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# QUARTERLY REPORT 3Q20

OCTOBER 26, 2020

ADJUSTED EBITDA REACHES R\$ 1.233 BILLION IN 3Q20, GROWTH OF 59% COMPARED TO 3Q19, EXCLUDING NON-RECURRING EFFECTS

## Sales Volume

910 k ton

Resilient markets, efficiency and operational flexibility as well as diversification of products and markets boosted sales volume with a growth of 14% compared with 3Q19.

## Net Revenue

R\$ 3.109 bi

With growth in all lines of business, Net Revenue increased 25% in relation to the same period in 2019.

## Adjusted Free Cash Flow

R\$ 1.757 bi

The Company's Adjusted Free Cash Flow reaches R\$ 1.8 billion in the quarter and R\$ 4.0 billion in the last twelve months, representing a FCF yield of 18.7% p.y..

## Return On Invested Capital

13.7%

Klabin's ROIC was 13.7% in the last twelve months, confirming the Company's capacity and stability in the generation of value for its shareholders.

## Extraordinary General Meeting 11/26/2020

Extraordinary General Meeting to be held on 11/26 with a proposal for the Incorporation of Sogemar and the consequent extinction of the payment of royalties.

## Progress in Construction

Puma II

The construction of the first machine reached 57% of execution in measurement on the date of 21/10/2020, with an accumulated disbursement since the beginning of the works of R\$ 3.8 billion, and start up foreseen for July 2021.

### Klabin

Market Cap<sup>1</sup>  
R\$ 25.8 billion  
<sup>1</sup>based on the price of  
KLBN11

### KLBN11

Closing price: R\$ 23.80  
Average daily traded  
volume 3Q20  
R\$ 131.0 million

### Conference Call

Portuguese (simultaneous translation)  
Tuesday, 10/27/2020 at 11:00 a.m.  
Tel: (011) 3193-1133  
Password: Klabin  
<https://webcastlite.mziq.com/cover.html?webcastId=1c92a684-8550-40ca-95ef-3be7660ffe64>

### IR

<http://ri.klabin.com.br>  
[invest@klabin.com.br](mailto:invest@klabin.com.br)  
+55 11 3046-8401

## Financial highlights

R\$ million	3Q20	2Q20	3Q19	Δ	Δ	9M20	9M19	Δ
				3Q20/2Q20	3Q20/3Q19			9M20/9M19
<b>Sales volume (thousand tonnes)</b>	<b>910</b>	<b>858</b>	<b>799</b>	<b>6%</b>	<b>14%</b>	<b>2,617</b>	<b>2,400</b>	<b>9%</b>
% Domestic Market	55%	48%	57%	+ 7 p.p.	- 2 p.p.	53%	54%	- 1 p.p.
<b>Net Revenue</b>	<b>3,109</b>	<b>2,956</b>	<b>2,478</b>	<b>5%</b>	<b>25%</b>	<b>8,657</b>	<b>7,568</b>	<b>14%</b>
% Domestic Market	58%	51%	64%	+ 7 p.p.	- 6 p.p.	56%	60%	- 4 p.p.
<b>Adjusted EBITDA</b>	<b>1,233</b>	<b>1,333</b>	<b>1,396</b>	<b>-8%</b>	<b>-12%</b>	<b>3,594</b>	<b>3,358</b>	<b>7%</b>
Adjusted EBITDA Margin	40%	45%	56%	- 5 p.p.	- 17 p.p.	42%	44%	- 2 p.p.
<b>Net Income</b>	<b>(191)</b>	<b>(383)</b>	<b>207</b>	<b>50%</b>	<b>n/a</b>	<b>(3,716)</b>	<b>84</b>	<b>n/a</b>
<b>Net Debt</b>	<b>21,053</b>	<b>20,983</b>	<b>15,096</b>	<b>0%</b>	<b>39%</b>	<b>21,053</b>	<b>15,096</b>	<b>39%</b>
Net Debt / EBITDA (LTM - BRL)	4.6x	4.4x	3.4x			4.6x	3.4x	
Net Debt / EBITDA (LTM - USD)	4.0x	3.6x	3.1x			4.0x	3.1x	
<b>Capex</b>	<b>1,348</b>	<b>998</b>	<b>845</b>	<b>35%</b>	<b>60%</b>	<b>3,166</b>	<b>1,722</b>	<b>84%</b>

Note: Klabin presents its consolidated financial statements according to international accounting standards (International Financial Reporting Standards - IFRS) as determined by CVM 457/07 and CVM 485/10 instructions. Adjusted EBITDA is in accordance with CVM Instruction 527/12. Some of the figures on the charts and tables may not express a precise result due to rounding. LTM - Last Twelve Months

## Summary

In the third quarter 2020, the Brazilian market saw a sharp acceleration in demand from sectors which until then had suffered a downturn in turnover, the outcome of the Coronavirus pandemic, more especially construction and certain markets for durables. Combined with its excellent operational performance, the positioning of Klabin to meet the requirements of both these markets as well as those of prime necessity such as food, hygiene and cleansing materials, were responsible for the Company's results during the period.

For example, the Brazilian Association of Corrugated Boxes (ABPO), reported year-on-year growth of 10% in the shipment of corrugated boxes in 3Q20. The accumulated result for the year was an increase of 5% at the end of September. In the corrugated board market, more than 60% of sales in Brazil are delivered to the food sector, namely fruit, vegetables, protein and processed foodstuffs. Additionally, in Brazil, purchases through e-commerce channels have accelerated since the onset of the pandemic, underscoring the trend in more mature markets and which positively impact sales volume of packaging papers. Again in 3Q20, according to preliminary data published by the National

Cement Industry Union (SNIC), Brazilian cement consumption - which directly impacts the sale of Klabin's industrial bags - reported an increase of 18% in relation to 3Q19, recording an accumulated growth of 9% for the year to date. These numbers are even more significant when compared to the macroeconomic data whether for Brazil or elsewhere, all strongly impacted by the Coronavirus outbreak.

In the pulp markets, FOEX price lists for hardwood (short fiber) and softwood (long fiber) pulp in China, reported an average in the period respectively of US\$ 444/t and US\$ 570/t. While registering a decline of 5% and 1% compared with 2Q20, prices began an early recovery, more especially in the long fiber market. Specifically in relation to this market, prices at the end of September recorded six consecutive weeks of increases, a trend which continued into the early part of 4Q20 after a sequence of price increases announced by Nordic and Canadian producers. In the case of Klabin, manufacturing and commercialization flexibility of fluff pulps in addition to long and short fibers and diversification by region and clients ensured the optimization of the sales mix and results.

Thanks to its exposure to sectors of prime necessity as well as its operational flexibility in markets with recovering demand, the Company registered sales volume of 910 thousand tons in the period, an increase of 14% compared with the third quarter of 2019, recording growth in all its lines of business. With the increase in sales volume and the devaluation of the Real against the US\$, net revenue in 3Q20 was R\$ 3.109 billion, an all-time record for Klabin and 25% higher year-on-year.

It is worth reiterating that the Company delayed the 2020 maintenance shut-down at the Monte Alegre Unit from the second to the third quarter in line with reinforced employee protection protocols and in the light of restrictions on the flow of materials and people due to the onset of the Coronavirus pandemic. The scope of the stoppage in August at a cost of about R\$ 30 million, was downsized to minimize the mobilization of personnel.

The foregoing factors combined with cost discipline and the positive operational performance boosted the Adjusted EBITDA to R\$ 1.233 billion, an increase of 59% compared to the same period in 2019, excluding non-recurring effects from the result for 3Q19. The accumulated Adjusted EBITDA for the year was R\$ 3.594 billion, an increase of 31% over the first nine months of 2019, also eliminating non-recurring items in 2019.

A combination of a solid operational performance together with the prudent management of capital was responsible for driving cash generation and consequently the creation of shareholder value. Free cash flow in the quarter was R\$ 600 million, even taking into consideration significant capital injections involved in the implementation of the Puma Project II. Discounting discretionary factors, among which the capex destined for Puma II, Adjusted Free Cash Flow was R\$ 4.0 billion in the twelve months to September 30, equivalent to a yield of 18.7%. The return over employed capital measured by the ROIC indicator, was 13.7% on the last 12 months.

Klabin's performance in 3Q20 once more demonstrates its capacity to deliver results even in periods of extreme economic and social uncertainty. This in turn reflects an integrated and verticalized business model which gives the Company the operational flexibility necessary to optimize its production and sales in the light of any particular stage in the economic cycle, supplying production chains which are essential to the population.

This quarter, Klabin was recognized once again for its ESG practices. Among the main highlights, the company was ranked first in the pulp and paper sector in the SPOTT Timber and Pulp list, which evaluates policies, operations and commitments to the best environmental, social and governance practices of 100 pulp and timber producers worldwide. Klabin also won the Platinum category at the Ecovadis' Sustainability Rating 2020. This result places the company on a select group of 1% of companies with the best ESG performance in the sector. Finally, in Época 360 Magazine's award, Klabin won first place among companies in the Pulp and Paper sector in the category "Sustainability" of the Época Negócios 360º Yearbook, 2020 edition, which makes an in-depth analysis of the financial and management performance of companies in Brazil.

In another step in the promotion of continuous improvement of the Company's Corporate Governance, Klabin announced advances in the negotiation of the merger of Sogemar, owner of the "Klabin" brands, to extinguish the payment of royalties. These events culminated in the approval by the Company's independent Directors, who do not hold direct or indirect equity interest in Sogemar, of the change in the terms of the potential merger of Sogemar by the Company in order to adjust the number of shares of the Company to be attributed to Sogemar's partners should the merger take effect, which will now be of 69,394,696 common shares. In light of this, these members of the Board of Directors have determined that a new Extraordinary General Meeting of the Company shall be called to resolve on the Merger on such terms, to be held on November 26, 2020.

## Exchange Rate

R\$ / US\$	3Q20	2Q20	3Q19	Δ	Δ	9M20	9M19	Δ
				3Q20/2Q20	3Q20/3Q19			9M20/9M19
Average Rate	5.38	5.38	3.97	0%	35%	5.08	3.89	31%
End Rate	5.64	5.48	4.16	3%	35%	5.64	4.16	35%

