consumption - directly impacting Klabin's sales of industrial bags in Brazil - continued intense, accumulating a high of 15.8% from January to June 2021 compared with the same period of the preceding year. Additionally, the use of paper packaging has gained traction in markets such as flour, sugar, coffee, and animal feed, driving growth in sales of industrial bags for these segments.

Over the past quarters, the Company's bag conversion units have been operating at maximum capacity to meet strong demand from both domestic and export markets. The 25% increase in industrial bag sales volume in addition to changes in sales mix towards higher added value products were instrumental in boosting net revenue for 2Q21 by 30% over the same period in 2020.

Capital Markets

Equity Income

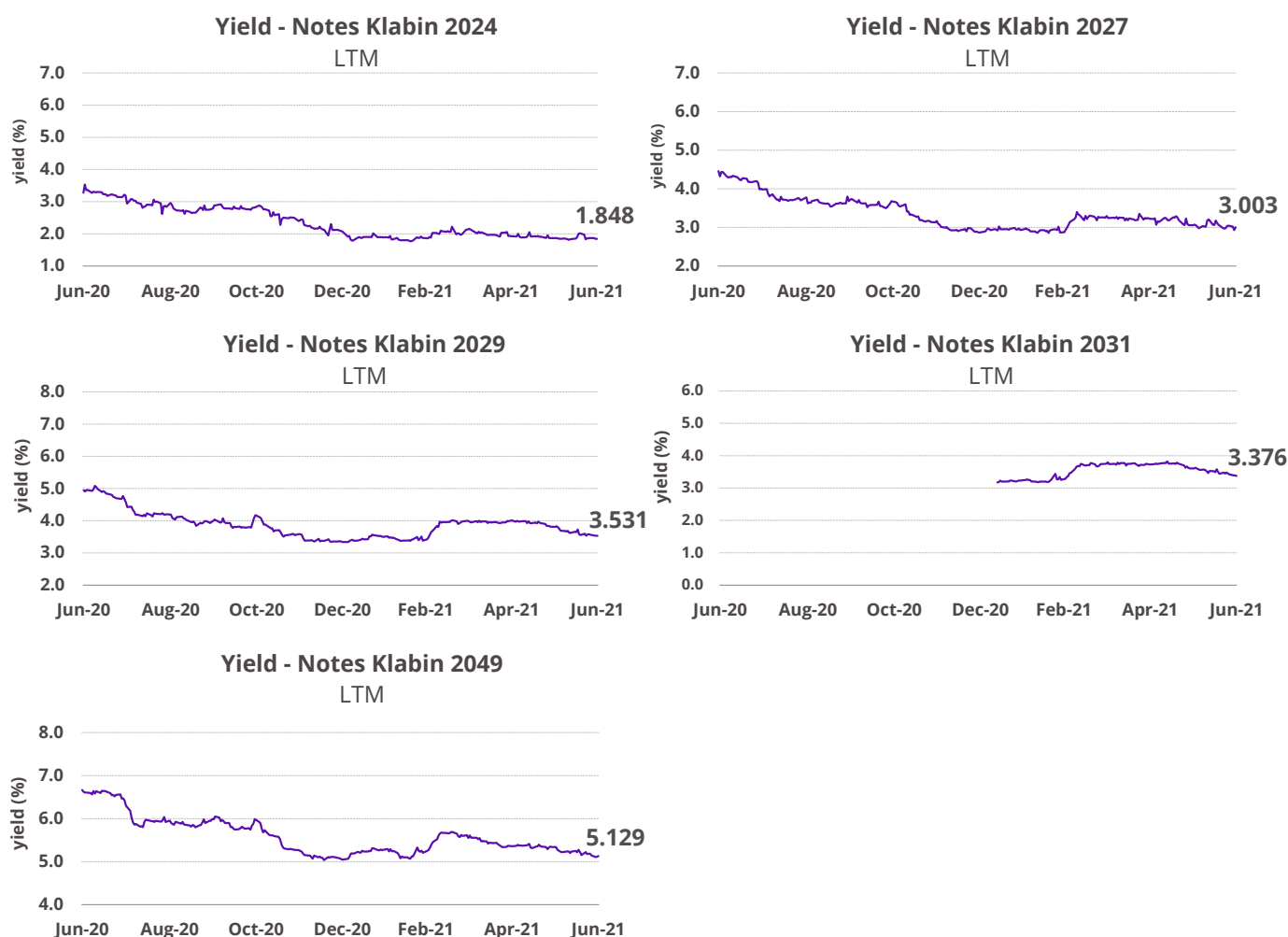
In the second quarter of 2021, Klabin's units (KLBN11) reported a depreciation of 5% as against an appreciation of 9% in the Ibovespa, closing the period priced at R\$ 26.34/unit. The units were traded on all the days B3 was open for business, turnover amounting to 461 million transactions with an average daily trading volume of R\$ 201 million. The maximum price reached during the period was R\$30.09/unit on April 20, 2021, while the minimum was R\$ 25.21/unit on June 08, 2021.



