



**Local Conference Call
Klabin S/A (KLBN11)
3Q22 Earnings Results
October 27th, 2022**

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

At this time, all participants are in listen-only mode. Later we will hold a Q&A session when further instructions will be given.

In benefit of time, we kindly ask analysts to limit questions to two. Should you require assistance during the call, please press star zero to reach the operator. As a reminder, this conference is being recorded and broadcast live via webcast and you may access it at Klabin's IR website where you will also find the presentation for download.

Forward-looking statements that might be made during this call in relation to Klabin's business outlooks, projections, operating, and financial targets regarding to potential growth should be understood as forecasted based on the company's expectations in relation to Klabin's future. Such expectations are highly dependent on market conditions, on the overall economic performance of the country, the industry, and on international market. Therefore, they are subject to change.

With us today, Mr. Cristiano Teixeira, CEO, Mr. Marcos Ivo, CFO and IR Officer, and officers of the company. Mr. Teixeira and Mr. Ivo will comment on the company's performance in the third quarter of 2022 and after that the officers will be available to answer any questions you might have.

Now I would like to turn the call over to Mr. Cristiano Teixeira. Please, Mr. Teixeira, the floor is yours.

Cristiano Teixeira: Thank you. Welcome to the earnings call for Klabin regarding the third quarter of 2022.

Even in a market that is challenging now, increase in energy costs in Europe and inflationary scenario in the world with higher interest rates, we had again an EBITDA that was record, our results show sound results, reduction in financial leverage, ROIC that reflects the ability to combine efficient capital allocation, shareholder value generation, and also value generation for our shareholders.

About markets and the pulp business and its differential in fibers, especially with fluff, we had a record EBITDA since the beginning of Puma operation. In paper we have an accommodation in the demand for Kraftliner and coated board, a higher demand awaits the startup of MP28, which not only has 65% of construction concluded, but

also is ahead in its go-to-market in volumes contracted that will increase catering to food and beverage industry, such as dairy and beer.

In packaging we have a great moment for corrugated boxes and industrial bags where, apparently, we are seeing a recovery of the Brazilian economy.

Now I turn the floor to Marcos Ivo to talk about the financial highlights on the third quarter of 2022.

Marcos Ivo: Thank you very much, Cristiano. Good morning, everyone, thank you very much for being with us in this conference call.

We have delivered once again growing results with a record for a quarter in sales volume, also net revenue and EBITDA once again showing the strength of the business model of Klabin and its high predictability of results. Among the highlights in the period, I should mention 3: net revenue of R\$5.5 billion, up 26% in the annual comparison; cash generation per ton of R\$1.794, up 4% vis-à-vis the third quarter of 2021; dividends and interest on equity of R\$1.6 billion in the last 12 months.

On page 4, the sales volume was up 4% in the comparison with the same quarter of 2021 driven by the volume of Eukaliner produced by machine 27. Thanks to our higher sales volume and price increases in the last quarters, net revenue reached R\$5.5 billion in the period, increase in 26% in the annual comparison. Adjusted EBITDA was of R\$2.3 billion in the third quarter of this year, 20% higher vis-à-vis the third quarter of last year. EBITDA was supported by a higher sales volume and price adjustments which more than offset the increase in the production cash cost.

Now turning to slide number 5, benefiting from the higher prices in the annual comparison, as well as the flexible sales mix among geographies, and the portfolio with 3 types of fibers (hardwood, softwood, and fluff), the average net price per ton was of US\$935, 28% higher than 3Q21 driving up the EBITDA of pulp, which reached the record level of R\$1.2 billion in the quarter.

Pulp production cash cost was of US\$270 in the quarter vis-à-vis US\$258 in the prior quarter.

Now turning to page 6, adjusted free cash flow net of discretionary items and expansion projects was positive in R\$1.2 billion in the quarter. In the last 12 months adjusted free cash flow was of R\$3.4 billion and that represents a free cash flow yield of 13.6%.

Now on page 7, at the end of September Klabin's net debt was of R\$21.4 billion, an increase in R\$910 million when compared to June of 2022. That increase is explained by the FX and negative impact on the dollar-denominated debt and also a negative free cash flow in the period. Leverage measured by the indicator net debt over EBITDA and dollars ended September in 2.6 times, the same level that we had in the prior quarter and close to the minimum level of the financial debt policy of the company.

Now moving to the next slide, Klabin's liquidity is still sound and ended the quarter in R\$9 billion and that liquidity consists of R\$6.3 billion in cash and the remaining in revolving credit line. The company's cash position is enough to amortize the debt that we have due for the next 44 months, the average tenor for the debt at the end of the third quarter was of 113 months, which corresponds to around 9 years and a half.