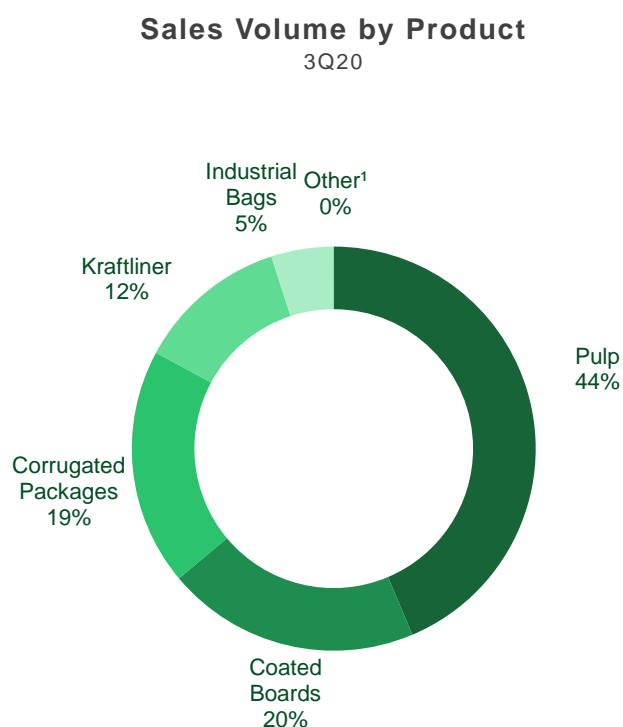
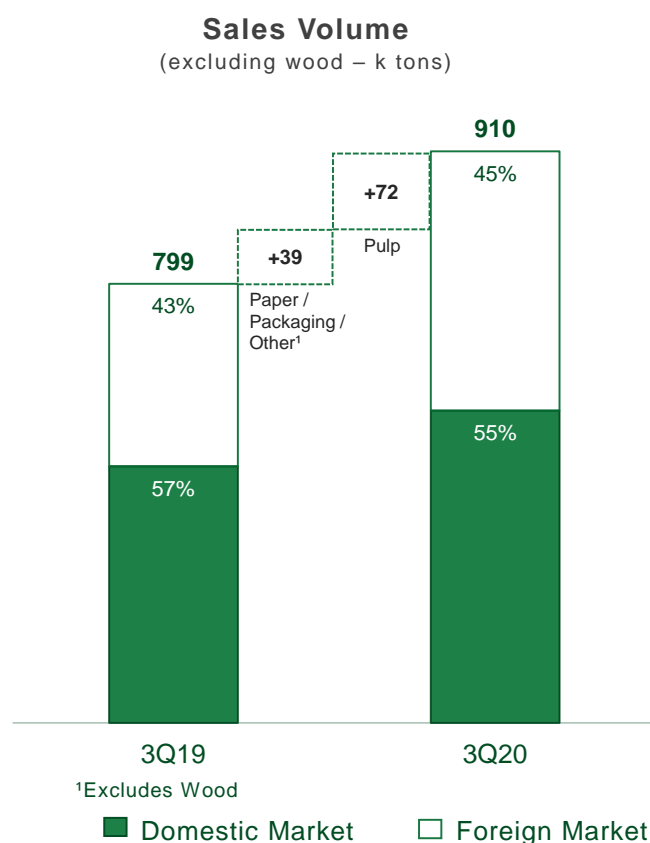
Source: Brazilian Central Bank

The **average exchange rate** during the third quarter 2020 was of R\$ 5.38/US\$, the same exchange rate as the immediately preceding quarter and 35% higher in comparison to 3Q19. At the end of the quarter, the exchange rate stood at R\$ 5.64/US\$, a 3% devaluation relative to 2Q20, and 35% compared to 3Q19.

## Operating and Economic Financial Performance

### Sales Volume

Klabin's **total sales volume** during the quarter, excluding wood, reached 910 thousand tons, a year-on-year 14% growth.



All Klabin's business lines reported growth: short fiber pulp, long fiber/fluff pulps, kraftliner papers, coated board, corrugated packaging board and industrial bags. The predominance of virgin fiber in the composition of Klabin's products ensures the penetration of markets of prime necessity such as foodstuffs and beverages, personal hygiene, among others. These markets are characterized by resilient demand, being less impacted by economic cycles. Here it is also relevant to highlight the important recovery in the demand

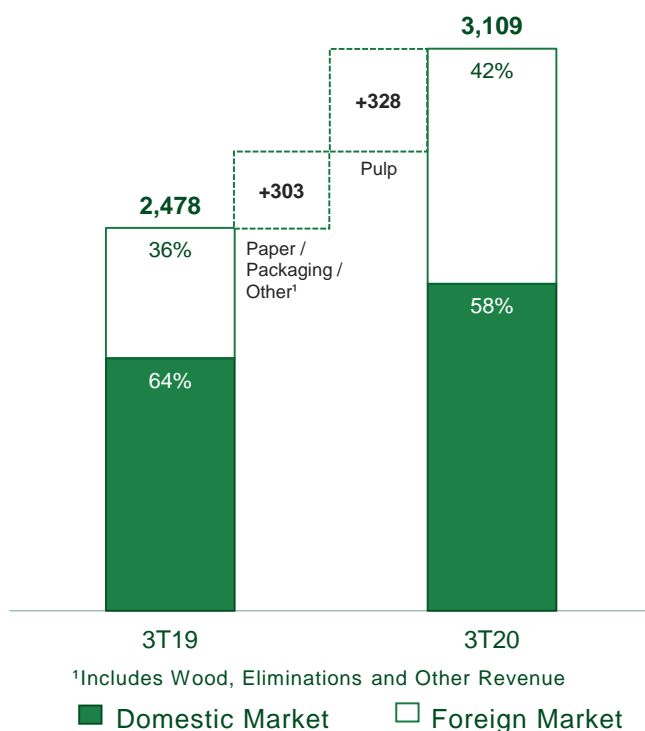


for packaging in the domestic market. Shipments of corrugated board increased 12% on an annualized comparison while sales of industrial bags reported growth of 1% on the same comparative basis.

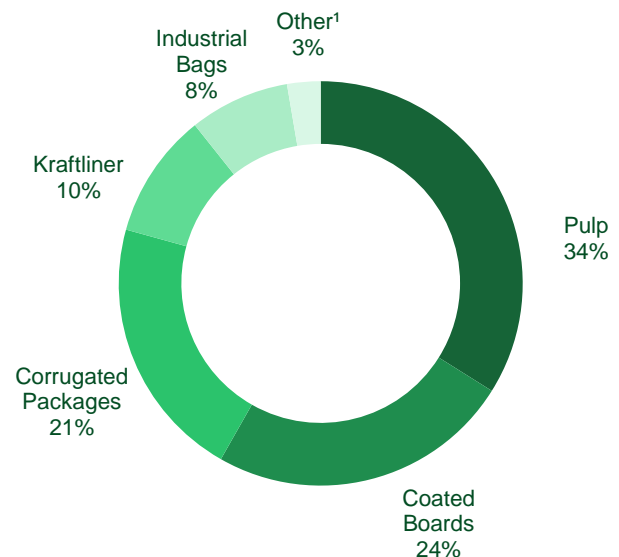
## Net Revenue

Net revenue in the third quarter was R\$ 3,109 million, a growth of 25% compared with 3Q19. In addition to total sales volume, net revenue was positively impacted by the devaluation of the Real in the period, to the benefit of Klabin's exports and pulp sales, revenues from which are 100% US\$ indexed, including those generated in the domestic market. Price readjustments in the domestic market for the paper and packaging lines also contributed to this growth on an annual comparison basis.

**Net Revenue**  
(R\$ million)



**Net Revenue by Product**  
3Q20



## Operating Costs and Expenses

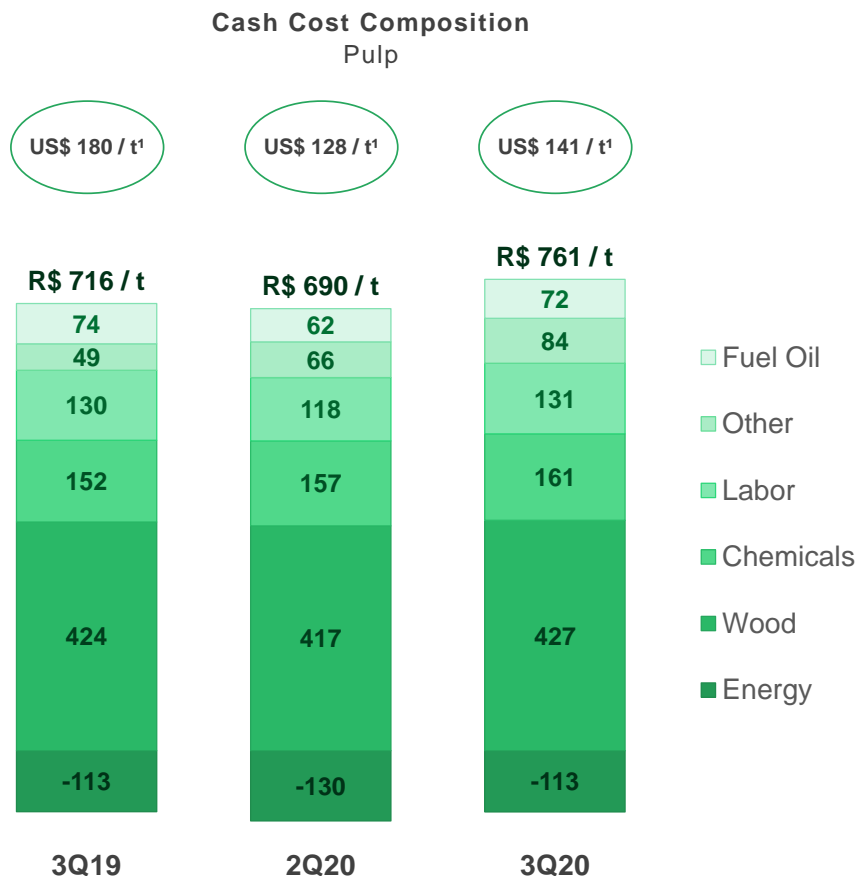
### Pulp Cash Cost

For comparative purposes, the **unit cash cost of pulp production** is disclosed, contemplating production costs for hardwood (short fiber), softwood (long fiber) and fluff pulps and tonnage produced during the period. The production cash cost does not include selling and general and administrative expenses, only constituting amounts expended on pulp production itself.

Klabin's pulp unit posted a further quarter of good operational results. Production was 415 thousand tons, slightly up on 2Q20 and growth of 20% in relation to 3Q19, a quarter when the unit reported a lower production volume due to a scheduled maintenance stoppage.

The cash cost of production in 3Q20 was R\$ 761/t in the quarter, and year-on-year increase of 6%. The key item here was the increase in the others account, due to maintenance interventions undertaken immediately prior to a quarter in which the general shutdown occurs. Since the unit operates at operational intervals of 15 months at a stretch, these interventions are necessary, last year taking place in 2Q19, the quarter preceding the last general shutdown of the unit. The chemicals account also contributed to the increase, mainly due to higher costs of caustic soda, an imported product and the cost of which was not only inflated by exchange devaluation but also an increase in prices in US\$. On a positive note, the quarter registered an improvement in manufacturing productivity with a reduction in the specific index for raw material consumption - thereby partially mitigating the effect of cost increases.

Compared to 2Q20, the growth in the Other account is associated with the reasons explained above. Because of these interventions, there was less energy generation, therefore reducing this benefit in cost. As a consequence of the drought in Paraná, there were extraordinary expenditures to mitigate the risks of demineralized water supply, increasing personnel and services costs. Finally, the fuel bill was impacted by the increase in the price of oil in 3Q20 and a temporary and non-recurring reduction in the burning of tall oil.



<sup>1</sup> Calculated based on the average US\$ for the period.

## Total Cash Cost

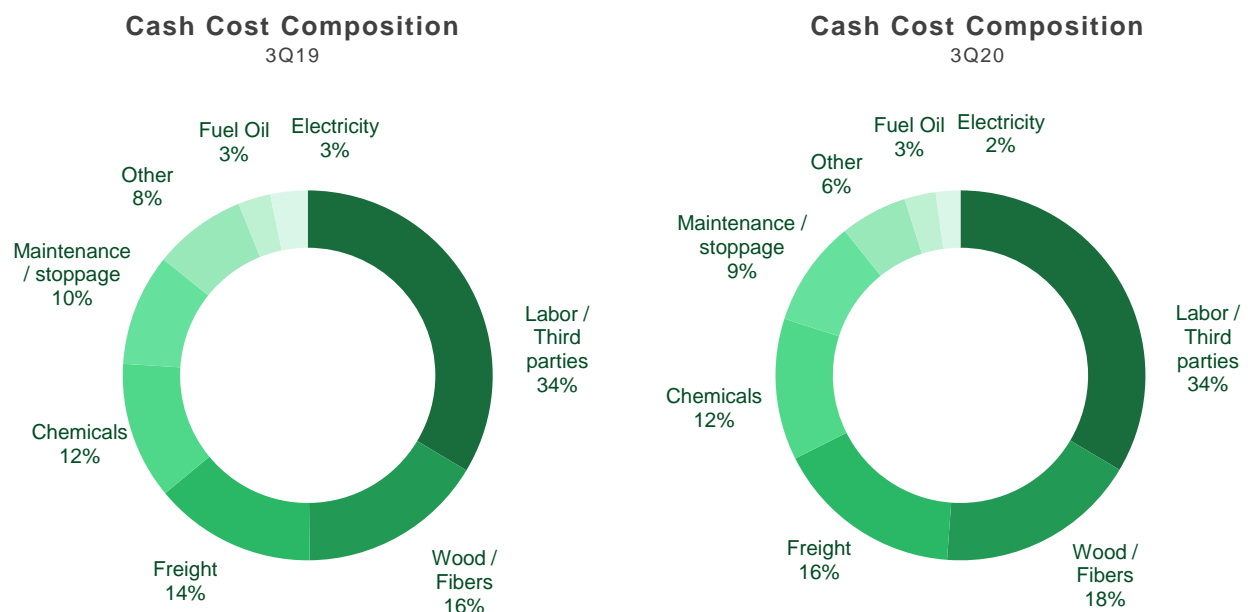
The **total unit cash cost**, which includes the sale of all the Company's products, was R\$ 2,060/ton in the quarter. Compared with the previous year, discounting the non-recurring gain of R\$ 620 million in 3Q19 due to the effect of an extemporaneous tax credit, the total unit cash cost recorded a reduction of 2.7%. This reduction is largely explained by the change in the product mix compared with the same quarter in 2019: in 3Q20, there was greater share of pulp in the make-up of overall sales, and a product that has a lower unit cash cost than paper and packaging.

