



**Local Conference Call
Klabin S/A (KLBN11)
1Q22 Earnings Results
May 4th, 2022**

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

independent of time, we ask analysts to please limit their questions to two each. Should you need assistance during the call please press star 0 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 which are based on the company's management expectations in relation to the future of Klabin. Such expectations are highly dependent on market conditions, on Brazil's overall economic performance, and on industry and international market behavior 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 officers of the company. Initially, Mr. Teixeira and Mr. Ivo will talk about the performance of the company in the first quarter of 2022, afterwards all 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. Mr. Teixeira, you may proceed.

Cristiano Teixeira: Thank you very much, welcome to Klabin's conference call about the first quarter or 2022 result. Seasonally, the beginning of the year represents a more moderate scenario and with a lower demand in all market, low pace in the internal market, domestic market, and we started the year with a very challenging humanitarian scenario because of the Ukraine and Russia conflict and the economy that we're expecting a gradual recovery were faced with a strong inflation and commodity prices interruption in supply productive chains and China with a zero-tolerance policy in relation to COVID, and with this scenario Klabin once again used its integrated, diversified, and flexible model of business and was able to quickly reallocate the product to export markets which are more resilient and with a higher demand, such as food, hygiene, beverage, packaging items, and also those which try to accelerate replacement of single-use plastic packaging for sustainable packaging.

We had good results with the cash generation measured by the EBITDA at 1.7 billion, 38% higher YoY, net revenue 28% higher with a gain on profitability of 3

percentage points compared to the first quarter 21. In pulp, Klabin sustained the position of being the only company in Brazil with 3 types of Pulp and shows flexibility among regions. The limitation of the global supply together with a healthy demand opened room for price increases in all regions, especially China. In papers, that demand for Kraftliner continues to be high in the foreign market with the prices measured by Foex Europe renewing its all-time high.

The new MP28 machine is under construction with 32% of project execution, and in packaging we have already started investment in the *Projeto Horizonte* to expand the unit for conversion of corrugated boxes in Ceará. Industrial bags the same deceleration of civil construction in Brazil made us channel volumes to other markets, and we had the approval by the general shareholders meeting of the expansion of the long-term incentive plan to 100% of our employees and this tries to engage them more and more to generate value for the company.

Our results show resilience, an increase in revenue and EBITDA, reduction in financial leverage reflecting an efficient allocation of capital, cash generation, and value creation for shareholders.

Now I'd like to give the floor to Marcos Ivo, who will talk about the financials about the first quarter of 22.

Marcos Ivo: Thank you, Cristiano. Good morning, everybody, thank you for participating in our call.

We delivered another quarter of solid results confirming once again the strength of the Klabin's business model and predictability of results. Among the highlights of the period, I would like to mention net revenue of R\$4.4 billion growing by 28% YoY, adjusted EBITDA 39%, 3 percentage point increase YoY, and ROIC measured by the ROIC 20.1% in the last 12 months.

On page 4, sales volume reached 900,000 tons in the quarter, stable vis-à-vis the same period in 2021. I would like to remind you that we had the maintenance scheduled stoppages in Puma and Correia Pinto in the first quarter. The Monte Alegre stoppage in Paraná occurred in April as scheduled and the plant is already operating at normal levels. In spite of the stable sales volume, net revenue grew by 28% YoY increasing in all business lines because of the price adjustment that we carried out over the last quarters. Adjusted EBITDA reached R\$1.726 billion in the first quarter of 22, a 38% increase vis-à-vis the first quarter of 21 driven by the growth in net revenue that more than offset the appreciation of the Brazilian currency vis-a-vis the dollar, and also the past increases.