We should remind you that Klabin has contracted and not yet withdrawn credit lines in an amount that is over the Capex that will be disbursed up to the conclusion of Puma 2 project, as we have detailed in our results release.

Turning to page 9, according to the advisory to shareholders released yesterday, the company approved the dividend payout and interest on equity of R\$502 million to be paid on November 14th. On an equity basis, the dividends paid to shareholders over the last 12 months totaled R\$1.624 billion, a clear evidence of Klabin's ability to combine growth and dividend payout while maintaining financial discipline in its capital structure.

On page 10, the return on invested capital measured by ROIC reached 19.3% in the last 12 months. The consistent performance of ROIC close to the level of 20% in several quarters demonstrates the company's assertive capital allocation.

On slide 11, PM27, the first stage of the Puma 2 project, keeps on ramping up as planned reaching production of 345,000 tons in the last 12 months. The second phase of the project, which will have a coated board machine, is still under construction, on schedule, having reached 65% of the physical execution in measurement carried out October 16th and has its startup plan for the second quarter of next year.

Since the beginning of the project, R\$10.3 billion have been dispersed, of which R\$934 billion in the third quarter of 2022.

On slide 12 I share more details of the go-to-market of MP28, the second stage of the Puma 2 project. MP28 already has approximately 60% of its volume sold, this machine will mainly serve food and beverage markets, such as, for instance, beer packaging in CUK. In addition to growing demand, these markets have resilience in times of economic slowdown as an important characteristic. The balance between supply and demand in the virgin board market driven by growing demand creates a good price outlook for year 2023 and this favors machine 28 entry into the market.

Moving on to the next page, I highlight that Klabin is following its ESG journey and working consistently to achieve the goals of the Klabin 2030 agenda. Among the highlights of the quarter, I mention 3: ANEFAC Transparency Trophy, Golden Tombstone Award in the debt securities category for issuing the sustainability linked bond being the first company of the world to link its biodiversity performance to financial security; and the attendance of Klabin's executives in events organized by the UN on climate change and sustainable finance.

Lastly, on slide 14 I invite you all to join our Klabin Day which will be held on November 30th. It will be a great opportunity to talk about the outlook for 2023 and the future of Klabin.

From now on, Cristiano, the other officers and I will all be here for the question-and-answer session.

Question and Answer Session

Operator: Ladies and gentlemen, we will now start to the Q&A session. To ask a question, please press star one. If your question is answered, you may leave the queue by pressing star 2.

Our first question is from Rafael Barcelos, Santander.

Rafael Barcelos: Good morning, everyone, thank you very much for taking my questions and congratulations on the results. My first question is on coated board. This is a segment that sometimes we talk a little about, but it's showing a good performance both in price realization as well as in the demand for the past few years, and you had a slide on the presentation talking about the 60% of the volume of MP28 already contracted even with the startup of being programmed just for the second quarter of next year. So, my question here is to understand better your demand trends in the midterm, the mix in the domestic market and exports for the coated board unit that we can expect for 2023, and finally, whatever you can talk about price adjustments in this line of business that would also be interesting.

And my second question is about capital allocation. We understand that Klabin is a growing company that historically has projects with attractive returns, and I would like to hear from you which are the main initiatives that you can already highlight that the company is analyzing today considering that in around 6 months the second machine for Puma 2 will be already concluded. Thank you.

Cristiano Teixeira: Thank you, Rafael, great questions. I here have Flávio and Marcos Ivo with me, they will help me in the answer, but I just have a quick reference here: this coated board machine is a machine that we have studied, we have analyzed it carefully for the past few years, we know about the power of this product, we are very happy about our long-term view in terms of trends regarding what is also happening, also because we see the replacement of plastic and consumption goods and we see that proof that this answer will be related to other topics that you mentioned, you know, that proves the surgical capital allocation that Klabin has been doing in this last decade in terms of investments.

Thank you very much for your question and Flávio will start answering it and then Marcos Ivo will take over.

Flávio Deganutti: Rafael, good morning. This is the most resilient market for packaging paper, it has 3 clear growth drivers and they have to do with market mix: the first thing in the domestic market we are growing organically usually more than the GDP growth in the country, so here we have a greater growth expectation than

what we are projecting for Brazil, and in addition to that for special papers that are manufactured by Klabin now the country is an importer and not much, but with the new capacity we'll be able to gain that market share; another important the growth that comes from the replacement of packaging made out of single-use plastic that happens in Brazil, which is a major manufacturer of beer, we have cans and bottles being made manufactured, so anchored in this growth of the beverage world, Klabin is growing a little bit more than the organic in Brazil and whatever new plants where this market are built, but this is a huge machine and we are going to have a capacity of 460,000 tons, very close to the Brazilian markets' capacity, so it has an important concentration in the export or an important appeal to the export market, around 80% of what we sell here is based in the growth of the food market; and finally, this is a single moment having the machine with the state-of-the-art machine for softwood like this, this is the only machine that we are having now for 2022.

