International Conference Call
Klabin S/A (KLBN11)
1Q26 Earnings Results
May 7th, 2026

Operator: Good morning and welcome to Klabin's conference call.

At this time, all participants are in listen-only mode. Later, we will have a questions and answers session and further instructions will be given at that time. We kindly ask that, for the benefit of time, each analyst asks a maximum of two questions.

As a reminder, this conference is being recorded, and the presentation will be in Portuguese with simultaneous translation into English. All participants will be able to choose which language they wish to hear by clicking on the Interpretation Button and the language of the presentation by clicking on the Presentation Screen located above.

I'd like to make a brief announcement for those participants following us in English.

Any statements made during this conference call about Klabin's business outlook, projections, operating and financial targets, and potential growth should be understood as mere forecasts based on the Company's management and their 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 behaviors, and therefore are subject to change.

We have with us today, Mr. Cristiano Teixeira, CEO, Gabriela Woge, CFO and Investor Relations Officer, and the other officers from the Company.

Mr. Cristiano and Ms. Gabriela will comment on the Company's performance during the 1Q26, and after that the directors will be available to answer any questions that you may have or wish to ask.

Now, I will pass the call over to Mr. Cristiano. Please go ahead, sir.

Cristiano Teixeira:

Thank you and welcome to our conference call for the 1Q26.

We had an important event this quarter, which led to an 80% utilization of our recovery boiler in Monte Alegre. This is the most important one in the fiber site, and our expected utilization was 76%. Even though we did this without a complete stop, all of the connections were made to this boiler. We were very motivated by this, and we expected to start up before it was planned.

So, this was a very important event, obviously, you can see this in our CAPEX, but as a reminder, this is the last year of the transformational CAPEX that we've been using in the Company, the major investment cycle that we had in the last nine years, and this is the last piece of equipment under that plan. Fortunately, we are above the planned figures.

Looking at the performance, pulp, especially Fluff, had 30% higher sales in Asia Pacific (APAC) and also Brazil, so we had an increase in Fluff on these markets that was quite significant for us – and later on, I'll talk about our expectations –, it's a great moment for Fluff prices as well.

When it comes to paper, a major highlight. I don't know if you remember this, but if you have to refer back to our last call, when I talked about the fact that beer had been performing very well in this market, this was mentioned in a previous call, and we were referring about the beginning of the year that the Carrier product – it's a specific product for beer – had been performing very well. From the end of the COVID pandemic, we always saw this product as having a high increase in consumption, then it dropped again, and now we are back to pre-COVID levels, and we basically doubled our sales in the 1Q versus the 1Q25 for this specific product.

Another highlight was Kraftliner, which increased nearly eightfold in our exports to Asia. This product increased as the Americans reduced their production and exports. So Klabin did very well in this market, specifically in China, but also other markets in Asia.

And corrugated boxes continues to be a highlight without it, doubt. It has been high in the last few years, and it was not any different during the 1Q. We gained 0.5% in market share despite all of the hardships. We've been focusing on this in Brazil to try to preserve our corrugated boxes portfolio with long contracts, which shows the resilience of our results during the quarter.

As a reminder, we're keeping a close eye on the 15 most important paper and pulp companies in the world, and you've been seeing these results. On average, there was a 20% reduction in EBITDA in these companies that we've been seeing on a quarterly basis, 25 versus 26. So this was a difficult period for the industry, and it's not different for us; we are seeing prices recovering across basically all markets. And of course, we have to pass on the prices of energy and the logistics costs that we all received in the 1Q.

So we expect a wave to come, of course, some companies will be more efficient than others, and Klabin will definitely attempt to pass on these costs in the 2Q.

This process has already begun, with some announcements already made, and our commitment to shareholders remains firm in restoring margins, particularly our EBITDA.

Thank you. We'll continue with Gabriela and then I'll be back for the Q&A.

Gabriela Woge:

Hello everyone. Good morning, everyone, and thank you for joining our conference call.

On page four, I present the quarter's results, which reflect the operational stability of our plants and the continued ramp-up of the paper machines. Quarterly sales volumes reached 1.16 million tons, up 12% from the 1Q25, with growth across all businesses. Net revenue for the quarter reached R$ 4.9 billion, a 2% increase year-over-year, driven primarily by higher volumes combined with higher corrugated paper prices, which more than offset the effect of the real's appreciation against the dollar.

