



**Local Conference Call  
Klabin S/A (KLBN11)  
4Q22 Earnings Results  
February 9<sup>th</sup>, 2023**

**Operator:** Good morning and welcome to Klabin's conference call. At this time, all participants are in listen-only mode. Later we will conduct a question-and-answer session when further instructions to participate will be provided. We kindly ask that for the benefit of time each analyst asks a maximum of two questions.

Should you require assistance during the call, please press start 0. As a reminder this conference call is being recorded and broadcast simultaneously via webcast which can be accessed through Klabin's investor relations website, where the presentation is available. Forward-looking statements eventually made during this conference call in connection with Klabin's business outlook, projections, operating and financial targets and potential growth should be understood as merely forecasts 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 are subject to change.

Present with us today are Mr. Cristiano Teixeira, CEO, Marcos Ivo, CFO, and IRO, as well as company officers. Mr. Cristiano Teixeira and Mr. Marcos Ivo will comment on the company's performance during the fourth quarter of 2022. After that the officers will be available to answer any questions that you may have.

Now I will turn the call over to Klabin's CEO, Mr. Teixeira. Please, go ahead, Sir.

**Cristiano Teixeira:** Welcome everyone to Klabin's results conference call to discuss fourth quarter 2022 earnings results.

In the year of 2022, Klabin achieved record results with EBITDA of R\$7.8 billion, an increase of 13% over the previous year, thus, marking 21, 22 as a special biennium in the company's 13-year history of EBITDA growth.

In the pulp business, long fiber of fluff is consolidated as Klabin's best margin product with a highly resilient demand, bringing positive expectations for the future. In softwood, we sustained our leadership in Latin America with a substantial price premium over hardwood. As for hardwood, which accounted for only 30% of Klabin's result in 2022, we see the beginning of the deterioration of this more commoditized market. In coded boards, we consolidated sales of machine 28 with the formalization of contracts for about 60% of its volume sold. These new contracts which will come

into effect in 2023 will have prices substantially above those of 2022. In Kraftliner, machine 27 definitely marked the technological transformation of the paper packaging sector in the world with the Eukaliner.

In the context of a global market with low visibility, the corrugated boxes business guaranteed security and stability to the results, showing the importance of the integrated business model.

Now I turn the floor over to Marcos Ivo, who will bring the financial details about the fourth quarter of 2022.

**Marcos Ivo:** Good morning everyone, thanks for following our conference call.

In the fourth quarter of last year, we achieved solid results reaffirming the strength of Klabin's business model. In the highlights of the period, I would like to mention 3: a net revenue of R\$ 5.1 billion in the quarter, up 11% year on year; adjusted EBITDA of R\$1.9 billion, up 1% compared to the fourth quarter of 2021; and shareholders' remuneration of R\$1.6 billion in the fiscal year of 22.

On page 4, the sales volume in the quarter was down 5% compared to the same period of 2021, reflecting the lower pulp production and a demand accommodation for Kraftliner and corrugated boxes. The net revenue in the period was of R\$5.1 billion, an increase of 11% compared to the previous year. This increase is explained by the price adjustments implemented throughout 2022, which more than offsets the reduction in sales volume and the appreciation of the Brazilian currency compared to the US dollar. With that, adjusted EBITDA amounted to R\$1,905 million in the quarter, benefiting from net revenue growth which has more than offset the increase in cash cost.

On the next page, in 2022 net revenue was of R\$20 billion, a growth of 22% compared to 2021. This increase is the result of higher sales volume and price adjustments, which were partially offset by the strengthening of the Brazilian currency compared to the dollar. Adjusted EBITDA excluding non-recurring effects was a record amounting to R\$7.8 billion in 2022 for the 13th consecutive year of Klabin's EBITDA growth.

Moving to page 6, pulp EBITDA performed strongly, both in the fourth quarter and in the year of 2022. The growth compared to 2021 of 18% and 8% respectively. This result was benefited by high price levels, as well as the flexible sales mix between geographies and the portfolio with 3 types of fibers (hardwood, softwood, and fluff), which more than made-up for the reduction in sales volume and in the increase in cash cost.