I would like to mention also the important increase in profitability in the paper and packaging businesses, which reached an EBITDA per ton of R\$1.869 in the first quarter of this year, 86% higher than the first quarter of 21 and 16% higher than the fourth quarter of 21. Cash generation by these segments measured by the EBITDA doubled on a YoY comparison showing the capacity of Klabin of delivering sound results in challenging scenarios, such as the one that we have today of high inflation and stable demand in Brazil, and we can expect that the profitability of these businesses over 2022 will be maintained at higher levels than last year.

On slide number 5 benefiting from the price recovery on an annual comparison as well as the flexible sales mix among geographies and the portfolio with the 3 types of fibers (short, long and fluff), net revenue from pulp was R\$1.4 billion in the quarter, a 14% increase YoY in spite of the reduction in sales because of the scheduled maintenance stoppage.

The pulp cash production cost was 1.291 per ton, an increase of 66% YoY, net of the impact of the stoppage carried out in the period, and this increase is explained by the high price of chemicals and fuels and the inflation in the period and additionally as planned and also mentioned in our notices to the market, the participation of wood from third-parties increased because of the Puma 2 that will have the first cycle of supply with third-party wood.

Now let's go to page number 6. At the end of March, net debt of Klabin was R\$17.9 billion dropping by 3 billion when compared to December 21, and this is explained substantially by the positive impact of the variation on the dollar debt dropped from 2 to 9 months to 2.7 times in March 2022, close to the lower level of the financial debt policy of the company.

Let's now turn into the next slide, Klabin's liquidity remains robust and ended the quarter at R\$8.6 billion, this liquidity is made up of R\$6.2 billion in cash and the remaining amount in a revolving credit line. The average debt maturity between the years 2022 up to 2023 still the construction period for the Puma 2 project is approximately R\$1.1 billion per year, a comfortable level for the company. The average debt maturity at the end of the quarter was 102 months equivalent to approximately 8.5 years, the same level as the previous quarter.

Let's not forget that Klabin has contracted a financing that have not yet been drawn down in an amount higher than the Capex that will be still disbursed up to the conclusion of Puma 2 project, as detailed in a release.

Now turning to page 8, the adjusted free cash flow which disregards discretionary factors and expansion projects was positive in R\$393 million in the quarter, 40% above the same period of last year driven by the EBITDA growth. In the last 12 months, the adjusted free cash flow was R\$3.9 billion representing a free cash flow yield of 14.1%.

Now on page 9, according to our notice to shareholders published yesterday, the company approved the payment of dividends in the amount of R\$346 million to be paid on May 18th. In the accrual method, the proceeds distributed to shareholders in the last 12 months totaled R\$1.125 billion, a clear sign of Klabin's capacity to combine growth and dividends payment while maintaining its capital structure financial discipline.

I remind you that Klabin has a dividend and IOC policy that can be accessed in full on our investor relations website.

On slide 10, the first stage of Puma 2 project which started production on August 30th of last year is ramping up as planned. The second phase of the project which will include a coated board machine is under construction, on schedule, having reached 32% of physical implementation and a measurement taken last April 17th, and it has its startup planned for the second quarter of 2023. Since the beginning

of the project R\$8.5 billion have been disbursed, of which R\$594 million in the first quarter of 2022.

Finally, here are some initiatives and recognitions under ESG for the last few months when Klabin completed 123 years of history. For the second year in a row, Klabin was recognized for its performance in sustainability by being listed in the gold category of the containers and packaging sector in the Sustainability Yearbook 2021 and tax organized by the international consulting firm S&P Global. We also achieved the highest score in EcoVadis evaluation, which analyzes aspects of environment, labor practices in human rights, ethics, and sustainable procurement.

In this quarter we launched the sustainable finance page, another development in our ESG panel where we concentrate all reports on financial instruments linked to sustainability. Thus, with the construction of a sustainable future in mind, Klabin will continue its trajectory of growth generating shared value stressing its aspiration to be a world reference in responsible solutions with multi-purpose renewable, recyclable, and biodegradable forest-based products.

Now Cristiano and all of us officers will be available to take your questions in the Q&A session.