In this context, EBITDA for the quarter was R$ 1.7 billion with a margin of 34%, reflecting the appreciation of the exchange rate by BRL 0.59 during the period and the Monte Alegre general maintenance shutdown on the Company's costs.

Continuing on page 5, total cash cost per ton in the 1Q26, including the effects of the general shutdown, was R$ 3,342,00, flat compared to the same period last year. This performance reflects the year-over-year reduction in variable costs and G&A expenses offset by higher fiber costs, as well as the impact of the previously mentioned scheduled maintenance shutdown during the quarter.

Moving on to slide 6, Klabin ended the 1Q26 with a net debt of R$ 24 billion and leverage measured by the net debt to adjusted EBITDA ratio in US dollars of 3.3x, a reduction of 0.6x compared to the 1Q25 and flat compared to the previous quarter.

The Company remains focused on its digital path of deleveraging, confirming the consistent execution of its strategy and strengthening of its capital structure.

Moving on to the next page, the Company's liquidity remains robust, ending December at R$11.5 billion. This liquidity consists of R$ 8.9 billion in cash and the remainder in undrawn revolving credit lines. The average maturity of debt at the end of the quarter was 85 months, and the average cost in US dollars was 5.1% per year, a reduction of 0.6 p.p. compared to March 2025, reflecting the debt management initiatives implemented over the past few months.

Moving on to page 8, here we have the Company's free cash flow. Over the past 12 months, the Company generated an adjusted free cash flow of R$ 1.1 billion, while in the 1Q, it was a negative by R$ 102 million due to the investments related to the modernization of the Monte Alegre boiler and the timing of payments in the 1Q26.

Moving on to slide 9, dividends distributed to shareholders over the last 12 months totaled BRL 1.181 billion. This amount represents a dividend yield of 5.2%. I would also highlight the early dividend declaration approved in 2025, considering the transition rules set forth in the legislation. The payment of the second installment of dividends, in the amount of BRL 278 million, will be made on May 20, 2026.

Finally, I'd like to emphasize that Klabin continues to act with discipline in executing its business strategy, ensuring consistency in its results across cycles.

Now I'll hand it back over to Cristiano.

Cristiano Teixeira:

Great. So going over this quickly so we can continue with our Q&A, I'd like to highlight our market thermometer, and the last column shows our expected price recovery in the next quarter. A highlight here are short fibers; we're starting to see average prices above what we had in the 1Q, so we're very confident and we're confident about Fluff as well.

We expect prices to recover, and we are already seeing this happening. And the same is starting in Kraftliner. We've also been seeing some announcements far above container board.

So these are the main highlights of our market thermometer for the 2Q. So let's continue with the Q&A.

Question and Answer Session

Operator: Ladies and gentlemen, we will now begin the Q&A. If you'd like to ask a question, please click on the Raise Hand button. If you'd like to remove your question from the queue, you can lower your hand.

Rafael Barcelos, Bradesco BBI: Good morning. Thank you for taking my questions. My first question is about coated board. We saw that sales to the domestic market were good. When we look at the average prices, they weren't very strong. So if you can tell us a little bit about that.

When we look at these thermometers, we see that volumes are increasing. I understand that there should be an impact from the downtime in Monte Alegre, so it will be positively impacted in the future. But if you can tell us a little bit more about how the Company is operating in this mix of coated board and Kraftliner, do you have any updates about the volume of coated board that the Company will potentially deliver this year? And what are the general conditions like in this market since it's a little bit more challenging? I'd just like to get some color on that.

And my second question is on costs. This has always been a key topic of discussion among investors, and recently we've seen all the impacts from the conflict in the Middle East. Klabin is not an exception, so I assume there will also be some impact.

So, if you could elaborate a bit more on how you see the cost impact going forward, and what the Company's ability is to pass these increases through—especially considering that, in some packaging paper products, you have pricing contracts—I'm not entirely sure how much flexibility you have to transfer these cost increases. It would be interesting to discuss that as well. Thank you.

Cristiano Teixeira: Thank you, Rafael. Let's start with Soares and Gabi will talk about costs.

José Soares: Good morning, Rafael. Thank you for your question. Concerning coated board prices, due to the exchange pressure, it will remain flat. In the domestic market, the price remained flat. In the international market, most of this has been contracted, so we can't do anything in US dollars. I mean, we might readjust some contracts in the 2H of the year, but most of them are signed for the year. So that's why prices are flat.