The cash cost of pulp production in the quarter was of R\$1.338,00 per ton in the quarter, representing a 5% drop from the immediately preceding quarter, confirming the indication that we gave to you on our last call.

On page 7, in the coated board segment, which remains with a healthy demand and good prospects for the year of 2023, the production volume was of 193,000 tons in

the fourth quarter and 727,000 tons in the year 2022, stable compared to the previous year given that Klabin operates at the limit of its production capacity. Coated board revenue reached R\$932 million in the fourth quarter of 2022, an increase of 12% year on year. As for the year of 2022, the segment's revenue was of R\$3.5 billion, a growth of 15% versus 2021. Both performances were driven by the price adjustments made during the year.

Going on to slide 8, adjusted free cash flow, which excludes discretionary factors and expansion projects was positive at R\$1.8 billion in the quarter. In 2022, adjusted free cash flow was a R\$4.1 billion, representing a free cash flow yield of 17%, higher than the 13.2% that we had in 2021.

Going to page 9, at the end of December Klabin's net debt was of R\$21 billion, a reduction of 397 million when compared to September 2022. This reduction is substantially explained by the positive impact of the foreign exchange variation on the dollar debt and the positive free cash flow in the period. In turn, leverage as measured by the net debt over EBITDA indicator in US dollars ended December at 2.6 times, stable compared to the previous quarter and close to the minimum level of the company's financial debt policy.

Moving forward to the next slide, slide 10, Klabin's liquidity remains robust and ended the quarter at R\$9.1 billion. This liquidity consists of R\$6.5 billion in cash and the remaining in the revolving credit line. The company's cash position is sufficient to repay the debt maturing over the next 40 months. The average maturity of the debt at the end of 2022 was 109 months, which corresponds to more than 9 years. It's worth noting that Klabin has financing contracted that have not yet been withdrawn in an amount greater than the Capex that will be disposed until the completion of the Puma II project, as detailed in our earnings release.

Going on to page 11, as per the notice to shareholders published yesterday, the company approved the payment of dividends in the amount of R\$345 million to be paid on February 24. In the accrual basis, the dividends distributed to shareholders pertaining to the year of 2022 totaled R\$1,628 million, which represents a dividend yield of 6.8%, a clear evidence of Klabin's ability to combine growth, payments to shareholders and at the same time maintain discipline in its capital structure.

On slide 12, the first phases of the Puma II project, MP27, continues its ramp-up as planned, having reached production of 354,000 tons in 2022. The second phase of the project, which will include a coated board machine, is under construction on schedule having reached 82% of physical execution in a measurement performed on January 29th and has its production startup planned for the end of the second quarter of 2023. Since the beginning of the project, R\$11.1 billion have been dispersed, of which R\$794 million in the fourth quarter of 2022.

Moving on to the last slide, Klabin continues advancing in its ESG journey and working to achieve the goals of the Klabin agenda 2030. As a result of our effective actions and commitment to the ESG agenda, we have received important recent recognition of which I would like to highlight: Triple A rating in CDP in the categories climate

change, water and forestry for the second consecutive year, renewed participation for the third consecutive year in the Dow Jones Sustainability Index global portfolio, inclusion in the B3 ISE for the 10th consecutive year, and inclusion in the S&P Global Sustainability Yearbook 2023 has the only Latin American company in the top 1%.

Now Cristiano, the other officers and myself will be available for the Q&A session.

#### Question and Answer Session

**Operator:** Ladies and gentlemen, we will now begin the question and answer session. If you want to ask a question, please dial star 1. To remove your question from the queue, please dial star 2.

Our first question comes from Caio Greiner, with BTG Pactual.

**Caio Greiner:** Hello, good morning, everyone. I have two questions, the first is about cost. The cost dynamic drew my attention in this quarter, on one hand, pulp dropped 6% quarter on quarter and I believe it's because of the cost of fiber dropping. You talked about reduction in the share of third party timber. So, this quarter on quarter reduction caught my attention in the quarter when you had a maintenance stoppage at Puma and this reduction of third party wood more than offset the increase in other costs, so a lower dilution of fixed costs. On the other hand, your total costs per ton also increased substantially, the cash cost per ton increased 8% quarter on quarter showing that paper posted a relevant increase.