Fixed Income

The Company has five active note or bond issues in the international market. Among these are two Green Bond issues, the securities of which must necessarily have their resources earmarked to eligible green projects. There are also two conventional debt issues. And finally, a Sustainability Linked Bond (SLB), the coupon of which is linked to sustainability performance metrics. Differently from the other issues, interest paid on SLB securities is directly linked to meeting certain goals by 2025 and described in the issue's Framework, published in the Company's Investor Relations website. All coupons and maturities are shown in the respective graphs below.

In 2Q21, Fitch and Standard and Poors rating agencies reiterated Klabin's credit risk classification at BB+ with stable outlook.



Shareholder Remuneration

As explained in the fourth quarter 2020 earnings release, Klabin's booked net income in 2020 was negatively affected by the intense devaluation of the Real against the US\$. Consequently, in compliance with bookkeeping and corporate legislation, Klabin is temporarily unable to distribute earnings to its shareholders and consequently there was no earnings distribution in the first six months of 2021.

Subsequent Events

Start-up of the Puma II Project

As stated in the Material Fact disclosed on August 5, 2021, the scheduled start-up of the first machine of the Puma Project II will take place in the second half of August 2021. To access the Material Fact, [click here](#).

Conference Call

Portuguese

Wednesday, August 11, 2021

Time: 10:00 a.m. (NYC) / 11:00 a.m. (Brasília)

Phone: +55 11 3181-8565 or 4210-1803

Code: Klabin

Access via HD Web Phone: [click here](#)

Access via Webcast: [click here](#)

Replay: +55 11 3193-1012 or 2820-4012

Code: 8374387#

English (Simultaneous Translation)

Wednesday, August 11, 2021

Time: 10:00 a.m. (NYC) / 11:00 a.m. (Brasília)

Telephone: 1 412 717 9627 or 1 844 204 8942

Code: Klabin

Access via HD Web Phone: [click here](#)

Access via Webcast: [click here](#)

Replay: +55 11 3193-1012 or 2820-4012

Code: 5169469#

IR Channels

New Investor Relations portal: <http://ri.klabin.com.br>

Klabin Invest: video and podcast platform available on YouTube and Spotify



E-mail: invest@klabin.com.br

Phone: +55 11 3046-8401

The Investor Relations team is at your disposal:

- Marcos Ivo – Chief Financial and Investor Relations Officer
- Marcos Maciel – IR Manager
- Luiza Chaves – IR Coordinator
- Anna Atui – IR Analyst
- Fabiana Cruz – IR Analyst
- Rafaela Silveira – IR Analyst
- Marcos Ribeiro – IR Intern