Question and Answer Session

Operator: Now we will start the Q&A session. In order to ask a question, please press star 1. In order to remove your question from the queue, please press star 2.

Our first question is from Caio Greiner, from BTG Pactual.

Caio Greiner: Good morning, everybody. I have 2 questions, the first one is to Nicolini about the recent price increases. We read in the press that Klabin led the increases or the last 2 increases and not as it was happening recently. This is what we read in the media, but if this is the case, what would be an interpretation of this move on Klabin side? Should we see a higher degree of caution on your side, maybe Klabin being more aggressive and what would be the reason behind this aggressiveness?

And the second question now talking about the recent increase for China. What about the implementation, are you being successful in implementing this in practice? And is it sustainable for the next few months? Because we see that eucalyptus is going a little bit down in prices and this price rally that we see now is being motivated by a lower supply. So, how do you see the supply and demand situation in China? More on the demand side because there is still some challenge in China because of the lockdown. So, what do you see in terms of demand in the short run, and what will happen when the lockdown is less stringent? Will we see the government stimulating the economy? And do you believe that this could offset the possible normalization of the supply for the next 2 quarters and help sustain prices close to the levels that we see today? Thank you.

Cristiano Teixeira: Thank you. Nico is here and he is going to enter.

Alexandre Nicoline: Caio, good morning, thank you for the question. With relation to the first part about the implementation of price increases in China, this is Klabin's view, there was a very big difference between the reselling price in China and the market price, so this is the reason why we increased prices.

With relation of price increases already announced for China and the United States, both prices have already been implemented for May, and in the case of China, the announcement wait was before the Golden Week and the objective was to announce the price increases before at 810, I can confirm to you that it has been implemented. Europe US\$15 increase as we had announced in April and to be implemented in May, this has already been implemented the new increase of US\$50 to be announced, to be implemented in June given that in Europe you have a one-month delay in this implementation.

On the demand side, the market is very resilient and highlight in the more mature regions, such as Europe and the US at the spot markets and the situation of China is more delicate because of the lockdown, and in spite of that we do not see a slowdown, we see demand for Klabin's products. So, although our exposure to China has been decreased from 2021 to 22 and the volumes continue normally.

Caio Greiner: Thank you.

Operator: Our next question is from Rafael Barcellos, Santander.

Rafael Barcellos: Good morning, everyone. Thank you very much for taking my questions, I have 2. The first one is about cost. On your point of view, could we consider that the first quarter was the worst one in terms of cost pressure and even considering the current situation? And second, how do you see the cost progression for the next quarters, and which are the items that your main concern now?

And my second question is about the corrugated box market. I know that you rather not comment on this market share dynamics, but this is the second time that you're reporting a growth that is lower than the market, and also, the price for OCCs has come down significantly in the last months. So, I would like to hear from you what is the competitive environment for corrugated boxes, and which are your expectations for price and demand in the next quarters. Thank you.

Cristiano Teixeira: Thank you, Rafael. Marcos Ivo is with me here and right after him Douglas Dalmasi.

Marcos Ivo: Rafael, the world has an inflation process that is established right now, you follow that up, you know how that is, and we have items in our input matrix, fuels and chemicals in special that are commodities that follow a global price. These prices have gone up and they do reflect on our results. Klabin is following with its focus with efficiency gain within the plans optimizing specific consumption and our history is of incremental improvements overtime, so the definition of these prices that are globalized will depend on the world environment, and we're still focused on what we can control and the plants.

Douglas Dalmasi: Rafael, good morning, this is Douglas. We are not looking at the market share in a focused fashion as you well know. We have a medium-term

picture here, but yes, we did have a lower performance when compared to the market and also in terms of volume, but we're better in prices. Of course, that we have a greater geographic distribution and when we come down, we suffer a little bit more, but we did have a better performance than the average of the sector, so we privileged profitability at this moment as well.

Rafael Barcellos: OK, thank you.