So, could you help us understand a little better this mismatch between the two, in the paper cost and the pulp cost? Do you have a strategy to reduce the share of third party timber in pulp and increase it a little bit in paper? What would be the rationale explaining this, and how does this impact your pulp cost expectation increasing in 2023? Could we expect a change in the course in the coming quarters?

Second question, another thing that drew my attention is the reduction of volume in packaging paper in the quarter and annual comparison. You mentioned that you had some strategic stoppages in some of the mills and plants, you mentioned the international demand for Kraftliner a little weaker and the fourth quarter also has a weaker seasonality in Brazil for a number of events. So, I would like to know how the demand is evolving and if we can expect a volume recovery in the first quarter particularly for these two markets. Thank you very much.

**Cristiano Teixeira:** Thank you Caio. I'm going to turn the floor to Marcos and then I will be back to speak about the reduction in volume. But to start, just to kick us off and to clarify this straight away, there is no wood strategy per product or per business. We have a forestry basket, it's not that we have more third-party timber in one business and not in another, there is a Klabin strategy for the whole region. But Marcos will detail this.

**Marcos Ivo:** This is Marcos, hello Caio. First I'd like to remind you that in the past call we had given a signal of a reduction in the pulp cash cost given that the pulp cash cost have been affected by one time off events in Q3. If you hear the previous call,

you will hear us mentioning this. So, this happened as expected, as we indicated. Cristiano has already explained that there is no business differentiation. We try to minimize the total cost of Klabin without really choosing business A or B.

As regards 2023, Klabin's cash cost, the Klabin's cogs per ton for 2023, our expectation is exactly what we also shared with you in Klabin Day in December, so considering all Klabin products and all effects including a mix effect we expected cogs per ton for Klabin in 2023 growing a 2-digit growth per ton, low 2-digit growth.

We have an IPCA inflation of around 6% expected for the year, we had a change in the estimated mix for 2023 because in 2023 we are going to have a greater share of coated board that is living a very excellent moment and we'll have to start up of the M28 that changes the mix of the company and the cash cost per ton, a notation to greater integration, the same effect with a higher volume of coated board. We add to that timber, we have been explaining this to you for a long time, we give you a lot of information in the Klabin Day. Since we announced the project in 2019, we have the first cycle being supplied by third party timber starting in the second cycle, and the second cycle means 2025 and beyond. In the curve that we shared with you in the Klabin Day, we are still replacing third party wood by our own wood. So, putting it all together, we maintain the signal we gave you in Klabin Day.

I'd like to remind you that this is a year view, we might have some oscillation quarter after quarter given that this is natural in the forestry business and forestry supply.

**Cristiano Teixeira:** As regards volume, Caio, perhaps it's important to remind you we came from very two strong years, perhaps you didn't realize that, but these market oscillations are a routine in our day-to-day business. I'm sorry to be repeating this and perhaps going into too many details, but we have a planning dynamic at Klabin that has been consolidated for many, many years now, it's called sales and operations planning. We meet weekly with our managers and monthly with our officers, and we meet daily with the rest of the team and we operate the machines always focusing on the best results, and this is Klabin's flexibility, sometimes we reduce the purchase of third party paper, sometimes we manage production or reduce output particularly of recycled paper, for example, sometimes we adjust or bring forward a paper machines stoppage or virgin fibers.

So, as a nutshell, this is part of a normalcy for our business, it's part of our flexibility. Now of course, and we know that the market tends to be a little bit weaker in the fourth quarter, Kraftliner had an impact, so we brought more Kraftliner for the domestic market, corrugated boxes. So, these market oscillations are more normal than you expect [unintelligible] how flexible Klabin's operations are and in our sales and operations planning.