Looking at the domestic market, we announced a price readjustment for the 2H of the year. It's a slow process. Obviously, we're going to work in order to get closer to what we announced, which is 6.6%. Clients are being notified, and we will begin this negotiation process. We know that it's not simple, it's a process that's negotiated on a case-by-case basis, but the fact is that we are currently in the process of recovering prices in the domestic market by passing through costs, noting that the last price increase we implemented for coated board in the domestic market was in May 2024.

So we have an accumulated IPCA that should be negotiated with our customers now.

Cristiano Teixeira: Thank you, Soares. Gabi?

Gabriela Woge: To answer your questions on costs, all these impacts that the conflict certainly brings – not only to us, but to companies worldwide – what we assess for Klabin is the impact of diesel, especially in the domestic market, particularly in forest freight and logistics costs. And of course, this also depends on the pricing policy to be adopted by Petrobras and how that affects road freight rates, which today, from our perspective, represent roughly 40%.

With respect to external freight, we are also impacted by oil prices, particularly because we have a significant portion of our volumes exported via containers.

I think it's worth reinforcing that, from a cost perspective, we do not see any supply risk at this moment, including regarding the Company's key inputs. We have been working, since the beginning of the year, on renegotiations with suppliers to mitigate these impacts to some extent, and some of these negotiations were even completed before the outbreak of the conflict. As a result, in certain respects, we are still able to maintain the figures previously set in our guidance.

As for cost mitigation, this comes from internal initiatives within the Company aimed at reducing variable costs and SG&A, which have already been reflected in our 1Q results. In addition, we always retain the ability to pass these costs through to prices in some way, as Cristiano mentioned at the beginning of the presentation.

Cristiano Teixeira: The good news is that 40% of the tariff is diesel. We know that Petrobras' policy is not to pass this on immediately, and we'll have to see what Petrobras' diesel policy will be. It's an election year, so this might not be fully passed on. This is just a side note, but of course we're paying attention to that.

Regarding contracts and price pass-through, I'll just provide one reference: with the addition of Figueira, which we brought in mid-2024 and operated throughout 2025, we not only expanded our client base but also significantly increased corrugated box volumes for existing Klabin customers. We signed contracts, gained market share – as I mentioned – not only through Figueira, but also with capacity expansion in Ceará, at the Horizonte unit.

So this also happened in a very difficult environment. While other companies were increasing capacity, Klabin gained market share and was able to enforce its pricing policy, mainly based on service level. Our key clients – major Brazilian exporters – are very close to Klabin, especially in the broader food sector and particularly in proteins.

So, yes, we are passing this on, and we are confident that our service level is being valued by our customers. Thank you.

Rafael Barcelos: Thank you, Cristiano. Just as a follow-up question, my understanding here is that even with these cost pressures, you still believe that the cost can be close to the guidance you proposed in the beginning of the year.

And as a follow-up on coated board, do you have any additional comments on the market in terms of how we should think about coated board volumes and the mix with kraft over the year? Thank you.

Cristiano Teixeira: So, yes, we remain confident in our guidance. I'll let Soares talk about this. I just want to make a brief introduction about coated board. We have the 28 Machine, as you know, it can produce a Kraftliner volume, but it's been important for us, but we're still assessing the market. Soares will talk about this.

But just as a new thing that we haven't mentioned in a long time, we're starting to see – I know that your question was about coated board, but as you know, Kraftliner is very close to it –, so we're starting to see in the exercise we do recurrently, our commercial plan, we're starting to see Kraftliner prices reaching internal transfer prices. We've been working for years on the assumption that it is more attractive domestically than the marginal sales of Kraftliner.

So we're starting to transfer these prices, and this is great news because now Klabin is going back to the market to buy paper, and this hasn't happened in at least two years. So this is a structural factor that is recovering the market.

José Soares: When it comes to paperboard, we've been seeing a slight improvement, especially in the US, which has remained flat in paperboard. In Europe, we're seeing small signs, still very small. And in the rest of the world, especially Brazil, we're seeing a slightly better scenario. Of course, in the 2H of the year, this is when volumes grow a lot in Brazil, but this year, since we're helped by the weather and the beer market, the 1Q has been stronger than usual.

