



**Local Conference Call  
Klabin S/A (KLBN11)  
4Q23 Earnings Results  
February 8<sup>th</sup>, 2024**

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

As a reminder, this conference call is being recorded and being broadcast simultaneously via webcast and can be accessed through Klabin's Investor Relations website, where you can also download the presentation.

Any statements that might be made during this conference call in connection with Klabin's business outlook, projections, operating and financial targets and potential growth should be understood as merely forecasts based on the company's management and expectations in relation to the future of Klabin. Such expectations are highly dependent on market conditions, on Brazil's overall economic performance and on industry and international market behavior and are therefore subject to change.

Present with us today are Mr. Cristiano Teixeira, CEO, Marcos Ivo, CFO and IRO, and the company's officers. Initially, Mr. Cristiano Teixeira and Mr. Marcos Ivo will comment on the company's performance during the fourth quarter of 2023. After that, the company officers will be available to answer any questions you might have.

I now turn the floor to Mr. Cristiano Teixeira. Mr. Teixeira, go ahead.

**Mr. Cristiano Teixeira:** Hello, everyone. Welcome to our conference call to discuss 4Q23 earnings results.

In the last call, we tried to change a little the format, making it less bureaucratic. Stop reading a text on my end, so I will show you the slides, basically reporting on our markets, on Q4, and obviously the full year of 2023. And then Marcos Ivo will give you more detail on the financials. And at the end, in my closing and during the Q&A, we will bring you what we call a panel of trends, or the trends, and then I will be highlighting those trends so at the end I will be presenting one final slide.

All right, for starters, what do we see in Q4? We can see the layout of the slide, which has to do with what we try to explain to you, showing the several markets in which we operate. And then we have all of the company's officers here, and we can give you more detail on pulp, on paper, the different types of paper and we can speak about

the different characteristics of coated board and liner and packaging paper. We discuss this internally whether we were going to totally change the way in which we communicate with you taking into account how the U.S. market communicates with the market there. They talk about the consumer market, as they call it, and then all coated boards and corrugated boxes integrated with papers and then the fibers. We discuss whether we should adopt that model, but we decided not to. So, I don't want you to be surprised. We are not going to be doing this, not today, not in the future.

So, how do we want to communicate with you? We would like to adopt this format that you can see on the screen. So, we have the traditional verticals or pillars of the company. Here we're not specifying the forestry area given the characteristic of supplying these business pillars. It involves efficiency and cost. And here, we try to give you more of a market view. So, I think that this is kind of a debut that reinforces what we tested in the prior call to start talking to you, talking to the market in this way so that you can understand how Klabin operates in our one-to-one conversations. Our goal is to communicate with you. So, this was the main comment regarding the format of the presentation.

So, let's start talking about the full year 2023. What I would say is, despite the year of 2023, despite 2023, we had a good performance in 2023. The comment here is that there was an expectation – okay, now we have the 2023 slide on the screen –, there was an expectation that in 2023 we would have faced perhaps a U.S. economy doing more poorly. In the end of 2022, that was what was expected for 2023, so we were more concerned about 2023, but that didn't materialize, at least not in the American market. But when we go to Europe, perhaps the European market was a little worse than expected, and I'm talking about expectations in the end of 2022. So, we were thinking about a recovery from the Covid pandemic, but anyway, the US market did well and I'm being very matter of fact, as you know.

Europe's slightly worse than what we imagined and China still with a lot of doubts, but a market that during 2023, they had to cope with average salaries, that attempt of deflation more towards the end of 2023, and that gave us a result in terms of that first cycle of deflation of foods, and this was added to agriculture yield. So, that caused the deflation more towards the end of 2023.

So, we started 2024, and despite the year of 2023 being better than expected, at the end of the year, we were still very concerned, in the radar we had fiscal or tax concerns in Brazil. But in the end of 2023 and forecasting for 2024 and our budget activity, with all that concern and with the U.S. market not yet feeling the recession that we thought they would go through, we thought “okay, the other ones have had problems”, we still have in our radar some concern about Brazil and the United States, so in our budget we considered all that.

Now, thinking about the end of 2023 and start of 2024, what we see is the United States still like waiting and Brazil better than what we expected in the short term. So, we have a positive feeling at this point.

So, now I'm going to try to address the slide on your screen. Volumes, as you know, is volume 3.7, total sales we started 2024 for the ramp-up of PM28. There were difficulties in entering the presentation. You'll be able to see and ask questions about it, but the ramp-up of PM28, there is the production ramp-up for the machine that can also be used for Kraftliner. But when you talk about a 100% coated board, we have the approval of these products. We are at a very good pace of approval of these products. That will require more detail, but I'll leave that for the Q&A and Officer José Soares will help us.