**Cost of goods sold** during the quarter, excluding depreciation, amortization and depletion, was R\$ 1,422 million, representing R\$ 1,562/ton. This amount was directly impacted by the costs of the scheduled maintenance shutdown of the Monte Alegre unit totaling R\$ 30 million. Given the risks related to the pandemic, Klabin chose to undertake a stoppage with a reduced scope and involving a lesser mobilization of outsourced labor. Excluding the outlay with the general stoppage, COGS per ton was R\$ 1,529/t, a decrease of 3.1% compared with 3Q19.

**Sales expenses** were of US\$ 296 million on the period, equivalent to 9,5% of 3Q20 net income. This percentage represents a slight drop in comparison to the 9.8% verified in the 2Q20, explained mainly by the increase in company sales. Since the end of the offtake contract with Fibria/Suzano, the Company has maintained the amount of sales expenses in relation to its net revenue at the level seen in recent quarters.

**General and administrative expenses** totaled US\$ 166 million in the 3Q20, a growth of US\$ 21 million in comparison to the same period of the previous year and US\$ 9 million in relation to the 2Q20. In the yearly picture, the main deviations refer mostly to higher expenses with information technology and engineering advisory services and projects.

**Other operating revenues/expenses** posted expenses of R\$ 4 million in the quarter.



## Maintenance Shutdowns

The Company's schedule of shutdowns for 2020 is designed to increase production efficiency and to guarantee the operational continuity of its plants. The general shutdown of the Otacílio Costa (SC) unit occurred as planned. The original dates for maintenance of the Monte Alegre (PR), Correia Pinto (SC) and Ortigueira (PR) – Puma I units were changed in the light of restrictions on the flow of raw material and personnel due to COVID-19. The maintenance stoppage at the Monte Alegre plant took place in August on a reduced basis and incorporating only shutdowns of critical areas responsible for guaranteeing the safety of the site. The comprehensive maintenance shutdown is scheduled for the first quarter of 2021. The stoppage at the Correia Pinto plant occurred in October while maintenance at the Ortigueira site has been postponed to the end of the fourth quarter 2021.

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

**Legend:**

To be Held      Executed      Postponed

## Effects of the variation in the fair value of biological assets

During the third quarter 2020, the variation in fair value of biological assets was R\$ 68 million. In turn, the depletion effect of fair value of the biological assets on the cost of goods sold was R\$ 132 million in the same period.

Hence, the non-cash effect of the fair value of biological assets on operational results (EBIT) for the quarter was a negative R\$ 64 million.

## Operating cash generation (EBITDA)

R\$ million	3Q20	2Q20	3Q19	Δ		9M20	9M19	Δ
				3Q20/2Q20	3Q20/3Q19			9M20/9M19
<b>Net Income (loss)</b>	<b>(191)</b>	<b>(383)</b>	<b>207</b>	<b>50%</b>	<b>n/a</b>	<b>(3,716)</b>	<b>84</b>	<b>n/a</b>
(+) Income taxes and social contribution	(95)	(268)	(259)	65%	63%	(2,076)	48	n/a
(+) Net Financial Revenues	1,072	1,398	1,247	-23%	-14%	7,958	2,037	291%
(+) Depreciation, amortization, depletion	517	621	535	-17%	-3%	1,773	1,510	17%
<b>Adjustments according to IN CVM 527/12 art. 4º</b>								
(-) Biological assets adjustment	(69)	(32)	(332)	117%	-79%	(317)	(315)	-1%
(-) Equity Pickup	(1)	(4)	(2)	-72%	-57%	(27)	(6)	-338%
<b>Adjusted EBITDA</b>	<b>1,233</b>	<b>1,333</b>	<b>1,396</b>	<b>-8%</b>	<b>-12%</b>	<b>3,594</b>	<b>3,358</b>	<b>7%</b>
Adjusted EBITDA Margin	40%	45%	56%	- 5 p.p.	- 16 p.p.	42%	44%	- 2 p.p.

n/a - Not applicable

The higher sales volume and the devaluation of the Real were predominant factors in the 25% growth in net revenue for the quarter compared to the same period of the previous year, and more than offsetting the continued lackluster prices for commodities such as pulp. This increase combined with the Company's cost discipline, resulted in an **Adjusted EBITDA of R\$ 1,233 million**, equivalent to a margin of 40% and



an increase of 59% compared with the third quarter 2019, excluding non-recurring items which impacted the result in 3Q19 to the tune of R\$ 620 million.

## Debt and financial investments

Debt (R\$ million)	Sep-20		Jun-20	
<b>Short term</b>				
Local currency	264	1%	264	1%
Foreign currency	495	2%	406	1%
<b>Total short term</b>	<b>759</b>	<b>3%</b>	<b>670</b>	<b>2%</b>
<b>Long term</b>				
Local currency	5,460	19%	5,489	18%
Foreign currency	22,675	78%	24,514	80%
<b>Total long term</b>	<b>28,134</b>	<b>97%</b>	<b>30,003</b>	<b>98%</b>
Total local currency	5,724	20%	5,753	19%
Total foreign currency <sup>1</sup>	23,169	80%	24,920	81%
<b>Gross debt</b>	<b>28,893</b>		<b>30,673</b>	
(-) Cash	7,840		9,868	
<b>Net debt</b>	<b>21,053</b>		<b>20,805</b>	
<b>Net debt / EBITDA (LTM) - US\$</b>	<b>4.0 x</b>		<b>3.6 x</b>	
<b>Net debt / EBITDA (LTM) - R\$</b>	<b>4.6 x</b>		<b>4.4 x</b>	

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

**Gross debt** as of September 30, 2020 was R\$ 28,893 million, a reduction of R\$ 1,780 million in relation to the end of 2Q20. This largely reflects the voluntary pre-payment of a tranche of a syndicated loan in the amount of US\$ 450 million, partly attenuated by the increase in the exchange translation effect on the Company's currency denominated debt and the marking-to-market of interest rate swap instruments, both without a cash effect. Out of the Company's total debt, including financial operations with associated Real x US\$ swaps, R\$ 23,169 million, or 80% (US\$ 4,108 million), are US\$ denominated.

Due to the aforesaid prepayment where maturity was less than the average term for the Company's current debt, there was a slight increase in **average maturities** of loans and financing. These stood at the end of 2Q20 at 114 months but at the end of 3Q20, closing with an average term of 117 months - 68 months for loans and financing in domestic currency and 128 months in currency operations. Klabin's **average cost of financing** in currency denominated transactions, the Company's main source of credit, remained stable during the quarter, being 4.6% p.y. at the end of the previous quarter and ending 3Q20 at 4.7% p.y. plus exchange variation in the period. In respect of local currency debt, there was an increase in financial cost from 3.6% p.y. in 2Q20 to 4.1% p.y. in the current quarter, this largely reflecting the hike in the IPCA price index for the period.

Average Maturity / Cost of Debt	3Q20	2Q20	3Q19
Local Currency	4.1% p.y.	3.6% p.y.	6.9% p.y.
Foreign Currency	4.7% p.y.	4.6% p.y.	5.4% p.y.
<b>Gross Debt</b>	<b>117 months</b>	<b>114 months</b>	<b>91 months</b>

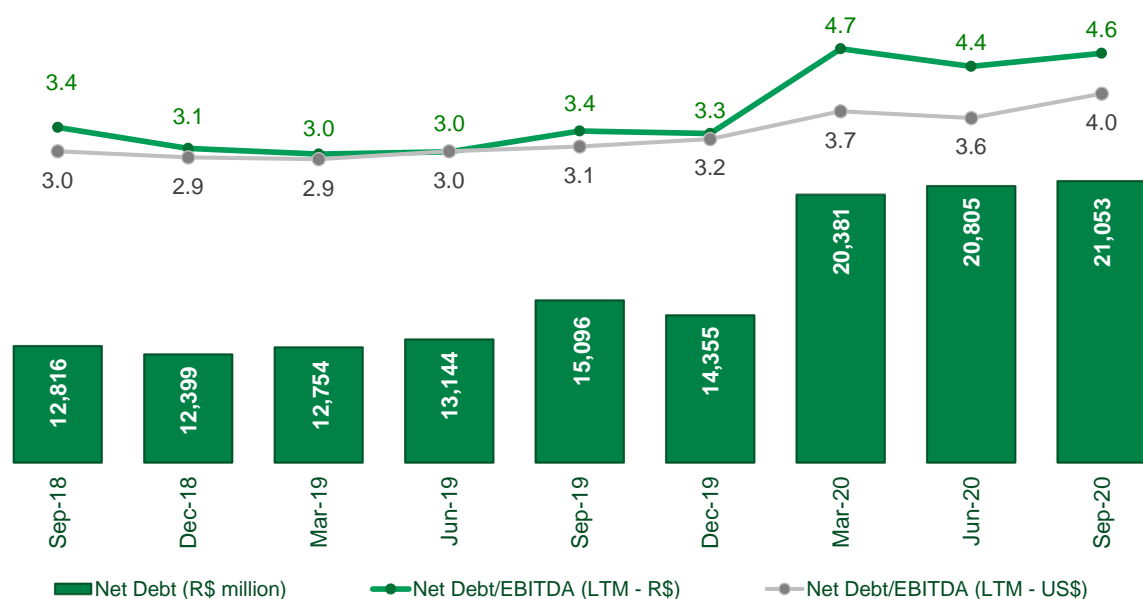
The Company's **cash and cash equivalents position** at the end of the quarter amounted to R\$ 7,840 million, a reduction of R\$ 2,028 million in relation to the end of 2Q20. The explanation for this reduction largely reflects the prepayment of debt in the quarter, partially compensated by strong cash generation in the period. Cash in hand is enough to support the amortization of 65 months of debt. Additionally, Klabin has a US\$500 million Revolving Credit Facility (equivalent to R\$2,820 million), maturing in December 2023 and with a financial cost of 0.4% p.y.. In the event of drawings against this facility, the cost of financing would be Libor + 1.35% p.y..

Klabin has also contracted and partially drawn, financing linked to the execution of the Puma II Project with the following amounts in balances still available: (i) IBD Invest, IFC and JICA, US\$ 700 million; (ii) Finnvera, US\$ 178 million; and (iii) BNDES with R\$ 2 billion. Financing is to be drawn down according to the construction schedule of the Puma II Project and/or as and when the Company requires cash injections.