So, there was a reduction in volume as a consequence of the market, and yes we had market stoppages for some of the paper machines.

**Caio Greiner:** Thank you, Cristiano. How do you see this evolution in the first quarter? Should we expect a recovery or is the market behaving similarly to the fourth quarter? Thank you.

**Cristiano Teixeira:** I understand you're asking about paper.

**Caio Greiner:** Yes. I meant Kraftliner and packaging more specifically.

**Cristiano Teixeira:** OK. In Q1, the packaging market, actually the corrugated box market is in its normal seasonality, the market started dropping after the end of year, holidays, it moves slowly until March, in June it gets a little better, and gets a little bit of June, it drops again and it achieves a peak, it starts in July and the peak is reached in October, November is strong and December the cycles start all over again. So, it's all part of the normal curve expectation for corrugated boxes, is aligned with what we expect for the country's GDP, we spoke that we're always a little higher than the Brazilian GDP with corrugated boxes, and it's the same, we are in the normalcy curve for the beginning of the year.

**Caio Greiner:** Thank you.

**Operator:** Our next question comes from Rafael Barcelos, with Santander.

**Rafael Barcelos:** Good morning everyone, thank you for taking my questions. My first question is about Kraftliner. To give us more color on the price and demand dynamics currently, you mentioned in the release about a slightly weaker demand with higher inventories, so I would like to understand to what extent this is seasonal or is this a trend that you see intensifying now in Q1 and in the first half of the year.

My second question is about corrugated boxes, I know you don't like to look at market share quarterly, but we have seen market share dropping in recent quarters. So, I would just like to understand the trend you see for 2023 and the market share price strategy and if there is any price pressure from the market. Thank you.

**Cristiano Teixeira:** Thank you Raphael. So, we start with Flávio Deganutti and then Douglas Dalmasi.

**Flávio Deganutti:** Well, the dynamic of the fourth quarter and we see things in the world markets, particularly if we look at the two big markets US and Europe, all demand is not helping, there is some excess of capacity, more capacity starting and for market and production reasons in the US, because of all of that we see more pressure on the prices reflecting the supply and demand dynamic that I just mentioned.

And when we look at the whole picture, you see price impacting the cash cost of marginal factors and that makes high cash costs find it hard to continue to operate in the coming months.

**Douglas Dalmasi:** This is Douglas, Rafael, good morning. We really don't like to look at market share, we look at the integration of markets and Klabin's flexibility. But

looking at the number indeed, in Q4 we had two factors that impacted and caused a different performance than the market: we had two sectors in which Klabin has a higher market share performing a little less, so that drives down Klabin's number, such as fruit and protein, fruit for climate reasons and protein because it was reduced in export due to market reasons; and another important factor was a greater utilization of lower weight paper, we've been talking about the Puma II machine, PM27, and that makes a volume of tons from Klabin to reduce the weight of the package, but when we look at square meters it doesn't correspond to the same portion. So, when we look at the tons number, we get a false impression.

Now looking at 2023, we should follow the market in most segments and in talking with our audience and with the market in general, particularly in these segments that I just mentioned, with the fourth quarter underperformed, we see that the fruits and protein sector, where Klabin has a higher market share, they have a better outlook, so as Cris mentioned, the segment is growing more than the GDP, if these industries come stronger, we should perform better. But we need to be cautious, we need to follow the performance of these segments.

Regarding price, in the past we performed a lot better than inflation and our quest this year is to be aligned with the IPCA inflation rate. Thank you, Rafael.

**Rafael Barcelos:** Just a follow-up question. I don't know if I had a chopped sound, but regarding Kraftliner, you mentioned that you're seeing the current level of price hit the marginal level, is that it?

**Flávio Deganutti:** Yes, we have a curve that differentiates producers like us from producers that are more impacted by inflation in their cash cost. This as well as particularly for producers in the northern hemisphere, current price levels added to logistics impacts that are still present caused the net price to touch the cash cost curve.

Now during the month of December and January, we also observed a reduction in inventories of the chains, so there is a lot to do. Inventories are still higher than historical levels, but there is now a process of reducing the inventories.