This is 1,095 billion for the paper market. If we look specifically at coated boards, 705,000 tons, we are talking about a PM that is not included in this snapshot, we have 460,000 tons of capacity, that's a little smaller than that due to general stoppage, but we have between 440,000 and 450,000 of net sales on top of these 705,000 tons that will start being produced by Klabin in 2024. And this is already happening.

Likewise, now I am going to move to packaging, which is the third group. We have 1,600 tons and here we can expect – again, I'll leave all the details for the Q&A with our officers, okay? –, but we started 2024 with a very positive expectation for the whole Figueira Project, which is totally on budget, on time, it's all going according to plan, and this will add capacity for 2024. Like I said, I will make some comments more towards the end about the panel of traffic lights, let's call it; that's the trends we are identifying. Marcos, myself with the management and the Board, well, we want to be more and more transparent with you, we want to be more and more objective in communicating with you, showing the markets where we operate, and as we improve transparency and as we improve your understanding of our business, we tend to be closer to you in terms of our expectations for this year and for the coming years.

So, I'd like to end this introductory part thanking our investors, Klabin's management, and the Board for your support. I think that we had a year where we focused a lot on efficiency and productivity. We were still delivering some projects, we kind of set the stage for 2024. 2023 was a year to work for 2024. I mean, executing the year, but with a strong 2024 in our radar in terms of efficiency and productivity. So, we have a lot of reasons to thank all Klabin employees, our management, our Board of Directors for our success in 2023.

And in terms of what we planned execute in 2023, well, to have a 2024 even better, well, that expectation is materializing for us in the beginning of January due to market conditions and to our productivity. Things have been shown to be better than what we expected.

I would like now to turn the floor to Marcos Ivo to explain the financials in more detail.

**Marcos Ivo:** Thank you, Cristiano. Good morning, all. Thank you for following our conference call.

On page 5 of our presentation, net revenue in the fourth quarter was R\$ 4,5 billion, down 11% year-on-year. This drop was due to reductions in pulp and Kraftliner prices, as well as the appreciation of the Brazilian currency against US dollars, which was

partly offset by higher sales volumes. Adjusted EBITDA net of non-recurring effect was R\$ 1,620 billion in the fourth quarter of 2023 with a margin of 36%.

Now on slide 6, sales volume over 2023 totaled 3,666 million tons, down 5% versus 2022. This reduction is explained by the market stoppages in container board production. Net revenue was R\$ 18 billion in the period, down 10% year-on-year. This drop is explained by lower pulp and Kraftliner prices, the appreciation of the Brazilian currency, and also lower sales volume. As a result, adjusted EBITDA in 2023, excluding non-recurring effects, was R\$ 6,259 billion, a margin of 35%.

Slide 7. Pulp sales volume was 412,000 tons in the quarter. The highlight was fluff, which had record sales volume reaching 96,000 tons. The average price of long fiber fluff driven by fluff was US\$902 per ton accounting for a spread of US\$ 319 over short fiber. In 2023, the spread US\$ 392 per ton, showing the high added value of long and fluff fiber.

The cash cost of pulp production was R\$ 1,318 per ton in the quarter, down 1% on the same quarter in 2022. In 2023 full year, the cash cost of pulp was R\$ 1,338 per ton.

On slide 8, in the coated board segment, we highlight the ramp-up of PM28 and the benefit of this investment on the company's results. In this context, the volume of coated board sales was 198,000 tons in the quarter, an increase of 11% year-on-year. Net revenue in the coated board segment grew by 18% compared to the same period of 2022, reaching R\$ 1,1 billion in the quarter. In 2023, net revenue from coated board reached R\$ 3,9 billion, an increase of 11% compared to the previous year.

Paper Machine 28 produced 162,000 tons in 2023. Of this total, 49,000 tons was coated board. For 2024, we expect and confirm total production from PM 28 amounting to 350,000 tons.

Moving on to slide 9, the total cash cost per ton was R\$ 3,000 in the quarter, accounting for a 12% reduction compared to the same period of last year. In 2023, the total cash cost was R\$ 3,133 per ton, the same level as in 2022 and below the guidance previously given by the company. This result reflects the performance of COGS per ton and general and administrative expenses, which fell significantly compared to the same period last year. As a result, we confirm the fourth quarter cash cost, the reduction in general and administrative expenses that we had shared with the market, as well as the positive impact on the increase in production volume of PM 27 and 28, which contributed to the greater dilution of fixed costs.

Moving on to slide 10, adjusted free cash flow, which disregards discretionary factors and expansion projects, was positive by R\$ 820 million in the quarter. In 2023, adjusted free cash flow reached R\$ 3.1 billion with a free cash flow yield of 13.3%.