Consolidated **net debt** as of September 30, 2020 amounted to R\$ 21,053 million, R\$ 248 million more compared with the end of 2Q20, largely reflecting the effect of the negative variation in FX rates on US\$ currency denominated loans. While having no cash effect, this impact was partially offset by cash generation in the period. With the increase in net debt, the Company's financial leverage – best measured by the Net Debt to Adjusted ratio in US\$ – increased from 3.6 to 4.0 times. This increase is explained largely by the non-recurring positive impact of R\$ 620 million on EBITDA in 3Q19 and included in the EBITDA calculation in the 12 months to 2Q20, but no longer a consideration from 3Q20 thereafter.

Worthy of mention is that leverage continues within the parameters enshrined in the Company's **Financial Debt Policy** and that its approval was one more step taken in the fine tuning of Klabin's corporate governance, establishing the metrics and parameters to be adopted in the Company's financial management. Both policies are in the public domain and can be accessed from Klabin's IR website as well as the websites of B3 and CVM.

### NET DEBT AND LEVERAGE



## Financial Result

R\$ million	3Q20	2Q20	3Q19	Δ		9M20	9M19	Δ
				3Q20/2Q20	3Q20/3Q19			9M20/9M19
Financial Expenses	(303)	(308)	(431)	-2%	-30%	(1,063)	(1,754)	-39%
Financial Revenues	63	126	567	-50%	-89%	296	881	-66%
Derivative Instruments (SWAP)	(285)	(464)	(376)	-39%	-24%	(2,466)	(349)	607%
<b>Financial result</b>	<b>(524)</b>	<b>(646)</b>	<b>(241)</b>	<b>-19%</b>	<b>118%</b>	<b>(3,232)</b>	<b>(1,222)</b>	<b>165%</b>
Net Foreign Exchange Losses	(547)	(752)	(1,006)	-27%	-46%	(4,725)	(814)	480%
<b>Net Financial Revenues</b>	<b>(1,072)</b>	<b>(1,398)</b>	<b>(1,247)</b>	<b>-23%</b>	<b>-14%</b>	<b>(7,958)</b>	<b>(2,036)</b>	<b>291%</b>

n/a - Not applicable

In the third quarter, **financial expenses** were R\$ 303 million, a R\$ 5 million reduction on 2Q20, influenced in large part by the decline in LIBOR - the key indexer of floating rate currency denominated debt. **Financial revenues** were R\$ 63 million in the quarter, down by R\$ 63 million in relation to the preceding quarter, and reflecting mainly lower remuneration on financial investments and the restating of tax credits due to the reduction in interest rates both in the domestic and overseas markets as well as a lower cash position.

The R\$/US\$ exchange rate ended the quarter at R\$ 5.64/US\$, a 3% increase relative to the end of 2Q20 with a negative impact of R\$ 285 million on the value of interest rate swaps. These swaps are linked to loan and financing agreements in local currency through which these financial instruments have an effect similar to a liability contracted in US\$. The devaluation of the Real also negatively impacted the foreign exchange variation line net in R\$ 547 million during the period due to the impact on Klabin's US\$ debt. Important to underscore that these variations, which represent a total of R\$ 832 million, had little cash effect in the period.

## Free Cash Flow

R\$ million	3Q20	2Q20	3Q19	9M20	9M19	LTM <sup>1</sup>
<b>Adjusted EBITDA</b>	<b>1,233</b>	<b>1,333</b>	<b>1,396</b>	<b>3,594</b>	<b>3,358</b>	<b>4,558</b>
(-) Capex <sup>4</sup>	(1,348)	(998)	(845)	(3,166)	(1,722)	(4,017)
(-) Interest paid/received	(179)	(453)	(191)	(874)	(828)	(1,256)
(-) Income tax	(2)	(3)	(42)	(7)	(203)	(9)
(+/-) Working Capital	915	578	(482)	1,185	(802)	1,568
(-) Dividends & JCP	-	-	(192)	(223)	(663)	(517)
(+/-) Others	(19)	(1)	(3)	(52)	(7)	(48)
<b>Free Cash Flow</b>	<b>600</b>	<b>457</b>	<b>(358)</b>	<b>457</b>	<b>(867)</b>	<b>279</b>
Dividends	-	-	192	223	663	517
Puma II Project	1,141	908	430	2,577	718	3,130
Special projects and growth	15	4	121	43	228	52
<b>Adjusted Free Cash Flow<sup>2</sup></b>	<b>1,757</b>	<b>1,370</b>	<b>385</b>	<b>3,299</b>	<b>742</b>	<b>3,978</b>
<b>Adjusted FCF Yield<sup>3</sup></b>						<b>18.7%</b>

<sup>1</sup> LTM - last twelve months.

<sup>2</sup> excluding dividends and expansion projects

<sup>3</sup> Yield - Adjusted FCF per share (excluding treasury stock) divided by the average price of the Units in the LTM.

<sup>4</sup> Capex under cash accrual method does not consider investments into SPEs (Special Purpose Entities).

In addition to Klabin's strong operational performance, cash generation for the period also benefited from a positive variation in working capital of R\$ 915 million. The main effects relate to the monetization of tax credits which the Company anticipated, and to the increase in the supplier base and reflecting investments in the Puma II Project. Additional to the continuing search for optimization of working capital, during the quarter, there was an increase in numbers comprising the client base for discount of receivables, given that these clients have a risk profile similar to those making up the previous receivables portfolios, thus allowing the execution of discount operations without recourse at attractive costs.

In the interest paid/received line, the reduction in financial expenses in relation to the same quarter in 2019 is due essentially to the decline in interest rates in Brazil and abroad during the period as well as the Company's improved debt profile. In relation to 2Q20, the decline was still more accentuated given the one-off payment of R\$ 122 million of interest related to the conversion of the first series of the 7<sup>th</sup> debenture issue in addition to payment of semi-annual interest (occurring in April and October) with respect to the bonds issued in 2019 and reopened in 2020.

In the light of these factors and despite the investments of R\$ 1,141 million in the Puma II expansion, **Free Cash Flow** for the period was positive at R\$ 600 million. **Adjusted Free Cash Flow**, excluding discretionary factors and expansion projects was R\$ 1,757 million in the quarter.

**Adjusted Free Cash Flow** in the last twelve months was R\$ 3,978 million, equivalent to an 18.7% free cash flow yield.

## Return on Invested Capital (ROIC)

The consolidated return of Klabin, measured by the Return on Invested Capital (ROIC)<sup>1</sup> metric, was 13.7% in the last 12 months to month end September. The improvement in this indicator is directly associated to an increase in Adjusted EBITDA in the period and maintenance of the current invested capital level. Also contributing to the improvement in the indicator was a reduction in maintenance capex as well as lower Income Tax disbursements.

ROIC <sup>1</sup> (R\$ million) - LTM <sup>3</sup>	3Q20	2Q20	3Q19
<b>Total Asset</b>	<b>35,402</b>	<b>35,762</b>	<b>32,866</b>
(-) Total Liability (ex-debt)	3,473	3,483	3,667
(-) Construction in progress	3,230	2,424	830
<b>Invested Capital</b>	<b>28,699</b>	<b>29,855</b>	<b>28,369</b>
(-) CPC 29 Adjustment <sup>2</sup>	1,645	1,745	1,948
<b>Adjusted Invested Capital</b>	<b>27,054</b>	<b>28,110</b>	<b>26,421</b>
<b>Adjusted EBITDA</b>	<b>4,558</b>	<b>4,721</b>	<b>4,491</b>
(-) Sustaining Capex	(835)	(938)	(1,017)
(-) Income Tax and Soc. Contr. (cash)	(9)	(48)	(285)
<b>Adjusted Operating Cash-Flow</b>	<b>3,714</b>	<b>3,735</b>	<b>3,189</b>
<b>ROIC</b>	<b>13.7%</b>	<b>13.3%</b>	<b>12.1%</b>

<sup>1</sup> ROIC (Last Twelve Months): Adjusted Operating Cash-Flow / Adjusted Invested Capital

<sup>2</sup> Fair Value of Biological Assets – Deferred Taxes of Biological Assets

<sup>3</sup> Average of the last 4 quarters

## Business Performance

Consolidated information per unit in 3Q20:

R\$ million	Forestry	Pulp	Papers	Packaging	Eliminations	Total
<b>Net revenue</b>						
Domestic market	65	371	569	808	(4)	1,808
Exports	-	688	511	103	-	1,301
<b>Third part revenue</b>	<b>65</b>	<b>1,059</b>	<b>1,079</b>	<b>910</b>	<b>(4)</b>	<b>3,109</b>
Segments revenue	387	33	436	6	(862)	-
<b>Total net revenue</b>	<b>452</b>	<b>1,091</b>	<b>1,515</b>	<b>917</b>	<b>(866)</b>	<b>3,109</b>
Change in fair value - biological assets	69	-	-	-	-	69
Cost of goods sold <sup>1</sup>	(579)	(494)	(971)	(754)	871	(1,927)
<b>Gross income</b>	<b>(58)</b>	<b>597</b>	<b>545</b>	<b>162</b>	<b>5</b>	<b>1,251</b>
Operating expenses	(35)	(175)	(151)	(100)	(4)	(465)
<b>Operating results before financial results</b>	<b>(93)</b>	<b>422</b>	<b>394</b>	<b>62</b>	<b>1</b>	<b>786</b>

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

<sup>1</sup> Forestry COGS includes the exhaustion on the fair value of biological assets in the period.

Note: Comparison base in Appendix 5

## Forestry Business Unit

Volume (k tons)	3Q20	2Q20	3Q19	Δ	Δ	9M20	9M19	Δ
				3Q20/2Q20	3Q20/3Q19			9M20/9M19
Wood	429	404	461	6%	-7%	1,224	1,362	-10%
<b>Revenue (R\$ million)</b>								
Wood	64	63	63	3%	2%	176	199	-11%

Klabin shipped 429 thousand tons of timber in 3Q20, a 7% reduction on an annual comparison. Net revenues from timber sales amounted to R\$ 64 million in the quarter and a 2% year-on-year increase.

## Pulp Business Unit

### Production

Volume (k tons)	3Q20	2Q20	3Q19	Δ	Δ	9M20	9M19	Δ
				3Q20/2Q20	3Q20/3Q19			9M20/9M19
Short Fiber	300	299	255	0%	18%	882	830	6%
Long Fiber / Fluff	114	114	92	1%	25%	342	299	14%
<b>Total Pulp Production Volume</b>	<b>415</b>	<b>413</b>	<b>346</b>	<b>1%</b>	<b>20%</b>	<b>1,224</b>	<b>1,129</b>	<b>8%</b>



## Sales Volume

Volume (k tons)	3Q20	2Q20	3Q19	Δ	Δ	9M20	9M19	Δ
				3Q20/2Q20	3Q20/3Q19			9M20/9M19
Short Fiber DM	79	68	81	16%	-2%	244	222	10%
Short Fiber EM	202	209	144	-4%	41%	592	550	8%
<b>Total Short Fiber Volume</b>	<b>281</b>	<b>278</b>	<b>224</b>	<b>1%</b>	<b>25%</b>	<b>836</b>	<b>772</b>	<b>8%</b>
Long Fiber / Fluff DM	51	42	47	21%	9%	141	131	7%
Long Fiber / Fluff EM	66	60	54	10%	22%	184	146	26%
<b>Total Long Fiber / Fluff Volume</b>	<b>117</b>	<b>102</b>	<b>101</b>	<b>14%</b>	<b>16%</b>	<b>325</b>	<b>277</b>	<b>17%</b>
<b>Total Pulp Volume</b>	<b>398</b>	<b>380</b>	<b>326</b>	<b>5%</b>	<b>22%</b>	<b>1,161</b>	<b>1,049</b>	<b>11%</b>
<b>Revenue (R\$ million)</b>								
Short Fiber	660	674	455	-2%	45%	1,881	1,795	5%
Long Fiber	391	346	269	13%	45%	1,020	808	26%
<b>Total Pulp Revenues</b>	<b>1,051</b>	<b>1,019</b>	<b>724</b>	<b>3%</b>	<b>45%</b>	<b>2,900</b>	<b>2,603</b>	<b>11%</b>

Production from the Pulp Unit in the quarter was 415 thousand tons, slightly up on the preceding quarter. For the last 12 months, the unit produced 1,636 thousand tons of pulp, 5.9% greater than the previous 12 months. The unit continues to report stability of operations and above its nominal capacity.