And we should not forget that we are ramping up in the international market with LPB board. We have several customers who approved the product over the past year, but volumes have not yet been very significant. This year, however, volumes for LPB board in the international market – excluding the Company’s already established clients – will begin to ramp up much more meaningfully than before.

As a result, Machine 28 is gradually increasing its share as these new customers are added to the portfolio and volumes grow.

Rafael Barcelos: Great, thank you.

Márcio Farid, Goldman Sachs: Thank you and I apologize for the background noise. Two points here. First, on leverage: clearly, there are some market conditions that are weighing on cash generation this year, including costs and FX. I think you’ve provided good clarity on both costs and FX. Even so, when we run the numbers considering dividend payments at around 15% of EBITDA, it seems there is little left for deleveraging.

So, I’d like to understand whether there is any discussion, possibly, about changes to the dividend policy or the leverage policy, or how you are approaching the potential for new asset sales or sale-leaseback transactions, which you have carried out in the past. How much capacity do you currently have to continue pursuing these types of alternatives?

And the second point is on pulp. If you could comment a bit on how you’ve been viewing the market recently. In your market outlook, you indicated a positive trend heading into 2Q, likely supported by carryover from 1Q. However, the last two price announcements – at least for short fiber in China – have been noticeably more aggressive. Fluff stood out as a positive highlight this quarter as well.

So I’ll leave it open for you, Cristiano – or Nico, if he’s available – to provide a bit more color on the pulp market. Thank you.

Cristiano Teixeira: Thank you, Farid. So to talk about leverage – Gabi is here and she'll add to my answer if they have anything to add –, when it comes to leverage, we need to see the context behind this. If we can give a retrospective analysis, the

Company has gone through a relevant investment cycle. The Company modernized basically all of its plants, especially the ones that have recovery boilers, digesters, and so on. So we renewed our plants, the Monte Alegre boiler, if you know the site, in the last three years, we've removed a lot from the site. The site is lean, light, and we are starting off a boiler this year with a much better performance, and that will add 40 years to that site.

So we're modernizing our plants, and this is now one of the most modern in the world. When we look at product mix, Kraft, coated board, we have the only Fluff machine designed for this product. So we are very satisfied, this has already brought cost benefits and will bring much more going forward. Once the Company reaches its full volumes, especially with Machine 28, we expect to see significant efficiency gains and strong productivity improvements in the years ahead.

And this is the last part of that investment cycle. We're making transformational investments – I'm referring to the recovery boilers –, so the Company's CAPEX perspective, as I always say, we don't have any transformational studies in the Company, so no CAPEX or any kind of discussion about M&A, but the Company is prepared to generate a lot of free cash flow starting in January 2027.

We will still close this year with a significant cash outflow, in the order of BRL 700 million, which will therefore consume part of our cash generation and, naturally, have an impact on leverage. At the same time, we are going through a weak pricing cycle across several of our products, as you have been following.

However, we do see a recovery cycle ahead – of course, the pace and magnitude will depend on each market – but we do anticipate a recovery in prices, which supports our deleveraging outlook. Combined with rising productivity, the completion of key equipment investments, and no additional capex plans, this should lead to strong free cash flow generation and a significant deleveraging starting next year.

So we don't expect our policy to change because it's working very well. Debt maturity has been safe. There's no risk of changing our dividends policy. And we're very confident about deleveraging the Company. I would also highlight that we recently received a positive outlook from the rating agency, which recognized this trend. I think that, over time, as you continue to analyze the Company's model, you will also come to understand what the rating agency has already recognized.

Alexandre Nicolini: Márcio, thank you for your question. To talk about the short fibers market, from our perspective, it remains constructive for the short term. Support for prices is coming from a more disciplined offer, we have restricted production, but this was a one-off, and we have some factors that will sustain our price policy for the next quarters.

I mentioned in the 4Q that we're also expecting an increase in transit time for ships, since maritime companies have reduced the speed due to fuel consumption and CO2 emissions. Some of these ships are older, so that reduces the offer in the short term.

Obviously, China remains a point of attention, as it drives inventory levels and marginal demand. However, as you know, our exposure to China is limited. From our perspective, in the 1Q, we had a high level of sales to China, but given the opportunities due to prices or logistics costs, we've been keeping a close eye on China, understanding that our main clients, our mature markets, are in Europe and the US, and of course, we have a relevant position in Brazil.