So, this is the context we have as a main target; exporting, but we are also tapping into opportunities in the domestic market whether for imported products or the replacement of the single-use plastic.

Marcos Ivo: Rafael, good morning, this is Marcos Ivo. Now about capital allocation, Klabin will move on with its strategy and with that we are able to combine growth and also proceedings payments, dividends payments to investors, that is, return of funds to investors via dividends. If you look at our dividend yields for this year, it has a percentage that is very attractive, we believe, as I mentioned in the last 12 months and the competence year, we paid dividends of R\$1.6 billion and we are able to do that also growing choosing good growth projects considering the competitive advantages that Klabin has, therefore, yes, we do have opportunities to keep on growing in projects that generate high value. I believe that the ROIC shows the assertiveness of Klabin's capital allocation in the last decade, we are around 19% as you have seen in this quarter.

Now looking ahead, right now Klabin is focused in the conclusion of Puma 2, we also have the remaining of the construction works and the significant Capex disbursements to happen, and we have conversion projects that were approved over the year, the Figueroa project, Horizonte project, they will also have their startup; Horizonte project in the first quarter of next year and Figueira in the first half of 2024.

The company is working taking care of its forests so that at the right moment we are able to have new growth projects, but right now we are focusing in concluding the growth projects that you already know.

Cristiano Teixeira: Thank you very much Marcos and Flávio. Rafael, just adding to the answers and I feel I should comment, in the last few years obviously we have focused a lot on our pulp capacity, but we also brought in pulp with 2 dryers, we focused on softwood, on Klabin's niche, we focused on fluff, this has been a huge competitive advantage, you can observe what is happening with fluff in the past few years and when we look at this coated board machine, we have this machine now and we're seeing a strong trend to the migration for those kind of product. So, that represents Klabin's history, which is much broader than most commoditized

companies in the pulp business. Klabin is able to have – and I have a lot of respect for other companies in the industry, but – Klabin can have the best of the main companies in the world in industrial bags, corrugated box, and all the products, and that combination of results is bringing these best results in our company.

Rafael Barcelos: Thank you, Cristiano, and Ivo. Just a quick follow up with Flávio. Flávio, is there anything that you can mention in terms of prices for coated board? And thank you once again.

Flávio Deganutti: Well this is a resilient market because it is related to food market, so regardless the macroeconomic context, tends to have a best behavior, also the balance between supply and demand for commercial coated boards, such as this one, is very tight and that is because of the increased demand that we have seen in the last 2 or 3 years, so the price demand follows that rationale of that tight balance between supply and demand and therefore our price policies will be along those lines.

Rafael Barcelos: Thank you very much.

Operator: The next question comes from Caio Greiner, with BTG Pactual.

Caio Greiner: Hello, good morning, everyone, thank you. I have 2 questions. The first question is about cost. The earnings were very strong and solid showing that you have a lot of consistency in your results, but the cost of pulp more specifically going up 11% I think it was the frustration this quarter. You have given a cost guidance which seemed to be flat and stable considering last quarter and the previous quarter, quarters one and two. So, what has changed since then? You said that the main reason was an increase in third party timber, but I would like to understand that's something above your expectations. Could you comment on this and also how should I expect to check this cost performance over Q4?

The second question, addressed to Nicoline, I would like to go deeper into the pulp supply demand dynamics in the coming months and the coming year. Pulp price is around 80 for a while and I think it's exceeded everybody's expectation a couple of times and we keep on asking the same question: when does it expect to go down? There are some variables that are still question marks, so we'd like to have more color on this recession in the markets involved next year to what extent should it have an impact on market pulp demand and how are you considering new capacities over the next year with some controversies and the project that is delayed and a slightly slower ramp-up? And also, to understand if you consider the consolidated price, how should we consider the supply demand balance for 2023? And lastly, what is the potential in the long term for the price issue? Thank you.

Cristiano Teixeira: Thank you, Caio. Both Marcos and Nico are next to me, so all I want to do is to make an early remark. I'm sorry to make comments now, but Caio, if there is a strength at Klabin or among Klabin's strength, I would mention the area of operational planning. Klabin today has a discipline known as S&OP (operational planning) and we've been working on this for about 5 years very strongly at the

company not only in the business area, in all business areas, but also in the forestry area.