Operator: Caio Ribeiro from Credit Suisse.

Caio Ribeiro: Good morning, thank you for the question. I would like to know about your growth plans after the delivery of the second machine of Puma 2. Could you give us some more color? What do you intend to do after the post delivery of this machine? And secondly, about Kraftliner have you been seeing signs of a development coming from the United States? Thank you.

Cristiano Teixeira: Thank you, Caio. Regarding growth, we are in this period of total focus, all the executive committee and they're giving support to our engineering department so that machine 28 may happen exactly on time, on schedule, and we are very pleased with the development of this final phase of the machine, or the second machine.

Regarding the others, I always say that pulp and paper you have to extend your view to 10 years or even more years in the future, so basically focus on efficiency, or the operating efficiency in conversion and the evaluation of the plants and this is something that we do all the time, we are constantly evaluating and the competitiveness of our fibers which studies for new types, but still being studied, that is to say, if we have anything to... of course, if there are new developments, we are going to talk with the Board about that and we will bring any news to you.

Flávio Deganutti: Hi, Caio. We see the first signs of increase in US exports and recent announcements on the part of Kraftliner producers. We do not see any big move like what happened in 2018 over 2022, we also have Brazil, Brazil this year at the end of 2021 and this year with our capacity more than doubled exports and we continue with that over the next quarter. Eukaliner occupies its space, it brings some advantages in the market that we operate, such as fruit and vegetables, and proteins, and...

Caio Ribeiro: Thank you.

Operator: Our next question is from Daniel Sasson, Itaú BBA.

Daniel Sasson: Hello, thank you. Good morning, everyone. My first question is a follow-up of a prior question about price. You have been able to have an implementation on these price adjustments that is higher than your main competitors. Can you explain us a little bit why, which are the reasons for that? Have you been able to place more volume in Europe where prices were higher? Do you have greater freight flexibility? Can you give us a little bit more color about that, how much flexibility you have in terms of maritime freight for 2022, that would be nice to know as well.

And second question about working capital, there was a significant increase in the first quarter, inventory increase, and you mentioned logistics bottlenecks in the release; what can we expect in terms of working capital for the next quarters? Maybe new increases or greater need of working capital taking a little bit of your cash flow? That would be a great help for us, thank you.

Cristiano Teixeira: Thank you, Sasson. I understand that you are asking about the compliment for the first question I would say that is about pulp, right? So, Marcos is going to talk about working capital after we address that.

Alexandre Nicolini: Good morning, Sasson, thank you for your question. As we already mentioned before, Klabin has a flexible business model and that undergoes market reading and starting mid of last year when we were working on the budget, we knew that the impact coming from China could be higher in terms of prices when compared to other regions, such as Europe and the US, we usually work with long-term contracts, the strategy was based in increasing volumes to mature regions, such as Europe and the US, to increase our stake in the Brazilian market, which is greatly relevant in terms of supply, and the strategy has proven to be the right one, but I should say again that considering our annual volume of production, we do have a flexible business model.

Marcos Ivo: Sasson, about the working capital, first I would like to remind you that in 2020-2021 Klabin realized structural reduction of its working capital vis-à-vis the net revenue and this reduction is sustainable and will remain as it is. About the first quarter, we have seasonal effects, if you look at the first quarter of last year, we also had an increase in the working capital, and this seasonality is related to some supplier provisions issues and also to the planning of the maintenance stoppages.

Specifically, about inventories, you will always see Klabin selling what it has produced; this is an important characteristic of our company, but eventually you will find a small variation in the quarters whether because of a planned planning or because of logistics, but in the mid-term over the year in a 12-month horizon you will see Klabin selling what it has produced.

In this quarter specifically we will leave the general maintenance stoppage from Puma, but we will have the stoppages from Monte Alegre. And finally, we do not expect to have increases in the working capital of the company in the next quarters.

Daniel Sasson: Perfect, thank you very much.