In long fiber, the scenario remains indeed more challenging. However, as you know, our exports of long fiber are virtually nonexistent, as we are focused on the Brazilian market in niche segments that are not related to paper production.

Inventory levels remain high, and price levels are naturally constrained by the gap with short fiber – particularly in China. However, in Europe we still see a more significant gap, which is why prices in Europe and the United States have been moving up more consistently.

So in general, we're seeing a more balanced market for short fibers without a super cycle scenario, but a healthier scenario that's more sustainable for the industry. About Fluff specifically, we started seeing this market recovering earlier this year. Price increases have been taking place without any kind of resistance. Demand remains solid. Obviously, there are impacts about the supply, we had the Coosa Pines plant closing in the US and that created a significant impact for the industry, and we're seeing this being reflected in the 2 of the year.

And there was also maintenance downtime in two major knot lines in the US, which reduced the supply and made the market, as Cristiano said, have higher prices in the 2Q of the year.

Márcio Farid: Thank you, Cristiano.

Daniel Sasson, Itaú BBA: Hi, everyone. Thank you for taking my questions. The first question is for Nico. Your pulp prices this quarter was a positive highlight, so congratulations to you and the team. You mentioned in your release that Klabin used its geographic flexibility to add volume to markets in better commercial conditions. Can you tell us a little bit more about that? I think Gabi mentioned this in her opening statement, the logistical and structural advantages that, in a way, enable Klabin to efficiently access more niche markets and, as a result, capture higher marginal returns.

And also, you mentioned this in the previous quarter that you secured some favorable container shipping contracts, which could represent a more structural competitive advantage, or perhaps something more opportunistic that you managed to capture effectively. I think that would be an important part to understand, we don't usually go into details when it comes to logistics.

Now, Gabi, if you can tell us about the Monte Alegre boiler, you mentioned that you might advance this startup versus the target, which was the 4Q. But since we're getting closer to commissioning it, what are the concrete gains in energy efficiency, in emissions, reduction, the operational capacity? Is there a potential to de-bottleneck coated board in Monte Alegre?

What will be the impact of this new boiler to your cash cost in 2027 versus the current cost? So that would be important to understand because, like Cris said, it seems like you are at an important inflection point to generate cash. So maybe CAPEX will be lower and EBITDA will be higher. If you can tell me a little bit about the gains that you expect from this new boiler, that would be great. Thank you.

Cristiano Teixeira: So, I'll hand it over to Nico, but to talk about the boiler, of course, it will significantly increase our yield in Monte Alegre. When things are mature, if we can confirm that it will be concluded early, when we have new forecasts, we will share it with you.

It's important to say that EBITDA gains, specifically due to the boiler, if you look at the entire Company, it will be marginal because it will improve the prediction in that unit and it won't provide for any larger capacity gains. That's not where the leveraging is coming from. It's coming obviously from the end of the CAPEX cycle.

So the Company can generate R$ 1,5 to 2,5 billion in CAPEX at a regular pace depending on the EBITDA, and this will happen next year for that specific reason. So this will improve, of course, CO_2 emissions in that unit. Very soon we'll invite you to see it in Monte Alegre, and you'll see exactly where it was built. We have a new administrative area there and the site is renewed. As soon as we have these figures, we'll provide them, but these gains are marginal.

EBITDA growth still primarily comes from the ramp-up of Machine 28 and its product mix, while deleveraging is mainly driven by the end of the CAPEX cycle.

Alexandre Nicolini: Hi, thank you for your question and your comments. It's a combination of factors, structural and market opportunities. As you know, we have two pulp lines at the same site, short and long fiber, and that gives us significant flexibility to redirect our mix according to the demand and attractiveness in each market.

In addition, as Gabi already pointed out, we have a differentiated logistics structure. Klabin is currently the largest dry container exporter in Brazil. We have contracts in place both for breakbulk and container shipments, which broadens our access to more niche markets and higher value-added customers, especially those requiring smaller volumes.

Klabin’s sales are highly diversified, which provides us with additional competitiveness in accessing these more niche markets, with higher delivery frequency and greater logistical reliability.

In addition, there is clearly a strong commercial discipline focused on optimizing revenue management. This combination of production flexibility, logistics capabilities, and commercial execution allows us to prioritize markets with higher marginal returns—as we've seen particularly in Fluff—and not just in an opportunistic manner.