I haven't heard of any other forest area which owns such a short-term or good short-term planning tool, so much impacted, favorably impacted in forestry as we have at Klabin. We simulate Klabin every week, we check cost, profitability, cash generation per product, contribution margin, etcetera, so it is a fact that sometimes a given view as you mentioned in the previous quarter that we should expect to see stability and make things happen differently, so that's a fact and we cannot say that we won't keep on giving a different direction or guidance compared to what we said before.

However, it's also a fact that this weekly simulation whenever we follow one path or another, for instance, more pine, more eucalyptus, etcetera, this is always related and primarily related change the company's earnings, so this comes before any other decision. So, I just conclude by saying that the driving force may have been different, but the purpose, which is to assure profitability and improved results, this is essential and that's why we work on this weekly simulation.

Over to you Marcos.

Marcos Ivo: Caio, I'm going to add to what Cristiano said about costs. In our release there is a breakdown on the pulp cash cost, so I'm going to make reference to the accounts that are disclosed in our release. So, we had some one-off events in the pulp plan, which we don't expect to be repeated in the future and they had an impact on cost of chemicals, fuels, and others. These 3 lines had a cost increase quarter-over-quarter and that's something we don't expect to see down the road in the fourth quarter, we expect to see a reduction in those lines, which will also contribute to this reduction is a ramp up of sulfuric acid and biomass gasification plants, these were investments made as you know, these were investments made by Klabin and they are in their learning curve and therefore they will produce more daily which will help in the reduction of chemicals, fuels, and others, in addition to one-off events that we had in Q3.

In the third quarter when it comes to personnel/services, Klabin has a maintenance area and in the third quarter we wanted to have a good transition, so we had an overlap of costs. This is also being addressed and fixed, as of October we're going to have our own Klabin team. In addition to not having cost overlap, it will also bring economic benefits that led to this primarization.

Now let's talk about timber, the fiber line. In addition to what Cristiano explained, in Q3 we had 2 factors: the first is related to climate, there was a lot of rainfall in Paraná state and now timber is wetter in our plants, and it increases specific timber use. This is very common in our industry to have this quarterly fluctuations. Another part is also related and very much connected to Cristiano's comment, it has to do with this weekly planning that we perform, and in the end we had more third-party timber this quarter than we planned at first.

If you put it all together, we expect to see a reduction in pulp cash cost over Q4 vis-à-vis the third quarter, particularly owing to the events that were on time events in Q3, which won't happen in the last part of the year.

Alexandre Nicolini: Good morning, Caio. Nicolini speaking, thank you for your question. Caio, I will begin by addressing the short-term scenario. In our view, it is maintained owing to a whole price stability context and also stable demand on regular contracts. I believe a little bit of the perception on some slowdown in demand by a couple of players is very much related to improved scenario in logistics, which eventually slightly reduced the bottlenecks and also delays.

It's worth mentioning they were not 100% solved yet, we're still facing problems, particularly container wise, and this shrank the spot market a little, so maybe that's why we have this sentiment about this loss of euphoria. However, I highlight again that sales in regular contracts remain at the same levels in the third quarter, and that's the outlook for the fourth quarter of the year.

In terms of supply, there is no change in the scenario. As you know, there is no entry of new capacity, no startup that might affect the year. The hardwood market is very tight, better than softwood, and I highlight that in softwood the impact is lower on Klabin or even low considering that exports of softwood is very little. We always try to focus on mix improvement and focusing more on fluff sales. And this is expected to be maintained not only in Q4, but also from 2023 onwards.

When it comes to epilepticus price, in October we had the base of 1.380 in Europe, it's the same scenario for November, prices always reflect the month, the previous month, so no change in course in Europe, US, not even Brazil. These are the prices published by indexes for October. We do acknowledge that some paper segments and packaging segments have been more affected in mature markets, but the tissue segment remains quite robust.

Please, note that several manufacturers showed a price increase for tissue, and they were fully applied, margins in several geographies also increased for this specific segment and that's a segment that still performs very well in terms of consumption.

For the mid to long-term scenario, considering a lot of uncertainty, macroeconomic uncertainties and also energy crisis in the EU, it's hard to say how prices will behave as of next year. As for the entry of new capacities, you've been following up the market, it's hard to say how much of hardwood we should see next year. We have a slightly estimate of 1.2 million tons, some level of assertiveness. However, bear in mind that the gap left by birch in the northern hemisphere was quite significant, they stopped producing about 1 million tons, of which 700 of market pulp, and this gap is being filled by eucalyptus hardwood pulp.