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

Appendix 1 – Consolidated Income Statement

(R\$ thousands)	2Q21	1Q21	2Q20	Δ		6M21	6M20	Δ
				2Q21/1Q21	2Q21/2Q20			6M21/6M20
Gross Revenue	4,695,747	4,018,840	3,336,961	17%	41%	8,714,587	6,320,278	38%
Discounts and Rebates	(620,194)	(541,275)	(380,564)	15%	63%	(1,161,469)	(772,494)	50%
Cash Flow Hedge Realization	-	(11,018)	-	n/a	n/a	(11,018)	-	n/a
Net Revenue	4,075,553	3,466,547	2,956,397	18%	38%	7,542,100	5,547,784	36%
Variation in the Fair Value of Biological Assets	198,701	42,704	31,563	365%	530%	241,405	248,821	-3%
Cost of Products Sold	(2,464,809)	(2,389,954)	(1,844,908)	3%	34%	(4,854,763)	(3,659,335)	33%
Gross Profit	1,809,445	1,119,297	1,143,052	62%	58%	2,928,742	2,137,270	37%
Selling Expenses	(296,087)	(266,841)	(289,433)	11%	2%	(562,928)	(536,422)	5%
General & Administrative Expenses	(219,869)	(204,468)	(157,118)	8%	40%	(424,337)	(306,239)	39%
Other Revenues (Expenses)	2,782	31,871	47,000	-91%	-94%	34,653	58,913	-41%
Total Operating Expenses	(513,174)	(439,438)	(399,551)	17%	28%	(952,612)	(783,748)	22%
Operating Income (Before Fin. Results)	1,296,271	679,859	743,501	91%	74%	1,976,130	1,353,522	46%
Equity Pickup	1,732	925	3,745	87%	-54%	2,657	26,032	-90%
Financial Expenses	(379,290)	(469,792)	(771,583)	-19%	-51%	(849,082)	(2,941,165)	-71%
Liabilities Foreign Exchange Result	255,750	113,746	(857,766)	125%	n/a	369,496	(4,754,450)	n/a
Total Financial Expenses	(123,540)	(356,046)	(1,629,349)	-65%	-92%	(479,586)	(7,695,615)	-94%
Financial Revenues	72,060	29,831	125,529	142%	-43%	101,891	233,020	-56%
Assets Foreign Exchange Result	(155,566)	123,106	106,219	n/a	n/a	(32,460)	576,661	n/a
Total Financial Revenues	(83,506)	152,937	231,748	n/a	n/a	69,431	809,681	-91%
Financial Result	(207,046)	(203,109)	(1,397,601)	2%	-85%	(410,155)	(6,885,934)	-94%
Net Income Before Taxes	1,090,957	477,675	(650,355)	128%	n/a	1,568,632	(5,506,380)	n/a
Income Tax and Soc. Contrib.	(372,201)	(56,967)	267,625	553%	n/a	(429,168)	1,981,107	n/a
Net Income (Loss)	718,756	420,708	(382,730)	71%	n/a	1,139,464	(3,525,273)	n/a
Net income (Loss) Attributable to Noncontrolling Interests	59,583	49,512	55,344	20%	8%	109,095	83,312	31%
Net Income Attributable to Klabin's Stockholders	659,173	371,196	(438,074)	78%	n/a	1,030,369	(3,608,585)	n/a
Depreciation/Amortization/Exhaustion	700,755	626,138	621,224	12%	13%	1,326,893	1,255,983	6%
Change in Fair Value of Biological Assets	(198,701)	(42,704)	(31,563)	365%	530%	(241,405)	(248,821)	-3%
Net Realization of Cash Flow Hedge	-	11,018	-	n/a	n/a	11,018	-	n/a
Adjusted EBITDA	1,798,325	1,274,311	1,333,162	41%	35%	3,072,636	2,360,684	30%
Non-Recurring Effects ¹	-	(20,231)	-	n/a	n/a	(20,231)	-	n/a
Adjusted EBITDA (excl. non-recurring effects)	1,798,325	1,254,080	1,333,162	43%	35%	3,052,405	2,360,684	29%