So, overall, it's this combination of factors that drives the results you have observed.

Daniel Sasson: Great. Thank you.

Guilherme Rosito, Bank of America: Hi, good morning, everyone. Thank you for taking my question. My first question is about Kraftliner. I'd like to better understand – Cristiano, I think both you and Soares touched on this in earlier answers – but when looking at your outlook, where you indicate flat to slightly lower sales volumes, is that because your plan for the next quarter is to integrate more Kraft internally or to increase the coated board mix from PM28? And if you could also comment a bit on the Kraft market, that would be helpful as well.

And my second question is perhaps more long-term. You mentioned that there is no transformational CAPEX in the short term, but the Santa Catarina project is something we've been discussing for quite some time. We've already talked about different configurations in terms of capacity and product mix, and recently there were reports of a project in Argentina that seems to have a design and product capacity quite similar to the latest options considered for Santa Catarina.

So, my question is really to better understand how you currently view this potential project—whether it changes anything in your thinking going forward in terms of capital allocation, or in terms of the project's design, product mix, or capacity. Thank you.

Cristiano Teixeira: Thank you. I'll answer about CAPEX and then Soares will answer about Kraftliner. About building the new site, about the Fluff project in Santa Catarina, it's absolutely on hold. We're not discussing this project at all. As you know, paper and pulp needs studies in the pipeline, but we are not expecting to discuss this for the year. It won't be taken to the Board this year, so we're very confident, and this has been discussed with the Board; we're continuing to deleverage the Company and we're not expecting to invest, we won't propose anything to the board this year, and we're very confident with that.

Soares, go ahead and answer the Kraftliner question.

José Soares: Guilherme, thank you for your question. Looking at the Kraftliner indicators, you saw a reduction in volume. So for the quarter, we had an increase of our internal transfer, our box market has a higher demand for paper, so we are reducing exports. We have a very robust portfolio, we are basically at 50-day orders, and we need to bring this to a more comfortable level.

The market is tight, we have a big demand across all geographies, except the Middle East for obvious reasons. So we're reducing volumes to improve our service level and also to supply our corrugated paper business. So this transfer will be higher in the boxes market.

Cristiano Teixeira: To avoid any inconsistency in how these elements connect, I mentioned that marginal sales – meaning the lower-end Kraft products that are exported – affect the average price. When the marginal price starts to converge with this internal transfer price, that's when we begin to consider going into the market to purchase paper, so we can allocate that paper internally to corrugated packaging – or even use our own recycled paper – and free up exports to maintain the performance levels we have been achieving.

That is the trend we are currently seeing, although not to the point of full confirmation yet... this still depends on the performance of the box market, as well as on how marginal Kraft sales evolve.

With the contracts we have in corrugated boexs, they make us need to meet these volumes. When Soares says that the market is tight, he's saying that we don't have enough paper in the chain. If we don't solve this, then, of course, we're going to prioritize contracts with major Brazilian exporters.

José Soares: Cris, just to add as well, another factor is that Machine 28, as I mentioned in an earlier question, has been gaining share in cartonboard. As a result, we have less Kraft available from Machine 28. When you put all of this together, it leads to that indication – strong demand, but our deliveries will be lower in Kraft for all these reasons. Better Kraft pricing and more internal transfers.

Cristiano Teixeira: So that's good news as the marginal prices for Kraft is improving. So this is all good information.

Guilherme Rosito: That was very clear.

Guilherme Nippes, XP: Hi, everyone. I have a couple of questions. The first one is about cost, especially fiber costs. You mentioned in your release that costs went up, especially due to the weather events that happened over last year, and obviously, there was an impact from global logistics issues. If you can tell us how much of these impacts were due to operational issues and when we should expect these costs to normalize. Still on that point, how much of it was due to the war and higher diesel prices?

My second question is about packaging. You mentioned that your expectation was a significant increase in sales volumes, and we saw that the results of this quarter were more resilient. Empapel data would suggest a slightly larger decline, but you managed to offset this by gaining some market share over the quarter.

My question is how you see demand evolving going forward, and whether, on the pricing side, the recent decline in containerboard prices combined with lower OCC prices could, to some extent, put pressure on corrugated boxes going forward. Those are my questions. Thank you.

Cristiano Teixeira: Great, let's start with Gabriela and then Douglas will answer.