Operator: Tiago Lofiego, Bradesco BBI.

Tiago Lofiego: Good morning and thank you. I have 2 questions, more specific questions about demand in the domestic market in the short run. What do you see for the second quarter regarding coated board and corrugated boxes? What about the volume? Is it as you expected? I would like to understand the short-term dynamics.

The second question is about margins, domestic market vis-à-vis exports. I would like to understand what we could expect in the next few quarters. You reported

more in the first quarter, should we expect you to continue this strategy? And also, you have the cheaper OCC in the domestic market, so this is positive for exports. So, could you talk about the dynamics thinking about the margins and the costs for corrugated boxes?

Cristiano Teixeira: Thank you, Tiago. I will start by the second question and then I will give the microphone to Douglas and to Flávio, and they will talk about the dynamics of the domestic market, ok? So, I will start and tell you how it works from the operating viewpoint.

We have an officer, Tiago, and this justifies getting into details, we have Sandro Ávila and he looks after the logistics of the company and we have an SNOP dynamic, the operation of our plants and he organizes meetings with business officers and this happens on weekly basis, year, weeks and half-years, and quarters, and he coordinates talks with the participation of the financial area and week on week the allocation for the domestic market, for the export market, margins, etc., so this dynamic... overall, all the business officers with the operating officer look on a weekly basis and at this speed from one week to the other we can change the dynamics of shipping with all the options of load and container and bulk, except when you have a contract that specifies something different. Those that sign the contract in the long run they will always be preferred and secondly the margins, the margins in the company are always the priority in terms of the weekly shipments.

And Douglas will answer about the domestic market and then Flávio.

Douglas Dalmasi: Hi, Tiago, good morning. If you remember well, in the past we had record volumes in boxes in the domestic market, they were very high figures for corrugated boxes and now the market is more leveled off so we cannot complain, these are very good levels still, but they are more flat, and the second quarter shows better figures than the first, what we saw in April, what we see in May so it is better, but if you compare to the second quarter of last year, we are still seeing a 2-digit or close to 2-digit drop, but we cannot complain about the level of consumption.

So, consumption levels are normal, but vis-à-vis last year that was very high we see this drop that you can see.

And now Flávio is going to talk about the coated board market.

Flávio Deganutti: Thank you, Douglas, thank you, Tiago. The 2 markets talk to each other, so there is a slight delay, it is faster in corrugated boxes than in coated board, but there is a very slight delay between one and the other, and this is a typical first quarter, in first quarter that naturally has a lower volume, if you look at a 10-years history you can see that always in the first quarter you have a lower volume and it starts to accelerate in the second quarter and then it goes up. It was the case in 2021 with very strong comparison basis and with the demand very high in the first quarter.

But in spite of that, we already see very interesting moves now in May, we make multipack packaging for beer and milk and juices, and we see the recovery that is already happening in these areas.

Tiago Lofiego: Thank you, Flávio and Douglas. Cristiano, could you go back to the first question? I understand that you have a very fast dynamic or going very fast from one market to the other from domestic to international and this is one of the big advantages of your company, but in order to understand the difference in margins, I know that each product has a different situation, I know that you do not have the overall figure, but exports are as profitable in some products as in the domestic market?

Cristiano Teixeira: Today the international market is undergoing the effect... I'm going to illustrate this with a practical example, gas in Poland for production of products that compete here in Brazil and the product made by Russia are not being shipped to other countries in the world, so you can see that there is a very big influence of the Russian-Ukraine conflict and further increased by logistics and prices go up, but not necessarily margins because of logistic problem.