Considering all this, the concerns are more a macroeconomic level and involving the energy crisis more than supply and demand.

Caio Greiner: Thank you, Cristiano, Ivo, and Nico.

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

Caio Ribeiro: Good morning, everyone and I have 2 questions. First, about the spread between hardwood and softwood, after a long time above the average now it's back to historical levels and even a little bit lower. Do you already see a movement for fiber replacement from hardwood to softwood?

Second, about corrugated box and coated board, I would like to know if with the World Cup now very close to us if you see any positive impact in the demand in the short-term. Thank you.

Cristiano Teixeira: Thank you, Caio. We will start with Nico and then Douglas Dalmasi will add.

Alexandre Nicolini: Hello, Caio, thank you for your question. It is a fact that softwood is playing a different role in comparison with the hardwood. We did have some small price adjustments in softwood and the main driver here especially is on the supply side considering that in the Nordic countries they're no longer producing the Betula hardwood and now they are manufacturing the softwood more. So, that brought an additional supply to the market. The market had some adjustments, as you saw, these were not significant and that allowed price stability for softwood as well.

I would like to stress that Klabin has almost none exposure to this international market, it's just here for the Brazilian market. The gap came down in terms of list price, yes, it is above the historical levels of 70 to US\$80, it's from US\$100 in terms of net price. Obviously, there is a significant difference, but I go back and look to British Columbia where manufacturers are having a hard time with climatic factors, especially the wood availability. This is an alert to us and that should affect the market in the next few months, but we see the softwood market as a stable market, and we believe this gap will broaden more next year.

Douglas Dalmasi: Caio, good morning, this is Douglas. We are optimistic about the fourth quarter, we see a quarter that is stronger than last years and the last quarter of last year with around 2% or more, in line with the third quarter. So, a good performance, and usually the fourth quarter is slower, right, and that is a matter of the Brazilian economy and also the World Cup will boost the economy as well. We see the market with beer, for instance, that is heated up in Manaus and that region, that's a region that has the manufacturing of a number of products, such as TV sets, catering to this market that at the end of the year has a demand, the holidays, the World Cup, we'll have Black Friday now that is going to drive up retail.

I'm very optimistic and I think the World Cup helps in this optimism.

Caio Ribeiro: Perfect, that's very clear. Thank you very much.

Operator: The next question comes from Isabela Vasconcelos, with Bradesco BBI. Thank you for the opportunity, good morning, everyone, I hope you're all fine. I have 2 questions on my end, I guess the first one is more related to the Kraftliner foreign, or international market. I wonder if you could make some comments on, well, just as

you mentioned about pulp, we want to understand the evolution of margin, the impact of international demand, and the impact on your strategy. In terms of bringing more volume or exporting less, could give us more color? And a second question is about carbon credit and certifications of carbon credits. How has this conversation evolved at the company and if you have any policy to share? These are my questions, thank you.

Cristiano Teixeira: Thank you, Isabela. I'll turn it over to Flávio and then I come back to talk about carbon credit, or perhaps during Flávio's answer, maybe Razzolini is connected, maybe he can answer as well. So, Francisco, just get ready for it.

Flávio, over to you.

Flávio Deganutti: Good morning, Isabela, thank you. We have years of very vibrant demand in Kraftliner and market, our kraft of virgin fiber communicates a lot with food business, fruit and protein, so that's a market that despite having an encyclical behavior it is more distant than a classical commodity, particularly with virgin kraft, but this market relies on major economies, inflation does have an impact on purchasing power and if we bring it with a fact that as economies open in 2021 part of consumption is oriented to services, so we brought important accommodation in demand in the US or also in Europe.

This is also connected to a second factor, which is capacity entry. This is more related to container boards of recycled fiber adding more capacity and therefore lower operation rates to these markets.

Just one caveat about this great accommodation in the world; inflation, particularly in big manufacturers in Europe, this is very relevant. Energy costs in Europe brought significant impact from those manufacturers, and the floor of the cash cost, although still had higher costs, they were very affected having a price platform above what we had been seeing in previous years. So, in practice, there is an accommodation, and this accommodation leads to some price reduction in international markets and Klabin makes use of its strategy to bring more and more into the domestic market.

Cristiano Teixeira: Thank you, Flávio. Before we hand it over to Francisco, allow me just to make a comment on the first point mentioned by Flávio. Just to share the importance of integration that we constantly tell you about, today Klabin with machine 27 and with this capacity in which we've been investing and saying that it may bring a lot of potential in the future.

Now into the future, Klabin will also always stand out as a big integrated local player with a lot of market share maintaining and increasing corrugated box volumes in Brazil and also a big global player. So, the global dynamics will be increasingly more important to the company.