Gabriela Woge: Thank you for your question, Guilherme. Fiber prices, we've been saying that we faced last year especially some weather issues in forestry, which elevated fiber costs when we look at it on a year-over-year basis, compared to the same quarter of the previous year, and this stabilized at a higher level.

In forestry, all cycles are very long, the environmental and climate-related issue at the end of the day has been surpassed, but we are still dealing with its consequences. So that's why costs remain high on a yearly comparison.

Regarding the impacts of the war, as we mentioned in the previous question, the main effects are on forestry operations, given logistics costs. Diesel is particularly relevant here in Brazil. We still saw a relatively limited impact in 1Q, but depending on what lies ahead – especially potential pass-throughs from Petrobras, as discussed – it is difficult to quantify at this stage. However, we expect a greater impact in 2Q compared to what we saw in 1Q.

In any case, the way we have been addressing this issue is by seeking offsets within our cost structure to maintain our cash cost guidance. So any cost increase will be counterbalanced either through initiatives to reduce other costs or through the pass-through mechanisms we are also pursuing.

Cristiano Teixeira: Adding to that, we are going to go into details about this at Klabin Day. This is usually in October or November. We're going to have a lot of information on future productivity at Klabin, we're very optimistic about this and other regions in the world, opportunities, threats. We're going to talk about forestry and weather events.

And on this climate-related issue, as you've been following, we had a specific problem last year more related to wood moisture. Our operations require a certain moisture level—not moisture from rainfall, but rather linked to the time the wood needs to remain stored. We experienced an imbalance there, which can happen in complex logistics operations.

In addition, we are closely monitoring – and will address if it materializes – further rainfall forecasts that you are likely also following. This is leading Klabin to prepare by increasing inventory levels around our mills, among other measures, primarily to ensure the reliable supply of our operations.

On average, this can have an impact to our cost. It's still not material in our assessment, but we are keeping an eye on that. The most important thing is that we're very confident that the average radius in our region after the Arauco acquisition is in the most productive area of the world of both fibers, eucalyptus and pinus, at a moment in which the entire world is having a lower pinus capacity. As you know, our productivity will go up safely in the next years with a very low structural radius, but circumstantial occasions having more or less rainfall will have an impact. But the structural effect will basically be null.

Douglas Dalmasi: Hi Guilherme, thank you for your question. We're coming off of some very good years in corrugated boxes, especially after the COVID pandemic, we've had structural changes. Corrugated packaging in Brazil is the sixth-largest market in the world, and Klabin holds about one-fifth of that market. So, it is a sizeable market in which Klabin has a strong share, and we have seen solid performance, especially in the post-pandemic period. We do not see anything that would change this trend.

And in 1Q, the market performed very well, with growth of around 2.5% based on Empapel data, and Klabin performed even better. Looking more closely at Klabin, the Company has certain differentiators that drive this performance. As Cris mentioned earlier, segments such as proteins and fruits are growing above the market average, especially in exports. Klabin, with its virgin fiber, stands out and, given its strong presence in these segments, is able to achieve growth above the market.

We also observed in 1Q that sectors such as processed foods, hygiene and cleaning, and beverages—more closely linked to Brazil's macroeconomic factors—performed strongly, and we were able to grow above the market in those segments as well. Another important factor in the quarter was that large brands, the brand owners, grew more than in the previous year, and Klabin has a strong presence with these key customers, which supported our volume growth.

We also expanded our base of new customers with the addition of Figueira and Horizonte, benefiting from new capacity and improved service levels. As a result, we delivered a performance where the market performed well, but we outperformed the market.

Looking ahead, we expect our performance to remain strong. We estimate market growth of around 2%—slightly above that, in line with what we saw in 1Q—and we expect to perform somewhat better than that due to the factors mentioned earlier.

On pricing, we expect prices to continue to be adjusted in line with inflation for the remainder of the year. We have a combination of contracts and strategies that allow Klabin, through product mix or through growth in higher-priced and higher-margin segments, to maintain prices aligned with inflation pass-through.

Guilherme Nippes: Thank you.

Operator: Ladies and gentlemen, since there are no further questions, we will hand it back over to Mr. Cristiano Teixeira for his closing remarks.

Cristiano Teixeira: Thank you everyone. See you in the next call.

Operator: This concludes Klabin S/A's conference call. Thank you and have a good day.