During the quarter, total pulp shipments were 398 thousand tons, a growth of 5% compared with the preceding quarter and a 22% increase compared with 3Q19, a quarter when volumes were reduced due to a general maintenance stoppage. For the current year to date, volumes shipped exceeded those in the same period in 2019 by 11%, amounting to 1,161 thousand tons.

In a quarter which continued challenging for the industry, Klabin continued to benefit from being the only Brazilian company to produce a combination of short, long fiber and fluff pulps. In relation to 2Q20, long fiber/fluff pulps sales volume grew by 14% on the period due to the best price trajectory. Consequently, the Company recorded an improvement in the pulp sales mix and attenuating the decline in short fiber pulp prices.

The conditions of supply and demand in the pulp industry posted an improvement in the past three months, indicating a gradual recovery in prices in key markets. There was an acceleration in the demand for pulp, driven by improved levels of economic activity in the northern hemisphere and in the Chinese market as well as an improvement in the levels of production for the printing papers and institutional tissue segments, and the worst affected by the weakness in the economy. In the home market, there was growth in demand practically across all paper grades, particularly notable being the tissue segment, growth in the production of printing papers and greater demand for long fiber pulp for use in the civil construction industry. Global inventories remain above historical volumes despite a recent decrease from record levels.

As for sector supply, the key is the scheduled maintenance stoppages, which especially in Latin America, were postponed to the second half of the year. A reduction of approximately 400 to 450 thousand tons in the output of short fiber pulp is being estimated for the second half of this year as a reflection of these shutdowns. The expectation is for a continuation in this scenario of recovering demand together with a concentration of maintenance shutdowns at the year-end, creating the necessary fundamentals for normalizing the global inventory chain and the consequent recovery in prices. Also corroborating with this scenario is the recent devaluation of the Euro and the consequent squeezing of high cost European producers.

Another important aspect to the quarter was the announcements of price increases for long fiber pulps, manufactured by the producers of this product grade. Most of these announcements were made in the second half of the quarter and therefore their implementation not significantly affecting the indicators for

the period. With the successful introduction of these increases, the price differential between short and long fiber pulp has risen to reach US\$ 149/t at the end of September, substantially above the historical average of about US\$ 70-80/t. The level of the price differential between the fibers is yet one more component which suggests the start of a cycle of increases in short fiber prices.

Net revenue from the pulp business was R\$ 1,051 million in the quarter, a growth of 3% in relation to the second quarter of the year and 45% compared with the same period in 2019. The key factors driving this growth were benefits accruing from exchange rate devaluation, growth in sales volume and a greater concentration of long fiber/fluff pulps in the product mix.

## Paper Business Unit

Volume (k tons)	3Q20	2Q20	3Q19	Δ	Δ	9M20	9M19	Δ
				3Q20/2Q20	3Q20/3Q19			9M20/9M19
Kraftliner DM	48	40	48	21%	1%	135	137	-2%
Kraftliner EM	62	74	46	-16%	34%	195	150	30%
<b>Total Kraftliner</b>	<b>111</b>	<b>114</b>	<b>94</b>	<b>-3%</b>	<b>17%</b>	<b>330</b>	<b>288</b>	<b>15%</b>
Coated boards DM	116	95	101	23%	15%	305	282	8%
Coated boards EM	68	87	80	-21%	-15%	231	212	9%
<b>Total Coated boards</b>	<b>185</b>	<b>182</b>	<b>181</b>	<b>2%</b>	<b>2%</b>	<b>536</b>	<b>494</b>	<b>9%</b>
<b>Total Paper</b>	<b>295</b>	<b>296</b>	<b>276</b>	<b>0%</b>	<b>7%</b>	<b>866</b>	<b>782</b>	<b>11%</b>
<b>Revenue (R\$ million)</b>								
Kraftliner	310	327	236	-5%	32%	901	743	21%
Coated boards	754	782	656	-4%	15%	2,191	1,784	23%
<b>Total Paper</b>	<b>1,064</b>	<b>1,109</b>	<b>892</b>	<b>-4%</b>	<b>19%</b>	<b>3,092</b>	<b>2,527</b>	<b>22%</b>

## Kraftliner

Klabin sold 111 thousand tons in the quarter, a growth of 17% compared with 3Q19, influenced mainly by higher volumes of kraftliner and sackraft (paper for industrial bags) sold to the export market and the result of enhanced demand for virgin fiber-based papers and the devaluation of the Brazilian Real.

FOEX Europe prices in 3Q20 were US\$ 677/t against US\$ 650/t in 2Q20 and US\$ 694/t in 3Q19. Compared with the immediately preceding quarter, Kraftliner prices in Europe posted increases of 4.2%, and reflecting the improvement in supply and demand in the global market for virgin fiber-based papers.

As a result of the foregoing factors, net sales revenue of kraftliner reported R\$ 310 million in 3Q20, an increase of 32% on an annual comparison basis, largely a reflection of higher volumes and local currency devaluation and more than compensating for a drop in price.

## Coated Boards

Sales of Coated Boards remained on the same upward trajectory as in preceding quarters, this time the principal driver being the domestic market. Sales volume to the latter was 23% more than 2Q20 and 15% higher on an annual comparative basis.

Net revenue from coated board sales was 15% higher compared with the same period in 3Q19, reaching R\$ 754 million. Net revenue in the period, similar to other business lines of Klabin, benefited from the change in consumption patterns and principally from the devaluation of the Real against the US\$.

## Packaging Business Unit

Volume (k tons)	3Q20	2Q20	3Q19	Δ	Δ	9M20	9M19	Δ
				3Q20/2Q20	3Q20/3Q19			9M20/9M19
Corrugated boxes	175	150	157	17%	12%	481	453	6%
Industrial bags	42	31	41	33%	1%	109	115	-6%
<b>Total packaging</b>	<b>217</b>	<b>181</b>	<b>198</b>	<b>20%</b>	<b>10%</b>	<b>589</b>	<b>568</b>	<b>4%</b>
Revenue (R\$ million)	3Q20	2Q20	3Q19	Δ	Δ	9M20	9M19	Δ
				3Q20/2Q20	3Q20/3Q19			9M20/9M19
Corrugated boxes	656	543	559	21%	17%	1,763	1,592	11%
Industrial bags	254	198	219	28%	16%	660	612	8%
<b>Total packaging</b>	<b>911</b>	<b>742</b>	<b>778</b>	<b>23%</b>	<b>17%</b>	<b>2,423</b>	<b>2,205</b>	<b>10%</b>

According to preliminary data published by the Brazilian Association of Corrugated Boxes (ABPO), there was an increase in shipment volumes of Corrugated Board Packaging of 10% in 3Q20 compared with the same period in 2019. For year to date, the business reported an increase of 5%. With the exception of 2Q20, when shipments fell, first and third quarters of 2020 registered growth. If during the initial stages of the pandemic, there was an increase in consumption of non-durable goods, after 2Q20, the unit saw a recovery in demand from the durable goods sector, partly due to the implementation of government economic incentive policies. In this context, special mention should be made of sales to the e-commerce segment, this reporting an increase of almost 200% in sales from Klabin on this market. Again in 3Q20, based on preliminary data from the National Cement Industry Union (SNIC), cement consumption in Brazil – and which directly impacted the sale of Klabin's industrial bags – registered an increase of 18% in relation to 3Q19, reaching a growth of 9% for the year to September. In the light of these factors, Klabin's conversion units operated full capacity in the quarter in order to meet the strong demand from these markets.

In this context Corrugated Board Packaging posted growth of 17% in 3Q20 and 12% on an annual comparative basis. The Industrial Bags business which had recorded a decline on an annual comparative basis in the second quarter with the onset of the COVID-19 pandemic, recorded growth of 33% in 3Q20 in relation to the preceding quarter and was 1% higher compared with the same period last year.

With this, net revenue from the Corrugated Box business reported a growth of 21% over the preceding quarter and 17% on an annualized comparative basis while the Industrial Bags business posted an increase of 28% and 16% on the same comparative base, also helped by the recent devaluation in the domestic currency for those products sent for export. As market leader in the packaging segment, through its diversified product portfolio and footprint in the domestic market, Klabin is making best efforts to meet a robust demand in the second half of 2020.

## Investments

R\$ million	3Q20	2Q20	3Q19	9M20
Forestry	88	47	79	206
Maintenance	104	39	215	340
Special projects and growth	15	4	121	43
Puma II Project	1,141	908	430	2,577
<b>Total</b>	<b>1,348</b>	<b>998</b>	<b>845</b>	<b>3,165</b>

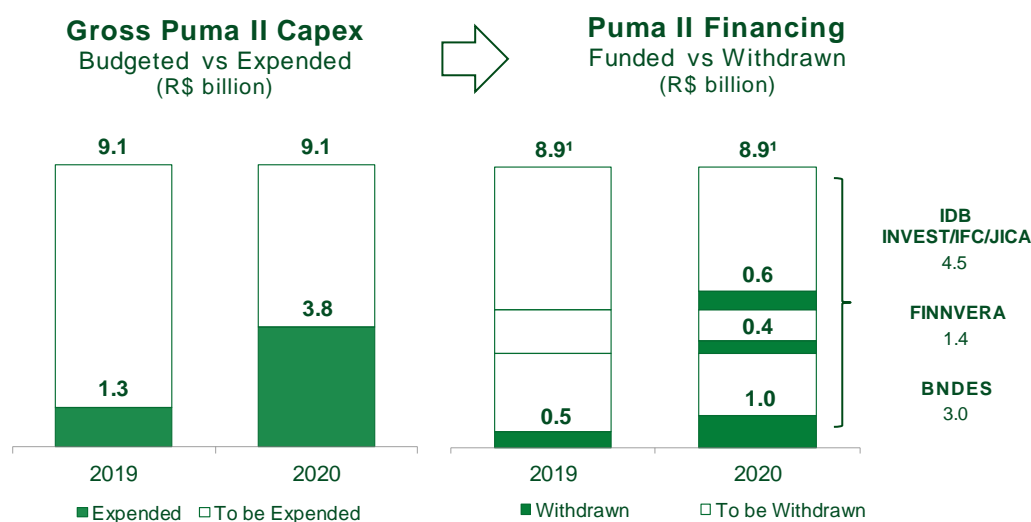
Klabin invested R\$ 1,348 million in the third quarter 2020 in its operations and expansion projects. Of the total invested, R\$ 88 million was allocated to forestry operations and R\$ 104 million to investments in the operational continuity of the plants that together

represent investment in the Company's operational maintenance. Additionally, R\$ 15 million was invested in special projects, characterized by high and rapid returns. These investments are cash driven and not deemed as investments involving the forestry activities of the subsidiaries through Special Purpose Entities (SPEs) executed from the injection of forestry assets already existing in Klabin's balance sheet.

Investments in 3Q20 in forestry activities compensated the limited planting executed in the preceding quarter due to the prolonged drought and COVID-19. It is worth recording that planting activity was a record in September 2020, representing efforts to counterbalance the decline in this activity occurring in 2Q20. Investments in operational continuity were normalized with the general maintenance shutdown of the Monte Alegre unit in August of this year. As already mentioned, the stoppage was limited in scope, prioritizing assets with shorter maintenance cycles and therefore postponing a comprehensive plant shutdown for the coming year.