Now if I may just add in a detail on the company dynamism, egg consumption, for instance, we've always been known as providing packaging for foods and all our product segments, about 70%, but mostly protein, fruit, white and red protein,

etcetera, but look at this, add double consumption in Brazil in the last decade very strongly now with the pandemic, so egg became a consumption item not only at homes and industries as well. So, Klabin is there, one of the most important items for us also when it comes to protein transportation is egg, and Klabin is a major box manufacturer for eggs.

So, the dynamism of our market is represented by the dynamics of the food market in Brazil.

Over to you, Francisco.

Francisco Razzolini: Hello, can you hear me?

Cristiano Teixeira: Yes, we can hear you.

Francisco Razzolini: Right, good morning, Isabela, good morning, everyone. Isabela, thank you for your question, that's a very important statement, we've been constantly debating carbon in general, and we constantly tried to highlight what we mean by carbon, balance, what is footprint and credit.

It's important to say that about carbon credit, Klabin has been working on projects to have certifications for the credits, we have several projects ongoing, some at the final stage, however, we understand that this is a moment of transition, we even have carbon credits in MDL (in the clean development area) that reflects Kyoto Protocol, but since COP last year, we have the Paris Agreement and we are working now on the new mechanism to regulate carbon credits.

So, why are we mentioning this? We see value of carbon credit in the regulated market, this is where we have interesting prices and prices that help to offset emissions in different countries. So, this market is not defined yet, Brazil made some steps, we have still a lot of room to grow and despite COP-27 now having this whole global issue on recession, energy problem in different economies, some coming back to fossil fuels, a big topic that will be addressed in COP-27 will be this transition, this regulation of the new mechanism to replace MDL.

So, Klabin will keep on working on its studies and accumulating carbon credit and waiting for the right moment for any possible negotiations in future years. Right now, we don't see a lot of value in the voluntary market.

Isabela Vasconcelos: Very clear, thank you.

Operator: Our next question is in English, it's from Carlos de Alba, from Morgan Stanley.

Carlos de Alba: Yeah, thank you very much. Good morning, everyone. So, one question regarding the cash flow generation that was quite strong in the quarter, is at least relative to your estimates, but also a significant part of the cash flow, cash flow operations came from a change in other liabilities, R\$1.175 billion. So, I wonder if you can provide a little bit more color as to what those that represent. We're looking

at the balance sheet published in the press release, I didn't see an increase of such magnitude in the liability part of the balance sheet, so any color would be really appreciated.

And then in terms of... I guess I'll squeezed 2 more in my second part of the question, one is on pulp costs, so maybe further to the discussion that we had earlier, how do you see your pulp costs beyond the next quarter? Certainly, year-on-year has been a dramatic increase in your costs for the reasons that you already alluded to and similar to what we have seen in other companies, but as we go forward in the next year, 2-3 years, how do you see the pulp cost evolution for Klabin?

And then finally, looking into the future, when do you think you will be in a position to announce the next big growth cycle, you know, the company has beyond the commercial project that have already been mentioned earlier in the call? Thank you very much.

Cristiano Teixeira: Thank you very much, Carlos. I will share the answer with Marcos Ivo, and I'll come back after he answers to talk about growth and he's going to talk about cash generation and also about cost estimates for pulp from now on.

But let me make a quick observation on costs and then we'll turn to Marcos. Well, if we can say it the way I'm going to say it – and I hope all of you understand it – we have a good structural cost (and good here is quote in quote, good) and I have to say that because we are in the middle of a growth cycle, we constantly tell you when explain it and we have told you that bringing in Puma 2 with 2 paper machines and a site where we were already producing 1.6 million tons of 3 pulp fibers that would represent an expansion that was significant in terms of looking for third party wood and in this period where we would be using this wood, so discounting the cash flow of this project is very favorable to the company even using the wood from third party, but amidst this period of third party wood consumption, we acquire the land close to Klabin and we are planting, therefore, we are working on the forestry side, and in the second rotation that is in the first year of the first rotation by the 7th or 8th year, we are already harvesting that wood, and structurally we will see a drop of this wood cost, and that is going to be significant for that cost and for that region, and I think that is a huge wood consumption in that area, 15 million tons a year.

So, that's why I'm telling you this is a good moment of the company and we have this quote in quote good cost that we can see in the short-term, but obviously we already have almost 2 years in operations of the first machine and we are already starting to see the seedlings being planted close to Klabin, and in a few years that wood will be growing within our radios and that structural cost will come down once again.

But regardless that the structural answer, Marcos will have that understanding of cash generation and the short cycle, and I come back to talk about growth.