¹Refers to the net gain from the sale of Nova Campina in 1Q21

Appendix 2 – Consolidated Balance Sheet

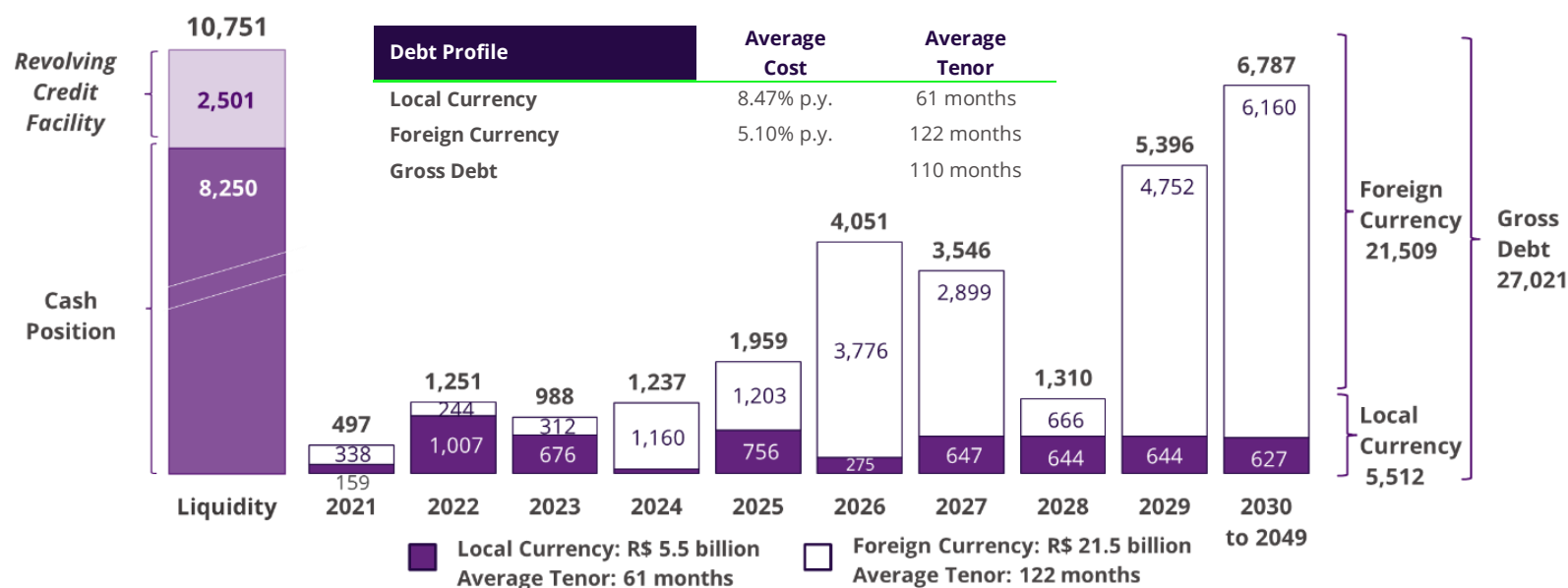
Assets (R\$ thousands)	jun-21	mar-21	jun-20	Liabilities and Equity (R\$ thousands)	jun-21	mar-21	jun-20
Current Assets	12,967,285	13,351,011	14,520,351	Current Liabilities	4,646,129	4,569,553	2,568,125
Cash and Cash-Equivalents	6,510,101	7,014,310	8,037,284	Loans and financing	1,467,814	1,661,756	598,636
Securities	1,740,234	1,517,091	1,831,094	Debentures	82,348	65,823	71,522
Receivables	2,498,094	2,451,445	2,112,812	Suppliers	2,198,278	2,062,423	1,295,810
Inventories	1,612,234	1,474,757	1,557,530	Taxes payable	168,792	141,977	38,530
Recoverable taxes and contributions	459,139	731,717	786,319	Salaries and payroll charges	374,260	260,132	294,269
Other receivables	147,483	161,691	195,312	Liability use benefit	186,214	154,403	108,169
				Other accounts payable	168,423	223,039	161,189
Noncurrent Assets	25,312,922	25,232,389	22,708,714	Noncurrent Liabilities	27,317,654	30,229,613	31,287,096
Deferred income tax and social contribution	308,260	1,350,584	1,244,142	Loans and financing	23,865,645	26,741,095	28,149,962
Taxes to compensate	622,057	691,685	1,046,192	Debentures	1,604,948	1,806,886	1,853,107
Judicial Deposits	109,486	122,548	124,673	Other accounts payable - Investors SCPs	285,421	274,673	326,266
Other receivables	208,654	197,601	225,402	Lease liability	865,561	712,408	579,840
Investments	264,586	265,973	265,473	Other accounts payable	696,079	694,551	377,921
Property, plant & equipment, net	18,098,745	17,135,924	14,644,323	Stockholders' Equity	5,335,412	3,066,894	2,788,350
Biological assets	4,579,168	4,542,764	4,402,402	Capital	4,475,625	4,475,625	4,475,481
Right of use asset	1,033,167	847,424	681,761	Capital reserve	(343,451)	(343,451)	(365,791)
Intangible assets	88,799	77,886	74,346	Revaluation reserve	48,705	48,705	48,705
				Profit reserve	-	-	1,517,044
				Valuation adjustments to shareholders' equity	1,286,500	(322,847)	922,365
				Retained earnings	36,543	(622,630)	(3,631,585)
				Treasury stock	(168,510)	(168,508)	(177,869)
Total Asset	38,280,207	38,583,400	37,229,065	Equity Attrib. to Noncont. Interests	981,012	717,340	585,494
				Total Liability + Equity	38,280,207	38,583,400	37,229,065