To date, R\$ 3.848 billion has been disbursed in the Puma II project, of which R\$ 1.141 million related to the third quarter of 2020 and R\$ 2.577 billion to the first nine months of 2020. Following the temporary demobilization in 1Q20 and subsequent remobilization during 2Q20 of the labor force involved in the work, the project's start-up of the 1<sup>st</sup> Paper Machine was altered, operations now expected to begin in the month of July 2021 as opposed to the initial forecast of May 2020. Based on measurements made on October 21, 2020, some 57% of work on the first paper machine has been completed.

The new expansion cycle, approved on April 16, envisages a gross investment of R\$ 9.1 billion (in real terms considering amounts at the beginning of 2019) comprising the installation of two paper machines for packaging with an annual capacity of 920 thousand tons of paper. The machines will be situated at Klabin's Puma Unit where the Company already produces bleached hardwood, softwood, and fluff pulps. Klabin has negotiated financing for the project from ECA's, BNDES, IDB Invest, IFC and JICA.



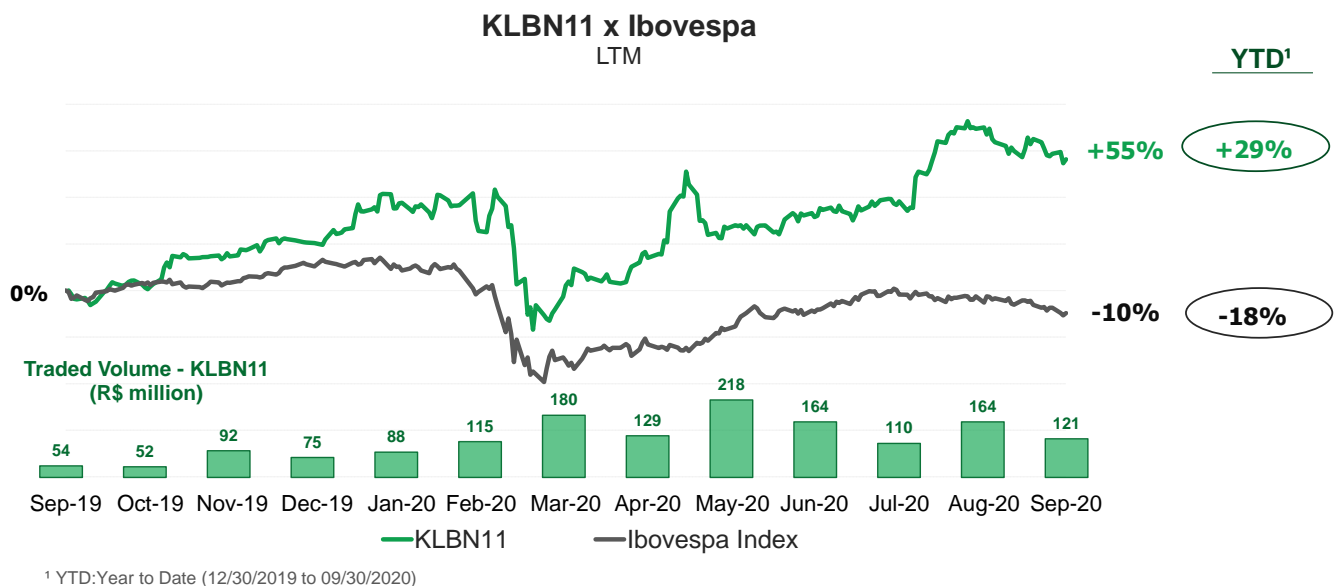
<sup>1</sup>Considers the end of period R\$/US\$ rate

## Capital Markets

### Equity Markets

In the third quarter of 2020, Klabin's Units (KLBN11) reported a 17.1% appreciation versus depreciation of 0.5% in Ibovespa stock index. In the last twelve months, the Units reported a 55% increase while the Ibovespa depreciated 10%. Trading on every business day at B3 – Brasil, Bolsa, Balcão, the Units registered a volume of 365 million Units transacted in the quarter, corresponding to an average daily financial turnover of R\$ 131 million. Units reached a maximum price of R\$ 26.77 and a minimum of R\$ 19.83.

According to the June 15, 2020 Notice to Shareholders, Klabin increased the Company's subscribed and paid in capital stock through the issuance of 27,739,244 common shares and 110,956,976 preferred shares through the exercising of the Subscription Bonus of the Company's 7<sup>th</sup> Debenture Issue. As a result, the Company's subscribed and paid-in capital stock is 5,548 million shares, on which 2,012 million common and 3,536 million preferred. The Company's shares also trade in the United States market and are listed under a Level I ADR program on the Over-the-Counter market under the KLBAY ticker symbol.



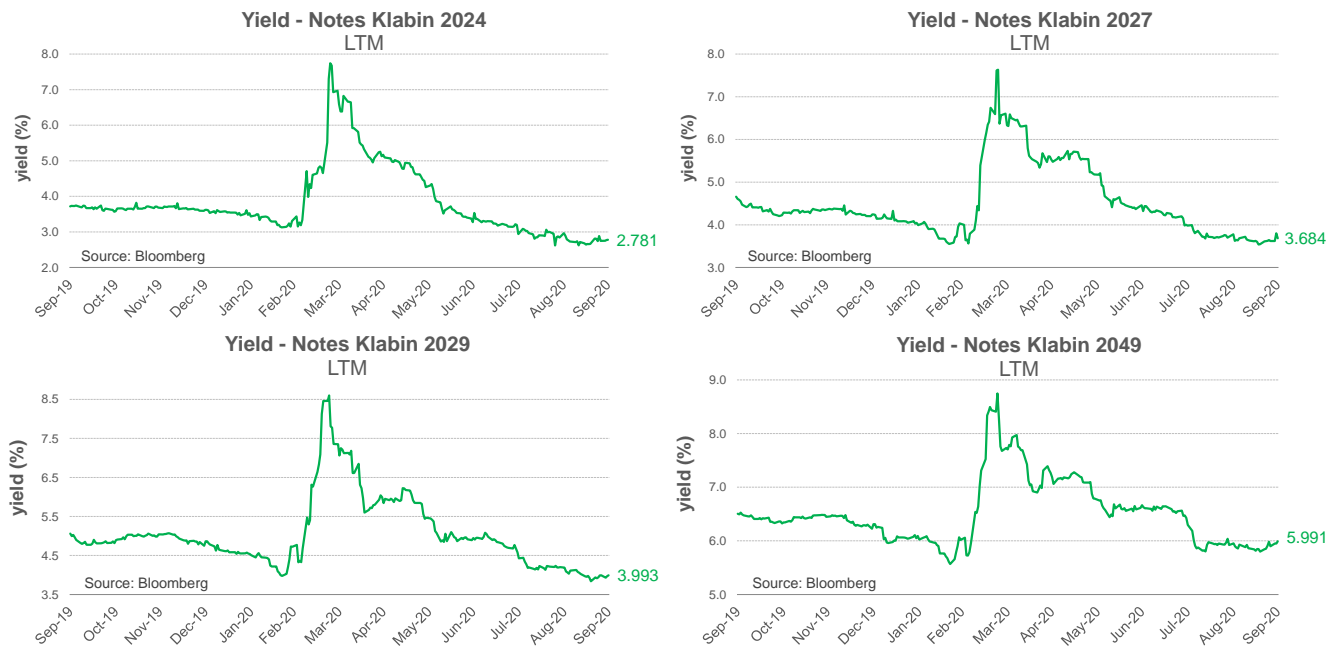
Klabin is a component of the Corporate Sustainability Index (ISE) comprising the shares of companies outstanding for their high degree of commitment to the sustainability of the businesses and the country. ISE examines the performance of the companies listed on B3 based on economic efficiency, environmental equilibrium, social justice and corporate governance. In September 2020, Klabin also became a component company of the IBrX 50 index, which incorporates 50 shares of the most actively traded and most represented stock in the Brazilian stock market.

### Fixed Income

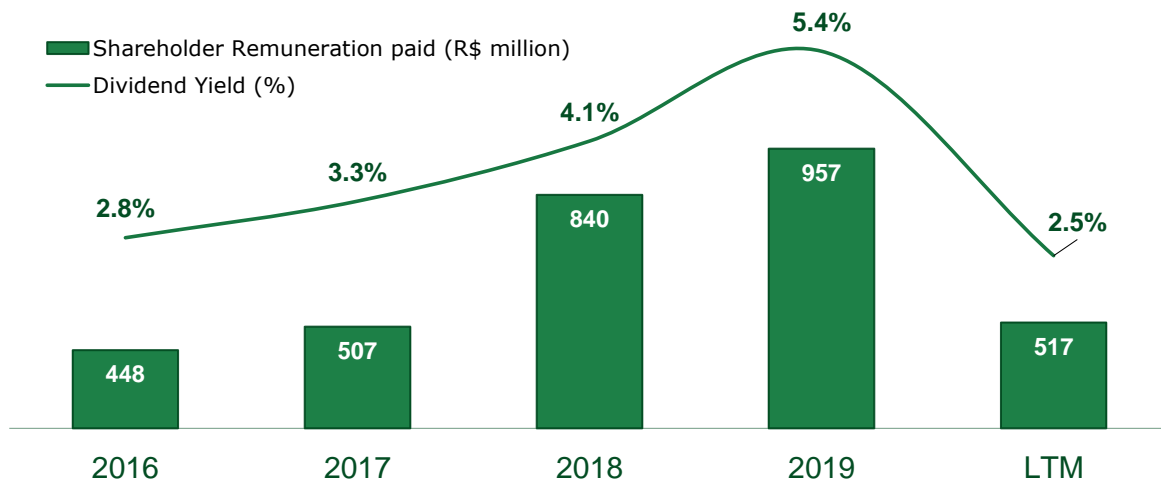
Klabin has four active notes or bonds issued in international markets. These securities mature in the years 2024, 2027, 2029 and 2049 - with coupons of 5.250% p.y., 4.875% p.y., 5.750% p.y. and 7.000% p.y., respectively, with semi-annual interest payments. Important to point out is that the bonds issued for 2027 and 2049 are green bonds with proceeds earmarked to eligible green projects.

Klabin has a BB+ credit risk classification and a stable outlook from Fitch Ratings and Standard & Poors.





## Shareholder Remuneration



Klabin's book net income in the first nine months of 2020 was negatively affected by the rapid and intense devaluation of the Real against the US\$, as already explained in the sections on debt and financial result. Consequently, in compliance with the book keeping and corporate legislation, Klabin is temporarily unable to distribute earnings to its shareholders and consequently there was no distribution of earnings in 3Q20.

The Company has distributed accumulated earnings to shareholders over the past twelve months totaling R\$ 517 million representing a dividend yield of 2.5% on the average amount of the Unit in the period.