Marcos Ivo: OK, Carlos. About that accounting cash flow on others, considering we have a number of lines, I would like you to understand that after we end the call, our

IR team we'll send you a small table, a small chart so that you can see and if you need further information let us know and we'll go into the details.

I also would like to take the opportunity of your question to draw everyone's attention that always increasing transparency and to make things easier for analysts and investors that analyze our financial statements, we have here a reconciliation of our cash movement in our release that should help you in your analysis.

About the pulp cash cost, I already mentioned something in the first or second question, I talked about the fourth quarter of the year. Now about 2023 on, as you said it yourself in your question, Carlos, we see the world with changing prices because the inflationary process, so I also would like to tell you we are working on our budget now, we are starting to work on our budget, Klabin Day on November 30th will be a good moment, we are going to be able to provide you with a better perspective of the figures for 2023 and the next year's, especially because we also have positive changes at Klabin that will affect costs, and I will give you one example: we talked a lot about coated board, now Klabin is already saying machine 28 100% with coated board starting in 2024.

When we approved the business case and brought it to you, our time range was over 10 years, so the fact that now we have more coated board benefiting our EBITDA earlier, this is going to affect costs, so that we can show all that in a very structured fashion, we are going to use Klabin Day, so please be patient and we'll be able to provide you with full information in November.

Cristiano Teixeira: So, Carlos, talking about growth, I think we can't say it like that, we have a special moment right now in the company, probably you saw when everyone spoke, the coated board machine is something that we had planned and we now we have a new dynamics, and just linking to what Marcos Ivo just said, we have been very dynamic choosing the product mix, always choosing what will provide the best profitability, and this has been obviously. This is not a surprise, but it has been mainly a confirmation of something that we believe in for a long time that the product line that we have is consumer broad that is a winning line, and this can also be seen in American companies. You can check that; Klabin is in line with these companies and is reacting well to the market.

About growth and new growth, I think we have a significant possibility in 2023, we will continue working on our forestry base in the states that are of interest for us in the South of the country, we will continue working on that, it is the right moment, yes, to celebrate the startup of machine 28, the consolidation of machine 27, we have a lot of capacity for our machine of coated board, I am willing to see your pricing with the sound and stable productivity entry that we are bringing to the market. Soon and currently (soon should be next year), we will bring back news to you, we'll talk about news, we are looking at fluff, we are looking at softwood fluff that will give us a special competitive advantage and we are also looking at other products, such as sack Kraft.

But right now, we are consolidating the beginning, the startup of machine 28 and maybe earlier than what we expected and the consolidation of machine 27, and also, seize this good moment for our forest expansion in the South of the country.

Carlos de Alba: Alright, thank you very much.

Operator: The next question comes from Márcio Farid, with Goldman Sachs.

Márcio Farid: Good morning, everyone, thank you for the opportunity. I guess most of my questions were already answered. I have 2 more specific questions though, the first one all pulp. Nico, you mentioned about the strategy ongoing at the company to use flexibility and product options in different regions in order to add more profitability. I guess there's something that is commercially sensitive, but what about the strategy of diversification and products, or regional and product diversification for next year? I know you reduced a lot of exposure into China next year, so how could we think about this commercial strategy going into 2023?

The second question is about maintenance Capex. We had a hard time to understand how we should consider it structurally, we had inflation core, relevant into all sectors for the last 12 months and Klabin also changed a lot with new product lines and growing the forest base. I don't know, Ivo, if there will be more news in Klabin Day, but could you give us some color about how to think about structural maintenance Capex for the company today? It would be cool to learn more about it. Thank you.

Cristiano Teixeira: Thank you, Márcio. So, Nico will be the first one to speak.

Alexandre Nicolini: Márcio, good morning and thank you for your question. Look, our assumption on product mix and diversification is ongoing. Based on the scenario that we had for this year and for next year, in house we work with unrestricted demand trying to understand where the best opportunities are. So, what we did for 2022 also applies to 2023.

If we look at our product portfolio, naturally we have more energy invested in the fluff segment, as you know, a couple of new developments, October will have the official launch of a new product known as fluff excel, which is a hybrid product gaining a lot of attraction and was already approved by big accounts not only Brazil, but also abroad. That's a competitive advantage, Klabin is the only company in the world to have a single reel with 2 types of fiber, and that's a very important competitive edge.

As for next year, obviously we have a concerning scenario, particularly concerning Europe, chances are – and we disclosed it before – we tend to reduce our sales to that particular market with a higher concentration of sales in the US continent, or American continent, and exposure in Asia it is a growing important continent, and also other specific markers, but Europe is the most important concern considering the energy crisis and where we expect to see the strongest impact starting 2023.