**Rafael Barcelos:** Excellent, thank you very much.

**Operator:** The next question is from Isabela Vasconcelos, Bradesco BBl.

**Isabela Vasconcelos:** Hello, good morning everyone, thank you for the opportunity. We have two questions on my side, first about the future downtime at Monte Alegre, if the studies continue to evolve, if you have any update that you could share with us about the potential project. I remember there were some studies or different studies that you were looking at. So, if you had any update on that side it would be interesting.

And the second question, I don't know if Nicolini is there, but the pulp market, especially in China, post-Chinese New Year, to see the demand how it is evolving in China, and if you can talk about in Europe recently it would be interesting to us. Thank.

**Cristiano Teixeira:** Thank you, Isabela. I'm just going to try and interpret your first question and if I'm wrong you please tell me, but I imagine that you're saying about the future downtime in Monte Alegre. Of course, that doesn't exist. The only thing that I remember about Monte Alegre is the boiler, the recovery boiler.

**Isabela Vasconcelos:** Yes, that's it! I'm sorry, that's exactly it.

**Cristiano Teixeira:** Oh, ok. So, I'll answer, and I think it will fix your vision. I mean, I may be redundant in the beginning, but Monte Alegre was Klabin's main plant for many years in terms of results, they have the coated board machine 9 and machine 7 that we mentioned, it's a very important site for Klabin from the 1940s until today, it is a site with an order of 1 million tons, it is a very important site for Klabin.

So, there we have a one boiler, we have boiler I that we have been studying to repair it for a number of years, of course we've worked with a very high safety level, we're always very conservative, when we started to look at this, we considered the worst cost scenario, maintenance, and as I mentioned at Klabin Day – and we can go back to what I said then, it's the same thing –, we are more and more confident that within the vision that we outlined initially, we're in the first quarter of investments or rather on costs and the operating amount for this boiler.

So, if we had an original idea, this number is closer to a third of what they had figured, so this retrofit will be done over the next two or three years, during the general downtimes without any impact in the result or in the guidance for the business at that site. So, this is something that started for us with a high attention level because it is an important site, it's that site, and now I'd say it's in the routine of the company, so the boiler will be retrofitted in the coming years and you we'll see it with us, but the effect will be very small, both in terms of the investments made by the company and the results of course.

As for the pulp market, Nico will talk more about it for you.

**Isabela Vasconcelos:** Thank you.

**Marcos Ivo:** Just to add, Isabela, we remain with the information from the Klabin Day in terms of disbursement for the boiler in 2023. If it occurs, it's an amount of R\$150 million that's within the number that we gave you for the Capex indication for 2023. So, there's no change in that sense.

**Isabela Vasconcelos:** Excellent, thank you.

**Alexandre Nicolini:** Good morning, it's Nico, thank you for your question. At this time, we're still analyzing and looking at the developments in China after the Chinese New Year and the expectations in the sense of the improvement of the Chinese economy to understand how this may impact other markets. What I can tell you is that the month of January was a good month in terms of demand, but it's too early to affirm that there will be a recovery in the coming months.



In terms of the European market, the year began in a more challenging way since the middle of last quarter we saw demand that was more repressed in the print and writing and specialty segments, and the market as a whole already expected some correction in terms of prices in eucalyptus pulp after a few months of a complete standoff in terms of price.

But it's worth remembering that the year started at prices much higher than the initial projections and now we're looking at the developments in the markets to feel how this is going to develop in the quarter.

**Isabela Vasconcelos:** Excellent, thank you.

**Operator:** The next question is from Caio Ribeiro, Bank of America.

**Caio Ribeiro:** Good morning, thank you for this opportunity. First, I'd like to see whether you can talk about the softwood market. We see some players in North America announcing price increases in US\$ 20 to 30 per ton. I'd like to see if you understand the dynamic of this market, of this fiber, if there is room for any type of increase. And second, if you see any movement towards the replacement of softwood with hardwood seeing the levels that are above historical indexes.