Appendix 3 – Financing Redemption Schedule – 06/30/2021

Debt raised in Reais linked to swaps for US\$ considered as currency denominated debt for the purpose of this appendix

R\$ million	3Q21	4Q21	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030 to 2049	Total
BND&S	5	0	6	44	76	76	76	75	75	75	75	627	1,206
Export Credit Notes	4	-	4	-	-	-	331	-	-	-	-	-	334
Agribusiness Receiv. Certificate	114	1	115	929	600	-	350	200	572	568	568	-	3,902
Others	4	-	4	4	-	-	-	-	-	-	-	-	7
Debentures	0	31	31	31	-	-	-	-	-	-	-	-	62
Local Currency	127	32	159	1,007	676	76	756	275	647	644	644	627	5,512
Trade Finance	7	10	17	-	-	-	891	3,559	63	313	125	-	4,968
Bonds	202	-	202	-	-	849	-	-	2,435	-	3,669	6,093	13,247
ECA`s	98	-	98	244	312	312	312	217	68	68	68	67	1,765
Debentures	20	-	20	-	-	-	-	-	333	285	890	-	1,529
Foreign Currency¹	328	10	338	244	312	1,160	1,203	3,776	2,899	666	4,752	6,160	21,509
Gross Debt	455	42	497	1,251	988	1,237	1,959	4,051	3,546	1,310	5,396	6,787	27,021

¹Includes BRL to USD swaps, as well as the instrument's mark-to-market gains or losses



Appendix 4 – Consolidated Cash Flow Statement

R\$ thousand	2Q21	1Q21	2Q20	6M21	6M20
Net Cash from Operating Activities	934,020	648,338	703,877	1,582,358	1,652,662
Cash Generated from Operations	1,307,105	1,372,275	551,135	2,679,380	1,714,689
Net Profit/Loss From Ongoing Operations	718,756	418,492	(382,730)	1,137,248	(3,525,273)
Net Profit/Loss From Discontinued Operations	-	2,216	-	2,216	-
Depreciation and Amortization	247,171	259,601	271,954	506,772	549,369
Change in Fair Value of Biological Assets	(198,701)	(42,704)	(31,563)	(241,405)	(248,821)
Exhaustion of Biological Assets	453,585	366,537	349,270	820,122	706,614
Deferred Income Tax and Social Contribution	218,495	5,500	(459,671)	223,995	(2,394,115)
Interest and Currency Variations on Financing Operations	(126,658)	387,448	846,916	260,790	6,841,407
Interest on Leases	10,620	10,308	(187,964)	20,928	(185,502)
Realization of Cash Flow Hedge Reserve	-	11,018	-	11,018	-
Currency Fluctuation on Receivables	14,902	(25,454)	154,387	(10,552)	3,555
Estimated Bad Debt Loss/Recovery	(7,522)	(1,749)	(7,494)	(9,271)	(1,749)
Estimated Inventory Loss/Composition	3,646	(93)	(87)	3,553	1,532
Result of Disposal of Assets	2,855	(15,089)	1,767	(12,234)	(6,914)
Equity Pickup	(1,732)	(925)	(3,745)	(2,657)	(26,032)
Other	(28,312)	(2,831)	95	(31,143)	618
Changes in Assets and Liabilities	(373,085)	(723,937)	152,742	(1,097,022)	(62,027)
Trade Receivables and Related Parties	(54,029)	(617,324)	(44,544)	(671,353)	(255,113)
Inventories	(141,123)	(95,533)	(94,994)	(236,656)	(226,818)
Taxes Recoverable	411,844	212,049	304,894	623,893	622,394
Marketable Securities	(223,143)	(169,194)	(412,762)	(392,337)	(440,565)
Other Assets	16,217	30,829	86,403	47,046	156,519
Suppliers	(413,982)	10,725	13,537	(403,257)	(156,836)
Taxes Obligations	26,815	(23,371)	(18,530)	3,444	(28,549)
Social Security and Labor Obligations	114,128	(117,684)	80,795	(3,556)	(7,019)
Other Liabilities	(40,174)	87,154	240,827	46,980	278,798
Income Tax and Social Contribution Paid	(69,638)	(41,588)	(2,884)	(111,226)	(4,838)
Net Cash Used in Investing Activities	(895,714)	(659,693)	(980,029)	(1,555,407)	(1,732,064)
Purchase of Property, Plant and Equipment	(612,645)	(606,507)	(861,365)	(1,219,152)	(1,550,126)
Planting Cost of Biological Assets	(291,288)	(208,776)	(137,174)	(500,064)	(267,529)
Proceeds from Disposal of Assets	5,101	152,195	18,510	157,296	82,210
Dividends Received from Subsidiaries	3,118	3,395	-	6,513	3,381
Net Cash Provided Used in Financing Activities	(542,515)	1,816,835	2,516,787	1,274,320	(223,700)
New Borrowings	(739)	2,698,048	2,755,116	2,697,309	3,742,446
Amortization of Loans and Debentures	(273,971)	(673,375)	(368,932)	(947,346)	(3,517,770)
Payment of Interests on Loans	(423,940)	(204,039)	171,283	(627,979)	(180,069)
Payment of Lease Liabilities	(63,365)	(47,665)	(39,212)	(111,030)	(70,627)
Disposal of Treasury Shares	-	18,946	-	18,946	13,588
Acquisition of Investments and Payment in Subsidiaries (Cash)	219,500	67,500	-	287,000	50,000
Outflow of JV's Investors	-	-	-	-	(2,000)
Dividends Paid/Received JVs and SPVs	-	(42,580)	(1,468)	(42,580)	(36,268)
Dividends Paid & IOC Paid	-	-	-	-	(223,000)
Increase (Decrease) in Cash and Cash Equivalents	(504,209)	1,805,480	2,240,635	1,301,271	(303,102)
Cash and Cash Equivalents at Beginning of Period	7,014,310	5,208,830	5,796,649	5,208,830	8,340,386
Cash and Cash Equivalents at End of Period	6,510,101	7,014,310	8,037,284	6,510,101	8,037,284