## Subsequent Events

- In Notice to the Market published on October 14, 2020, Klabin announced the conclusion of its acquisition of the packaging paper and corrugated board packaging business located in Brazil from INTERNATIONAL PAPER DO BRASIL LTDA
- On October 15, through the medium of a Material Fact, Klabin announced to the market that BNDES Participações S.A. – BNDESPAR and Sogemar S/A had signed a Private Transaction Agreement whereby Sogemar accepted to reduce its proposal for the share exchange ratio in the merger of Sogemar by the Company and that BNDESPAR has manifested its support for the implementation of the merger in accordance with the adjusted terms. The adjusted proposal provides for (i) the reduction in the number of shares to be issued by Klabin as a result of the merger of Sogemar to 69,394,696 (sixty-nine million, three hundred and ninety-four thousand, six hundred and ninety-six) new common shares; and (ii) the calling of a new Extraordinary General Meeting to resolve the question of the Merger under the Adjusted Proposal and to be held by December 15, 2020.
- On October 16 and further to the Material Fact published on October 15, Klabin announced that its Board of Directors had met and in the light of the terms of the Private Transaction Agreement signed between Sogemar - Sociedade Geral de Marcas Ltda. ("Sogemar") and BNDES Participações S.A. – BNDESPAR, had decided to cancel the calling of the Extraordinary General Meeting which would have been held on October 30, 2020. Additionally, a further meeting of the Board of Directors was called to be held on October 23, 2020, to (i) examine and decide on the Private Transaction Instrument and in the light of the decision, on new terms for the merger of Sogemar by the Company and the calling of a new Extraordinary General Meeting to decide on the matter; and (ii) to decide on the Executive Board's proposal for creation of certain advisory committees of the Company's Board of Directors.
- On October 26, in continuity with the Notice to the Market released on April 8, 2020 and the Material Facts released on July 22, September 15 and October 15 and 16, 2020, Klabin communicated through a Material Fact that, in a meeting of the Board of Directors held on October 23, 2020, the independent Directors who do not hold direct or indirect equity interest in Sogemar - Sociedade Geral de Marcas Ltda. approved the change in the terms of the potential merger of Sogemar by the Company, approved by the Board of Directors in a meeting held on September 15, 2020, for the exclusive purpose of adjusting the number of shares of the Company to be attributed to Sogemar's partners in the event the Merger is carried out, which becomes 69. 394,696 new common shares, under the terms accepted by Sogemar in a Private Transaction Agreement entered into between Sogemar and BNDES Participações S.A. - BNDESPAR ("BNDESPAR"), and approved by the Board of Directors of BNDESPAR, in a meeting held on October 22, 2020. In light of this, the Board of Directors determined that the Executive Board shall take all necessary measures to (i) add the Protocol of Merger of Sogemar by the Company, so as to reflect the new number of shares to be issued by Klabin, maintaining all other terms and conditions originally contracted for the Merger, and (ii) call a new Extraordinary General Meeting of the Company to resolve on the Merger under such terms, to be held on November 26, 2020.

## Conference Call

### Português

Terça-feira, 27 de outubro de 2020 – 11h00  
(Brasília).

Senha: Klabin

Telefone: (11) 3193-1133 ou (11) 2820-4133

Replay: (11) 3193-1012 ou (11) 2820-4012

Senha: 4301451#

O áudio da Teleconferência também será transmitido pela internet.

Acesso:

<https://webcastlite.mziq.com/cover.html?webcastId=565cfcd2-2815-4bf8-ab08-9438f6f19a93>

### English (simultaneous translation)

Tuesday, October 27<sup>th</sup>, 2020 – 10:00 a.m. (NY)

Password: Klabin

Phone: U.S. participants: 1 646 291 8936 or  
1 929 270 4027

International participants: 1 800 492 3904 or  
1 833 823 6649

Replay: (55 11) 3193-1012 or (55 11) 2820-4012

Password: 2866827#

The conference call will also be broadcasted on the internet.

Access:

<https://webcastlite.mziq.com/cover.html?webcastId=1c92a684-8550-40ca-95ef-3be7660ffe64>

*Declarações contidas neste comunicado relativas à perspectiva dos negócios da Companhia, projeções de resultados operacionais e financeiros e, ao potencial de crescimento da Companhia constituem-se em meras previsões e foram baseadas nas expectativas da Administração em relação ao futuro da Companhia. Essas expectativas são altamente dependentes de mudanças no mercado, no desempenho econômico geral do Brasil, na indústria e nos mercados internacionais, estando, portanto, sujeitas à mudança.*

## Appendix 1 – Consolidated Income Statement (R\$ thousands)

(R\$ thousands)	3Q20	2Q20	3Q19	Δ	Δ	9M20	9M19	Δ
				3Q20/2Q20	3Q20/3Q19			9M20/9M19
<b>Gross Revenue</b>	<b>3,559,504</b>	<b>3,336,961</b>	<b>2,882,751</b>	<b>7%</b>	<b>23%</b>	<b>9,879,782</b>	<b>8,766,037</b>	<b>13%</b>
<b>Net Revenue</b>	<b>3,108,828</b>	<b>2,956,397</b>	<b>2,477,750</b>	<b>5%</b>	<b>25%</b>	<b>8,656,612</b>	<b>7,567,593</b>	<b>14%</b>
Variation in the fair value of biological assets	68,515	31,563	331,739	117%	-79%	317,336	314,539	1%
Cost of Products Sold	(1,926,325)	(1,844,908)	(1,829,482)	4%	5%	(5,585,660)	(5,293,655)	6%
<b>Gross Profit</b>	<b>1,251,018</b>	<b>1,143,052</b>	<b>980,007</b>	<b>9%</b>	<b>28%</b>	<b>3,388,288</b>	<b>2,588,477</b>	<b>31%</b>
Selling Expenses	(296,275)	(289,433)	(226,169)	2%	31%	(832,697)	(629,288)	32%
General & Administrative Expenses	(165,833)	(157,118)	(144,954)	6%	14%	(472,072)	(442,926)	7%
Other Revenues (Expenses)	(4,404)	47,000	583,800	n/a	n/a	54,509	645,845	-92%
<b>Total Operating Expenses</b>	<b>(466,512)</b>	<b>(399,551)</b>	<b>212,677</b>	<b>17%</b>	<b>n/a</b>	<b>(1,250,260)</b>	<b>(426,369)</b>	<b>193%</b>
<b>Operating Income (before Fin. Results)</b>	<b>784,506</b>	<b>743,501</b>	<b>1,192,684</b>	<b>6%</b>	<b>-34%</b>	<b>2,138,028</b>	<b>2,162,108</b>	<b>-1%</b>
<b>Equity pickup</b>	<b>1,039</b>	<b>3,745</b>	<b>2,409</b>	<b>-72%</b>	<b>-57%</b>	<b>27,071</b>	<b>6,182</b>	<b>338%</b>
Financial Expenses	(587,588)	(771,583)	(807,068)	-24%	-27%	(3,528,753)	(2,103,467)	68%
Financial Revenues	63,373	125,529	566,593	-50%	-89%	296,393	881,006	-66%
Net Foreign Exchange Losses	(547,485)	(751,547)	(1,006,223)	-27%	-46%	(4,725,274)	(814,334)	480%
<b>Net Financial Revenues</b>	<b>(1,071,700)</b>	<b>(1,397,601)</b>	<b>(1,246,698)</b>	<b>-23%</b>	<b>-14%</b>	<b>(7,957,634)</b>	<b>(2,036,795)</b>	<b>291%</b>
<b>Net Income before Taxes</b>	<b>(286,155)</b>	<b>(650,355)</b>	<b>(51,605)</b>	<b>-56%</b>	<b>455%</b>	<b>(5,792,535)</b>	<b>131,495</b>	<b>n/a</b>
Income Tax and Soc. Contrib.	94,938	267,625	259,032	-65%	-63%	2,076,045	(47,982)	n/a
<b>Net Income (loss)</b>	<b>(191,217)</b>	<b>(382,730)</b>	<b>207,427</b>	<b>-50%</b>	<b>n/a</b>	<b>(3,716,490)</b>	<b>83,513</b>	<b>n/a</b>
Net income (loss) attributable to noncontrolling interests	7,666	55,344	(7,768)	-86%	n/a	90,978	(1,050)	n/a
<b>Net income attributable to Klabin's stockholders</b>	<b>(198,883)</b>	<b>(438,074)</b>	<b>215,195</b>	<b>-55%</b>	<b>n/a</b>	<b>(3,807,468)</b>	<b>84,563</b>	<b>n/a</b>
Depreciation and amortization	517,110	621,224	535,083	-17%	-3%	1,773,093	1,510,310	17%
Change in fair value of biological assets	(68,515)	(31,563)	(331,739)	117%	-79%	(317,336)	(314,539)	1%
<b>Adjusted EBITDA</b>	<b>1,233,101</b>	<b>1,333,162</b>	<b>1,396,028</b>	<b>-8%</b>	<b>-12%</b>	<b>3,593,785</b>	<b>3,357,879</b>	<b>7%</b>

## Appendix 2 – Consolidated Balance Sheet (R\$ thousands)

Assets	Sep-20	Jun-20	Sep-19
<b>Current Assets</b>	<b>12,256,202</b>	<b>14,520,351</b>	<b>16,685,429</b>
Cash and banks	28,499	17,165	68,941
Short-term investments	6,506,385	8,020,119	10,716,016
Securities	1,305,584	1,831,094	1,368,094
Receivables	1,992,740	2,112,812	2,082,180
Inventories	1,379,460	1,557,530	1,414,545
Recoverable taxes and contributions	866,902	786,319	758,356
Other receivables	176,632	195,312	277,297
<b>Noncurrent Assets</b>	<b>23,582,263</b>	<b>22,708,714</b>	<b>20,589,938</b>
Long term			
Deferred Income Tax and Social Contribution	1,337,976	1,244,142	-
Taxes to compensate	821,362	1,046,192	1,966,942
Judicial Deposits	123,144	124,673	112,741
Other receivables	205,977	225,402	249,139
Other investments	266,137	265,473	182,224
Property, plant & equipment, net	15,545,148	14,644,323	12,736,353
Biological assets	4,372,570	4,402,402	4,855,791
Asset use benefit	837,856	681,761	405,268
Intangible assets	72,093	74,346	81,480
<b>Total</b>	<b>35,838,465</b>	<b>37,229,065</b>	<b>37,275,367</b>

Liabilities and Stockholders' Equity	Sep-20	Jun-20	Sep-19
<b>Current Liabilities</b>	<b>3,141,139</b>	<b>2,568,125</b>	<b>3,265,306</b>
Loans and financing	695,000	598,636	1,130,483
Debentures	64,130	71,522	473,511
Suppliers	1,548,908	1,295,810	978,019
Taxes payable	129,790	38,530	78,450
Salaries and payroll charges	373,868	294,269	323,279
Dividends to pay	-	-	-
Liability use benefit	147,400	108,169	75,415
Other accounts payable	182,043	161,189	206,149
<b>Noncurrent Liabilities</b>	<b>29,522,316</b>	<b>31,287,096</b>	<b>27,796,480</b>
Loans and financing	26,220,060	28,149,962	24,189,695
Debentures	1,914,073	1,853,107	1,455,579
Deferred income tax and social contribution	-	-	1,148,023
Other accounts payable - Investors SCPs	327,210	326,266	320,209
Lease liability	700,654	579,840	330,248
Other accounts payable	360,319	377,921	352,726
<b>Stockholders' Equity</b>	<b>2,594,903</b>	<b>2,788,350</b>	<b>5,973,561</b>
Capital	4,475,481	4,475,481	4,076,035
Capital reserve	(365,791)	(365,791)	(350,622)
Revaluation reserve	48,705	48,705	48,705
Profit reserve	1,517,044	1,517,044	1,748,219
Valuation adjustments to shareholders' equity	927,803	922,365	966,932
Retained earnings	(3,830,468)	(3,631,585)	(328,436)
Treasury stock	(177,871)	(177,869)	(187,272)
<b>Equity attributable to noncontrolling interests</b>	<b>580,107</b>	<b>585,494</b>	<b>240,020</b>
<b>Total</b>	<b>35,838,465</b>	<b>37,229,065</b>	<b>37,275,367</b>