Never have we seen such a complicated situation here at Klabin in terms of flexibility and this dynamic and all the situation that I have just described, so not necessarily higher prices bring higher margins. What I can tell you is that in spite of this complexity, we have been able to operate in the best way possible for the company, international margins are good very much because of the weekly dynamics, I know that it sounds a little bit vague, but the faster and the more agile we are on a weekly basis, the better we have in terms of delivery, so the better services we can deliver to our clients, and we have been able in a view to do the best possible in spite of all this situation regarding logistics that we have today. The domestic market, as you know very well, we have been suffering because of the inflation, the cost inflation not only in our sector, but all over the other sectors as well, but in the short run we can transfer this so margins are relatively balanced with some trend in the short run of being a little bit better for the international markets.

Operator: Next question is English from Mr. Carlos de Alba, from Morgan Stanley.

Carlos de Alba: Hi, just a couple of further discussions on topics that we talk about, one is on working capital. To us, what caught our attention was the material decrease in accounts receivables from the December quarter. Was there any particular reason that led to this change, which actually helped your working capital... sorry, consumption of working capital in the quarter?

And then, the other is coming back to the discussion about the cost inflation. We understand all the dynamics that you are facing and it's an industrial phenomenon, but is it then fair to expect further increases in the coming quarters on a sequential basis given what we have seen with oil fuel and other chemicals and the continuous pressures? So, the trend of increase in costs should continue in the coming quarters?

Cristiano Teixeira: Thank you, Carlos. Marcos is here with us and he's going to take your questions.

Marcos Ivo: Carlos, about working capital, I have already commented on that and specifically on receivables, that in fact it was reduced, it's also a one time off situation, sometimes the sales profile changes a little bit and your receivables term is a little bit shorter in that quarter, and also, it has to do with the working days, at

the end of the year we have the holidays and some of our clients' payments won't come in because of the holidays and everything gets back to normal now in this quarter that we ended in March.

But I would like to stress what I said; the structure reduction of the working capital that we realize in 2021 and 2020 in regards our net revenue is sustainable and we do not expect any increases in the working capital in the next quarters.

Now about costs, it is difficult to guess interest rates and how the oil barrel will be, how much it will cost with this world dynamic, with a war and everything, and the same applies to chemicals. So, we rather allow you to make the reading and also place these readings on Klabin's figures. Klabin we'll be focusing on productivity and its plants.

Carlos de Alba: Thank you, Marcos. Then just another question if I may on demand. So, did I hear correctly that you are seeing already a recovery in domestic demand in coated board? And does it apply to other products that the company produces or is just exclusively in the coated board market?

Cristiano Teixeira: Thank you, Carlos, for your question about the demand. What happens is that we also have a seasonal effect, and yes, we are seeing because of seasonality (and that works for corrugated box and coated boards), but very modest, very subtle, very much in line with this seasonal issue, we do not see any significant improvement, anything that is really drawing or attention. So, this improvement is under these years' seasonability that it improves in the second usually the best quarter in the year is the third one and then we go like that. This is a curve that we have seen throughout the years, the dynamic was changed because of the pandemic in the past years, but we are seeing this seasonal recovery of the second quarter, but nothing too special, too significant.

Carlos de Alba: Thank you, Cristiano.

Operator: Márcio Farid, from Goldman Sachs.

Márcio Farid: Good morning, thank you for the opportunity. I have 2 questions. The first one about pulp, to Nico; could you talk about logistics and the impact on your daily operations? I remembered that in the fourth quarter you had a carryover of 400,000 tons because of the delays. How delayed are your shippings? And in the perception of the buyers, what is it causing when they place an order? And also, impact on the volume of sales, what could we expect for the future? And could you give us more details about how this complexity that Cristiano mentioned has been affecting your daily routine?

And my second question is about Puma 2. Considering the strong moment of the market for coated board, not only in Brazil but all over Brazil, is there a possibility of seeing the startup being brought forward? Could we have an early startup of the machine? Are you considering this? And could you give us an update about the volumes contracted for the second machine? I remembered that at the beginning of the project you were talking about 4 to 7 years in order to use the full capacity of coated board, that you could do Kraftliner campaign before that. So, would it be possible to bring this down to last years? Thank you.