**Cristiano Teixeira:** Nico is going to answer to you, Caio.

**Alexandre Nicolini:** Caio, good morning, thank you for your question. The softwood market starts to give us some positive indications of a steadier market, it's worth noting that this segment suffered first with price corrections in the middle of last year and considering the context, especially in Canada with the production stoppage and downtime analysis because of lack of fiber and closing the capacity, or reduction of capacity that led to an announcement of a US\$30 price increase in international markets. Brazil follows the price in Europe and this prices are being implemented now in the month of February.

It is worth noting that when we compare the dynamics of the markets, the differential, the gap of prices between softwood and hardware in China and in Europe, it's out of place, it's different. We talk about the prices in China between softwood and hardwood, it's US\$120 per ton and in European in January it was around 30. That's a very small gap in Europe. We see the softwood market steadier due to what has already been discussed and now we will keep watching and see how it develops in coming months.

**Caio Ribeiro:** Excellent, very clear. Thank you, Nicolini.

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

**Daniel Sasson:** Hello, good morning, everyone. My first question this related to potential decision to invest in the new big project for Klabin's expansion. We are close to finalizing the second PM of Puma II expected for mid-year, so you're already thinking about the future agenda. So, I'd like to know if you have any time expectation

to take to the Board of Directors to perhaps approve that bigger project that you have in Santa Catarina? It would be good to know little about that.

And perhaps if you could elaborate on the Kraftliner dynamic. I know we talked a little bit about this, but it calls my attention the price reduction in international market more recently in the high single-digit/low double-digit drop. Could you elaborate on the price expectation for Kraftliner in a year that perhaps the US economy can [unintelligible] a little bit? And perhaps there might be a little bit more Kraftliner left to export over there.

**Cristiano Teixeira:** OK, thank you for the questions, Sasson. Answer regards the future Santa Catarina [unintelligible], here is what I can tell you, we always talk about the paper and pulp market characteristics, I mean we study and plan project way, way ahead, so my answer to you know is yes, we continue with that in our radar, not only the radar of the management of the company, but also in the radar of the Board of Directors, we have a strategic approach for softwood. However, this is a year of focus on machine 28.

You see, I said it a couple of times, the coated board machine it brings embedded technology, which is sophisticated, it has sensors, it increases the quality of product and it enables to have low-weight coated board compared particularly to US virgin fiber coated boards, [unintelligible] [...] we worked for many, many years for this machine, the coated board market is not as big as the container board or even the pulp market, so it is a more select market in terms of producers and consumers, it has a premium value, price stability, it is a long-term contract.

Just one detail, we have contracts for machine 28 which have three-year contracts with excellent negotiation ensuring a good part of Klabin's stability of results. So, I'm estimating a number that will be communicated to you in the future.

Looking at Klabin today projecting for the next few years, Klabin and its [unintelligible] primary business will make a parallel of the US market because they think it will be more directed for you to understand. We have a pulp market that a number of companies call biomaterials and this biomaterials market, as you well know, we have 1.1 million tons of hardwood and many, many more thousand tons of softwood with a premium price for softwood, you have seen what has happened in recent years and Klabin with softwood and fluff consolidated throughout Latin America and approved by all brands in the world.

When we look at the other business, I will take a risk here and say container board, corrugated box, the company typically looking at an IPO or PCA in the US and this market Klabin is highly integrated with a market share that was mentioned we don't look at this in a one-time off moment, but we have about 25% of the Brazilian market of corrugated boxes and we sell paper to practically all other Klabin competitors in these segments that require virgin fiber paper.

Now when we look at Klabin's third market – I'm bringing a relative innovation for you dividing it by three – and that is the coated board, that's what they call consumer

board in the US, this market with PM 28 projecting for the next years it will divide, Klabin will break it down into 3 thirds: one third by your materials; one third corrugated boxes; and the third third of coated board. So, these three segments are absolutely consolidated with niche products, and for all three we have projects in the future vision.