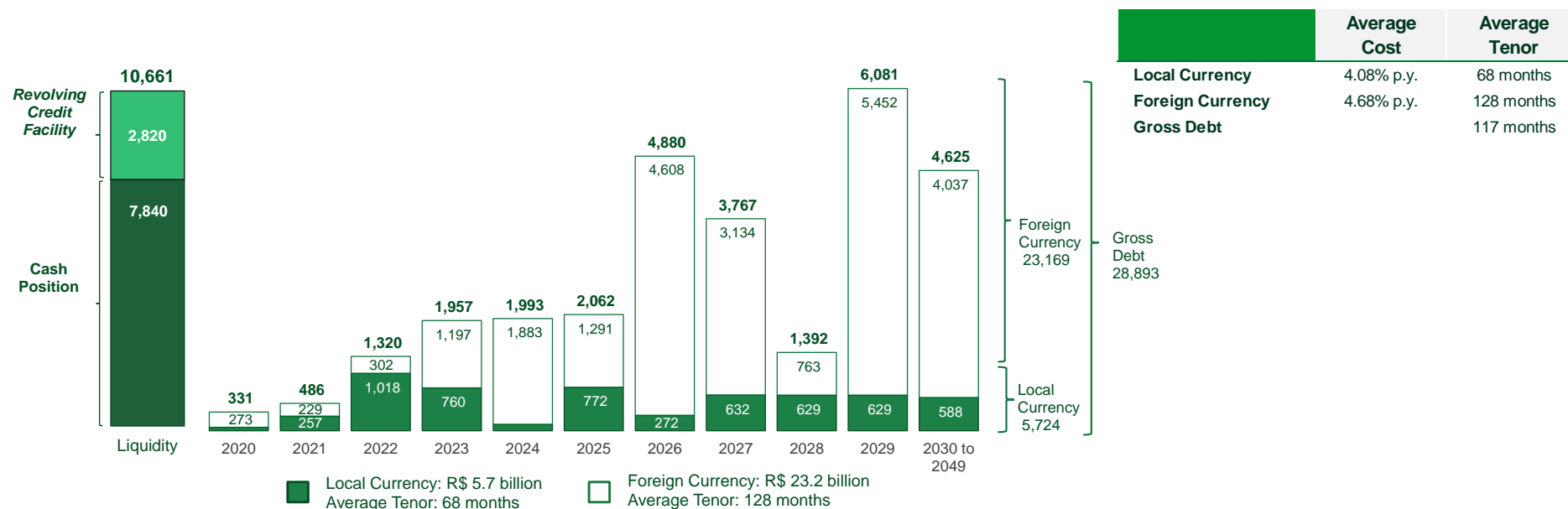


## Appendix 3 – Loan Maturity Schedule – 09/30/2020

Debt in Brazilian Reals linked to swaps into US\$ considered as currency debt for the purposes of this appendix

R\$ million	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030 to 2049	Total
BNDES	5	1	42	72	72	72	72	72	72	72	588	1,138
Export Credit Notes	11	117	100	88	38	350	-	-	-	-	-	702
Agribusiness Receivables Certificate	3	70	846	600	-	350	200	561	557	557	-	3,745
Others	7	7	-	-	-	-	-	-	-	-	-	14
Debentures	33	62	31	-	-	-	-	-	-	-	-	125
<b>Local Currency</b>	<b>59</b>	<b>257</b>	<b>1,018</b>	<b>760</b>	<b>110</b>	<b>772</b>	<b>272</b>	<b>632</b>	<b>629</b>	<b>629</b>	<b>588</b>	<b>5,724</b>
BNDES	1	-	-	-	-	-	-	-	-	-	-	1
Trade Finance	38	-	-	846	-	939	4,364	71	353	141	-	6,751
Bonds	219	-	-	-	1,531	-	-	2,654	-	4,049	3,962	12,414
ECA's	15	229	302	351	351	351	244	77	77	77	76	2,149
Debentures	-	1	-	-	-	-	-	333	333	1,186	-	1,853
<b>Foreign Currency<sup>1</sup></b>	<b>273</b>	<b>229</b>	<b>302</b>	<b>1,197</b>	<b>1,883</b>	<b>1,291</b>	<b>4,608</b>	<b>3,134</b>	<b>763</b>	<b>5,452</b>	<b>4,037</b>	<b>23,169</b>
<b>Gross Debt</b>	<b>331</b>	<b>486</b>	<b>1,320</b>	<b>1,957</b>	<b>1,993</b>	<b>2,062</b>	<b>4,880</b>	<b>3,767</b>	<b>1,392</b>	<b>6,081</b>	<b>4,625</b>	<b>28,893</b>

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



## Appendix 4 – Consolidated Cash Flow Statement (R\$ thousands)

R\$ thousand	3Q20	2Q20	3Q19	9M20	9M19
<b>Net cash provided by operating activities</b>	<b>2,598,752</b>	<b>1,028,771</b>	<b>938,098</b>	<b>4,251,414</b>	<b>1,901,866</b>
<b>Cash provided by operations</b>	<b>1,043,964</b>	<b>729,223</b>	<b>2,381,216</b>	<b>2,755,315</b>	<b>3,729,705</b>
Net profit for the period	(191,217)	(382,730)	207,427	(3,716,490)	83,513
Depreciation and amortization	309,449	271,954	261,448	858,818	796,906
Change in fair value of biological assets	(68,515)	(31,563)	(331,739)	(317,336)	(314,539)
Depletion of biological assets	207,661	349,270	273,635	914,275	713,404
Deferred income tax and social contribution	(94,264)	(459,671)	120,719	(2,488,379)	186,329
Interest and foreign exchange variations on borrowings	975,776	1,394,204	2,052,771	7,884,199	2,765,359
Interest and monetary variations on debentures	68,751	151,271	143,166	700,294	336,721
Payment of interest on borrowings	(181,325)	(373,665)	(349,103)	(879,884)	(888,546)
Interest on leases	(15,935)	(187,964)	6,989	(201,437)	14,280
Accrued interest - REFIS	-	-	-	-	14,372
Result on disposal of assets	4,878	1,767	27,839	(2,036)	31,966
Equity result of investees and JV	(1,039)	(3,745)	(2,409)	(27,071)	(6,182)
Other	29,744	95	(29,527)	30,362	(3,878)
<b>Changes in assets and liabilities</b>	<b>1,554,788</b>	<b>299,548</b>	<b>(1,443,118)</b>	<b>1,496,099</b>	<b>(1,827,839)</b>
Trade receivables and related parties	120,072	102,349	(146,689)	(133,235)	(41,249)
Inventories	178,070	(95,081)	45,879	(47,216)	(208,192)
Taxes recoverable	146,578	304,894	(1,220,249)	768,972	(972,018)
Marketable Securities	525,510	(412,762)	(12,463)	84,945	(54,744)
Other assets	39,235	86,403	13,992	195,754	58,489
Suppliers	295,937	13,537	(206,480)	139,101	(217,423)
Taxes obligations	91,260	(18,530)	205	62,711	27,618
Social security and labor obligations	79,599	80,795	54,723	72,580	22,900
Other liabilities	80,858	240,827	69,625	359,656	(240,479)
Income tax and social contribution paid	(2,331)	(2,884)	(41,661)	(7,169)	(202,741)
<b>Net cash used in investing activities</b>	<b>(1,334,940)</b>	<b>(980,029)</b>	<b>(841,709)</b>	<b>(3,067,004)</b>	<b>(1,711,933)</b>
Purchase of property, plant and equipment	(1,238,537)	(861,365)	(449,782)	(2,788,663)	(1,050,391)
Planting cost of biological assets	(109,314)	(137,174)	(395,139)	(376,843)	(672,025)
Proceeds from disposal of assets	12,911	18,510	3,212	95,121	10,483
Dividends received from subsidiaries	-	-	-	3,381	-
<b>Net cash provided used in financing activities</b>	<b>(2,766,212)</b>	<b>2,191,893</b>	<b>585,924</b>	<b>(2,989,912)</b>	<b>4,861,170</b>
New Borrowings	(12,969)	2,755,116	1,821,933	3,729,477	9,387,661
New Debenture (net of funding costs)	-	-	-	-	995,000
Repayment of borrowings	(2,677,983)	(368,932)	(987,791)	(6,195,753)	(4,727,292)
Payment of intetest and participation in debenture results	(15,177)	(153,611)	(33,672)	(195,246)	(65,308)
Payment of lease liabilities	(41,286)	(39,212)	(21,482)	(111,913)	(70,988)
Disposal of treasury shares	-	-	-	13,588	12,305
Acquisition of investments and payment in subsidiaries (cash)	-	-	2,142	50,000	-
Outflow of SCPs investors	-	-	-	(2,000)	-
Dividends paid SCPs	(18,797)	(1,468)	(3,206)	(55,065)	(7,208)
Dividends paid	-	-	(192,000)	(223,000)	(663,000)
<b>Increase (Decrease) in cash and cash equivalents</b>	<b>(1,502,400)</b>	<b>2,240,635</b>	<b>682,313</b>	<b>(1,805,502)</b>	<b>5,051,103</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>8,037,284</b>	<b>5,796,649</b>	<b>10,102,644</b>	<b>8,340,386</b>	<b>5,733,854</b>
<b>Cash and cash equivalents at end of period</b>	<b>6,534,884</b>	<b>8,037,284</b>	<b>10,784,957</b>	<b>6,534,884</b>	<b>10,784,957</b>

## Attachment 5 – Business Units Evolution

## 3Q20

R\$ million	Forestry	Pulp	Papers	Packaging	Eliminations	Total
<b>Net revenue</b>						
Domestic market	65	371	569	808	(4)	1,808
Exports	-	688	511	103	-	1,301
<b>Third part revenue</b>	<b>65</b>	<b>1,059</b>	<b>1,079</b>	<b>910</b>	<b>(4)</b>	<b>3,109</b>
Segments revenue	387	33	436	6	(862)	-
<b>Total net revenue</b>	<b>452</b>	<b>1,091</b>	<b>1,515</b>	<b>917</b>	<b>(866)</b>	<b>3,109</b>
Change in fair value - biological assets	69	-	-	-	-	69
Cost of goods sold <sup>1</sup>	(579)	(494)	(971)	(754)	871	(1,927)
<b>Gross income</b>	<b>(58)</b>	<b>597</b>	<b>545</b>	<b>162</b>	<b>5</b>	<b>1,251</b>
Operating expenses	(35)	(175)	(151)	(100)	(4)	(465)
<b>Operating results before financial results</b>	<b>(93)</b>	<b>422</b>	<b>394</b>	<b>62</b>	<b>1</b>	<b>786</b>

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

<sup>1</sup> Forestry COGS includes the exhaustion on the fair value of biological assets in the period.

## 2Q20

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

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

<sup>1</sup> Forestry COGS includes the exhaustion on the fair value of biological assets in the period.

## 3Q19

R\$ million	Forestry	Pulp	Papers	Packaging	Eliminations	Total
<b>Net revenue</b>						
Domestic market	63	320	497	700	(2)	1,577
Exports	-	409	404	87	-	901
<b>Third part revenue</b>	<b>63</b>	<b>729</b>	<b>901</b>	<b>787</b>	<b>(2)</b>	<b>2,478</b>
Segments revenue	391	24	398	8	(822)	-
<b>Total net revenue</b>	<b>455</b>	<b>753</b>	<b>1,299</b>	<b>794</b>	<b>(824)</b>	<b>2,478</b>
Change in fair value - biological assets	332	-	-	-	-	332
Cost of goods sold <sup>1</sup>	(632)	(499)	(872)	(660)	834	(1,829)
<b>Gross income</b>	<b>154</b>	<b>254</b>	<b>427</b>	<b>134</b>	<b>10</b>	<b>980</b>
Operating expenses	(36)	(119)	(129)	(102)	601	215
<b>Operating results before financial results</b>	<b>118</b>	<b>135</b>	<b>298</b>	<b>32</b>	<b>612</b>	<b>1,195</b>

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

<sup>1</sup> Forestry COGS includes the exhaustion on the fair value of biological assets in the period.