Cristiano Teixeira: Thank you, Farid. The officers will be entering about Puma 2.

Alexandre Nicolini: Good morning, Márcio, thank you for the question. As I said before, given the fact that our exposure is higher to mature market, we do not have any big problems regarding shipments because a lot of our operation is focused on this kind of... in one way or another, this is OK, and the bigger complexity is in terms of container because all the fluff is shipped in containers, and this is a more chronic problem. This is not a problem of Klabin, it's a worldwide problem, you had 20% of the capacity of containers just there idle in China, you cannot solve this in the short run, we see this problem still being chronic at least until the mid to the end of the year, and ultimately we have some carryovers and these carryovers are bigger in fluff than in other fibers, and this could have an impact on prices from one quarter to the other, but more specifically regarding this product.

Francisco Razzolini: Good morning, Márcio. Let's talk about the implementation of the second phase of Puma 2. It is going very well, we have already reported the progress, all the questions are being tackled and solved, and the civil construction is very well-advanced, engineering and purchase and the manufacture of equipment as scheduled, as expected. There is always a concern regarding international transportation of equipment because some of the equipment is imported, but so far, we have no big problems in this regard.

In the planning, we do not have a very big possibility to bring this forward and we are working very hard at the beginning of the second quarter of 2023 to have this on schedule, but we don't have very big hopes of bringing this forward because of contract issues and the normal development of the project.

Of course, we work all the time to have a curve, the best possible curve in terms of the startup of the machine.

Flávio Deganutti: We know that with epidemic there was an acceleration of trends, and e-commerce and replacement of single-use plastic packaging of at least 2 years. What we had scheduled for 2 years ahead is already happening today and still resilient. With the whole context of macroeconomics and the conflicts, structurally we see a very strong demand because of that. Today we already have a contract volume or about to be contract or of over 50% of the machine, and what we saw from 4 to 7 years, as you said to yourself, the scenario would be to fill this machine with coated board up to 4 years, and in spite of everything that is happening in the world and in China, we see this high consumption for food stuff, for food service, like you know, trays and cups.

Márcio Farid: Thank you, Chico.

Operator: Next question Cadu Schmidt, from UBS. Please, Cadu, the floor is yours.

We'll now turn to the next question, from Caio Ribero, Bank of America.

Caio Ribeiro: Thank you for this opportunity in the follow-up and also adjusting the name to Bank of America. I would like to ask you about the fluff market, where prices are going up. I would like to know if you can comment on the supply and demand dynamics of this market today, it seems to be very tight, and if you

consider any expansion in the future considering there is not much capacity going into this market right now. Thank you.

Cristiano Teixeira: Thank you, Caio. Yes, fluff is in our options portfolio. We are very confident, and we have a comfortable position in the market, and we have been approved by all first line clients in the world, this is a high-end product in the sector, so yes, we do analyze that, analyze growing our capacity in fluff in our portfolio.

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

Cristiano Teixeira: Well, now I will comment on our perception for the second quarter of 2022.

The second quarter is seasonally better, as I mentioned before, it's better than the first one, the domestic market should still move slowly due to the inflationary issue and the global trade in today's light should remain firm. In April Klabin celebrated the 123 years of history and we remain persistent in our vision of growth and generation of shared value in the long-term. We believe in our integrated, diversified, and flexible business model that has allowed us to deliver results that are sound under different market situations. Paying attention to people and renewing our belief in the sector, we will seek results as consistent as those achieved in previous quarters.

With regard to sustainability, I reaffirm our full commitment to the best practices of the private sector in the world and I would like to highlight engagement of an entire team of Klabin experts supporting organizations in Brazil and around the world with a global climate change agenda.

I would like to thank you all for your participation and I look forward to seeing you at Klabin's next earnings call. Thank you.

Operator: Klabin's earnings call has ended. Thank you very much for your participation and have a nice day. Thank you.