Appendix 5 – Business Segments Evolution

2Q21

R\$ million	Forestry	Pulp	Papers	Packaging	Eliminations	Total
Net revenue						
Domestic market	105	543	609	1,283	(79)	2,460
Exports	-	978	519	118	-	1,615
Third part revenue	105	1,520	1,129	1,401	(79)	4,076
Segments revenue	423	31	587	10	(1,051)	-
Total net revenue	528	1,551	1,716	1,411	(1,130)	4,076
Change in fair value - biological assets	199	-	-	-	-	199
Cost of goods sold ¹	(829)	(491)	(1,098)	(1,149)	1,102	(2,465)
Gross income	(103)	1,060	618	262	(28)	1,809
Operating expenses	(82)	(183)	(156)	(142)	52	(511)
Op. results before financial results	(185)	877	462	120	24	1,298

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

¹ Forestry COGS includes the exhaustion on the fair value of biological assets in the period

1Q21

R\$ million	Forestry	Pulp	Papers	Packaging	Eliminations	Total
Net revenue						
Domestic market	71	388	601	1,154	(54)	2,160
Exports	-	813	386	118	(11)	1,306
Third part revenue	71	1,201	987	1,272	(65)	3,467
Segments revenue	388	25	563	9	(986)	-
Total net revenue	459	1,226	1,550	1,281	(1,050)	3,467
Change in fair value - biological assets	43	-	-	-	-	43
Cost of goods sold ¹	(692)	(494)	(1,140)	(1,073)	1,010	(2,390)
Gross income	(190)	733	409	208	(41)	1,119
Operating expenses	22	(162)	(152)	(136)	(11)	(439)
Op. results before financial results	(169)	571	258	72	(51)	681

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

¹ Forestry COGS includes the exhaustion on the fair value of biological assets in the period

2Q20

R\$ million	Forestry	Pulp	Papers	Packaging	Eliminations	Total
Net revenue						
Domestic market	63	311	471	660	(4)	1,501
Exports	-	715	649	92	-	1,455
Third part revenue	63	1,026	1,120	752	(4)	2,956
Segments revenue	401	23	380	8	(813)	-
Total net revenue	464	1,049	1,500	760	(817)	2,956
Change in fair value - biological assets	32	-	-	-	-	32
Cost of goods sold ¹	(712)	(449)	(846)	(650)	813	(1,845)
Gross income	(217)	600	655	109	(4)	1,143
Operating expenses	(1)	(154)	(150)	(89)	(2)	(396)
Op. results before financial results	(218)	446	504	21	(6)	747

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

¹ Forestry COGS includes the exhaustion on the fair value of biological assets in the period