However, at this moment and this can extend to the next year, we will be focusing on this division consumer board, and of course, consolidation of our other businesses as well. We'll focus on increasing efficiency always trying to increase efficiency. So, at this point, I prefer not to mention focus on the Santa Caterina project because the future of softwood is consolidated for us in that region, so there is no relevance or materiality to speak about projects this year and perhaps next year.

2023 is of a new capacity, we want to deleverage the company and gain operating efficiency.

As for the liner market, well, I spoke a little too much, I apologize, but I wanted to give you this kind of detail level and I'll turn the floor to Flávio.

**Flávio Deganutti:** Daniel, I'll elaborate a little more. We have a situation that is very different compared to previous cycles. Some big numbers: The US market took out of the market 2 million tons if we add the main producers in their published releases, and the US exports are at their lowest possible level and compared with a long historical series, which is a counter-intuitive normally with the weakening of external markets, US market exports more. And as I explained to before when answering Rafael's questions, since now we have situation of low profitability, we stop capacity and we export less.

And I am going to mention a new element, which is an element of Klabin: Klabin has its own mix, we do a lot of virgin fiber, low-weight paper, Eukaliner brought a little more of this context to our products, Klabin has its own geography, we have in South America some markets which are very relevant in our portfolios, so this is a market that... so, we have a high-market share in these markets. We also have a mix which is a very much favored by fruit, vegetables, and protein, and these markets continue to do well, so we reaped the fruit of operating in specific mixes that help us in a macro view.

Now looking at the US market, even before they actually have a recession, if a recession ever happens, now they are reducing capacity and they're exporting less.

**Operator:** Thank you. Well, our next question is from our webcast, from André, XP:

"We have seen some news of greater potential payment from Brazilian companies in taxes, either by MP-1152 or yesterday's Supreme Court decision. Can you give us a few of how these measures can impact Klabin?"

**Cristiano Teixeira:** Thank you, André. I'll turn the floor to Marcos Ivo.

**Marcos Ivo:** André, as for MP-1152 that's in Congress waiting for approval, but we have the text so we can make our statements based on that. Klabin has always had a more conservative attitude in its tax decisions. In the past this has led Klabin to adopt what the OCDE defends and what you'll see in the text of bill 1152 and to make it simpler that if approved it will bring a change in the transfers price of Brazilian companies when they sell to their own subsidiaries outside of Brazil. So, Klabin since we opened our subsidiary outside of Brazil and it became more relevant with Puma I as of 2016, we always have a very conservative position understanding that there was a high risk of following an aggressive practice in terms of tax payments, so we chose a conservative path which means that if this bill is approved as it is today, it will have no impact for Klabin.

Now I imagine you were talking about the Supreme Court's decision yesterday that may bring a big change to the results in certain situations of law suits, and we don't see anything that may affect Klabin looking at our past other than greater legal insecurity for future decisions, but in terms of the past decisions that had been made in our cases, there's nothing we can see that would cause an impact.

**Operator:** Excuse me, if there are no further questions, I would like to turn the floor over to Mr. Cristiano Teixeira for his final remarks. Please, you may go ahead.

**Cristiano Teixeira:** So, thank you. First, I would like to give you a side note before talking about the perception of the last quarter, and this side note is about our new legal director at Klabin, Mariangela, who came from the Grupo Votorantim Cimentos, she's been at Fibria, Vale, she's a highly qualified professional that is now joining our team and adding her structured view and knowledge to our company in tax and legal terms.

So, welcome, Mariangela it's a pleasure to have you with us.

So, now I'll give you our perception on the first quarter of 2023. Usually, the first quarter of a year is a period with a lower seasonal demand and the slow pace in all markets. Especially this year due to the macro scenario, visibility is low. At Klabin, we have positive perspectives for this first quarter with results expected to be above the same period than the previous year. We remain steady in the constant search for operating efficiency and cost control. Our main focus remains on MP28, which now presents 82% of its works concluded and we're confident with the startup of production in the second half of 2023.

I thank you all for your participation and I'll see you on Klabin's next earnings conference call.

**Operator:** This is end of the conference call held by Klabin S/A. I thank you very much for your participation and have a nice day.