Márcio Farid: Thank you, Nico.

Marcos Ivo: Márcio, just adding to the comments, it's true, we're going to provide further information on Klabin Day. As we speak actually, we are starting to work on our budget process, but we can tell you already that there is inflation also in Capex. Capex inflation had a delay, it arrived a little bit later, so it is still present and it's already appearing in our numbers and figures. However, it will also have an impact next year.

Additionally, Klabin also changed the size. If you think about machines 27 and 28, they already have their maintenance Capex. For 27-28, we'll startup next year in addition to the greatest forestry scopes. So, on Klabin Day, in addition to giving the absolute numbers for 2023, we'll also give you some breakdowns in order to allow you to assess and to the market in general.

Márcio Farid: Thank you, Ivo, great.

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

Daniel Sasson: Hello everyone, thank you very much for this opportunity and congratulations on the results, especially on the price realization in your areas. My questions have already been addressed, but I would like to have a follow-up in terms of Capex, not expansion Capex, but maintenance Capex. So, we are getting some questions about one-time Capex, one-off Capex, and that's also relevant, for instance, for maintenance of the Monte Alegre boiler. Can you share with us which are the options or expectations that you have for the Capex in Monte Alegre specifically? And that is your main plant and paper, right?

And my second question is about corrugated boxes. We have seen some consolidation recently in the market, in the local market actually. I would like to know if you still see opportunities to consolidate this market, if you believe that starting in a given moment you might be cannibalizing sales of the company itself by acquiring competitors and, you know, that maybe clients don't want to be as exposed or add a risk of being supplied by a single provider, a single supplier.

These are my questions, thank you.

Cristiano Teixeira: Thank you, Daniel. Well, I have a comment on Capex for Monte Alegre that you mentioned, but we'll be working on that information on our Klabin Day, and Douglas will talk about the market after that.

Well, Daniel, Monte Alegre, a site that started to manufacturing in the 40s or at the end of the 30s 40,000 tons, today this is a site for 1 million tons and that is a site that is fully stable, it is a global reference and it has (unintelligible) abilities that are a reference in the industry for the last decades, we have received information and what we are exchanging information on the operation of about the site, we like to say that Ortigueira is the new site, but Monte Alegre is a powerful site and we have a life expectation that is perennial and it's favorable condition thanks to a good water condition because it's close to 2 important rivers and also because of the forest productivity.

So, yes looking at Monte Alegre, you know, we look at that as renewing its operating capacity, but with opportunities we know about the average age of equipment, we know how important that is in a plant and we work on that, we study that as a major opportunity in Brazil, which is a country it is investing in the transformation of its paper and pulp units in all large companies in the sector, and yes, Klabin sees the updating of this site as a possibility, but bringing return to Klabin and with a possibility of great renewal. That is the idea for the site. So, this is a strong place for Klabin, and it will continue to be.

Well, I'll turn the floor to Douglas.

Douglas Dalmasi: Hello, Daniel, thank you for your question. And on our side, what is in your agenda you know it well, our Project Horizon starting now in 2023 and Figueira in 2024. We always look at the industry on the side of competitiveness, and these 2 sites will bring us a lot of competitiveness with the state-of-the-art technology, scale, very high operating efficiency, and as far as paper is concerned, we see the availability of paper in the market and competitiveness in the mid and the long-term, we look at those that have competitiveness and availability will keep on growing keeping up with the market growth and will be adjusting itself in terms of volume.

So, that's how we are seeing the short-term projects for Klabin.

Daniel Sasson: Thank you, Cristiano, and Douglas.

Operator: There are no further questions, we'd like to give the floor to Mr. Cristiano Teixeira for the closing remarks.

Cristiano Teixeira: So, now I bring the outlook for the fourth quarter of 2022. In general, the fourth quarter of the year is still a strong seasonal period. This year we already feel that the scenario is different, especially in the foreign market with global economies reorganizing themselves in the midst of macroeconomic uncertainties. Despite this scenario, we remain firm in our vision of maintaining good cash and aeration measured by EBITDA growing year-over-year and confident in the full capacity of our products to serve resilient markets, such as food, beverages, and hygiene with good expectations for the upcoming Black Friday and World Cup.

I also strengthen our full commitment to the best ESG practices in the private sector in the world, and once again Francisco and I will attend COP-27 in the business leaders' group.

Thank you all for joining us today and I look forward to seeing you at Klabin Day, which will be held on November 30th.

Operator: This concludes Klabin's conference call. Thank you all for joining us today. Have a great day.