Turning to slide 11, Klabin ended 2023 with net debt of R\$ 20,2 billion, a reduction of approximately R\$ 700 million compared to the previous quarter. This reduction is substantially explained by the positive effect of the appreciation of the real against

US on foreign currency debt with no material cash effect in the period. As for leverage measured by the net debt over adjusted EBITDA ratio in dollars, ended the quarter at 3.3 times within the parameters set in the company's financial debt policy.

Moving on to the next slide, Klabin's liquidity remains robust and ended the quarter at R\$ 13,1 billion. This liquidity comprises of R\$ 10,7 billion cash and the remainder in an undrawn revolving credit facility. This cash position already reflects the funds in U.S. dollars that will be used to pay for the Caetê project scheduled for second quarter 2024, as mentioned in the material fact of December 20, 2023. It is worth remembering that the closing of the Caetê Project still depends on the usual conditions precedent in this type of transaction. The average maturity of the debt at the end of 2023 was 94 months, and maturities over the next two years totaled R\$ 2,8 billion.

Turning to slide 13, according to the advisory to shareholders published on December 14 and yesterday, the company approved the payment of interest on capital and dividends, which together account for R\$ 363 million to be paid on February 26. On an accrual basis, the proceeds distributed to shareholders in 2023 total R\$ 1,340 billion. This amount accounts for a dividend yield of 5.7%.

On page 14, I would like to highlight recent achievements on the ESG front, which make Klabin one of the most recognized companies in the world for its sustainable performance. In this context, yesterday we announced that Klabin is still on the CDP's AAA List and is the only company in Latin America to achieve such rating. For the fourth consecutive year, we have also been included in the Select Global Portfolio of the Dow Jones Sustainability Index, as well as being part of B3's ISE.

And now Cristiano, other officers and I are available for the question-and-answer session, and at the end, Cristiano will come back to comment on the trends for the first quarter of 2024.

### **Question and Answer Session**

**Operator:** Very well, ladies and gentlemen, now we will begin the Q&A session. If you want to ask a question, please click on the "raise hand" button. If you want to remove your question from the line, click on the "lower hand" button.

Our first question comes from Rafael Barcelos with Bradesco. Mr. Barcelos, go ahead.

**Rafael Barcelos:** Good morning, everyone. Thank you for taking my questions.

My first question is about the boxes market. I'd like to get more detail regarding the demand for the year, what has been the start of the year until now, and Project Figueroa will start later on in the year, I'd like to understand how the startup of the project can impact the market this year and how the startup of the project can affect the cost of the corrugated boxes unit.

Second question is about the Kraftliner market. We have seen Kraftliner prices suffering for a while now and Klabin for a while now has been talking about the

strategy of integrating more Kraftliner, some market stoppages. I know that you mentioned the general feeling of the market in the beginning of the call, but it would be interesting if you could elaborate on the supply-demand dynamics for Kraftliner in 2024. When do you think we can start expecting a better price dynamics? Thank you very much.

**Cristiano Teixeira:** Thank you, Rafael. Congratulations on your new employer. Well, you have a new company you're working with, so congratulations. And we have Douglas Dalmasi here with us, so we can speak about corrugated boxes Figueira.

**Douglas Dalmasi:** Rafael, this is Douglas, thank you for the question. We saw domestic demand for corrugated boxes growing since Q4 of 2023, and when we see this kind of economic behavior, declining interest rates, income for consumption increasing, the population's income, level of confidence of consumers improving, we see the packaging market moving ahead. It is like a thermometer of the economy.

In January that was the pace, a strong pace in January, and that's what we're expecting for the year. If the Brazilian GDP behaves in the same way in 2024, if we have the consumption economy getting stronger and consequently retail getting stronger, normally, historically speaking, the packaging market will grow above GDP, at least one percentage point above the GDP. And this is what we're expecting for 2024.

As for the Figueira Project, it will start operating in the second quarter of 2024. On one hand, we're seeing that we got it right in terms of approval and startup date. We got it right, the right timing. It's our merit. It will start up in two stages, two corrugating machines, we have the expected number of tons, we could increase to 100,000 tons, but we don't want to have any stoppages, so we want to perhaps have 240,000 tons when it's in full operation. Well, Figueira this year, we could have only 70,000 tons additional because the second machine and some conversion equipment will start operating more towards the end of the year. And next year, yes, we'll have full capacity. So, consequently, we won't see a relevant reflex of cost reductions of this year because we won't have a full production yet. We don't see this reflected in the conversion cost.

**Rafael Barcelos:** Thank you, Douglas. Soares?

**José Soares:** Good morning, Rafael. Thank you for the question. Regarding the prices, we have been talking about stability starting in Q4 2023. In Q4 2023, we started seeing some price stability and a slight demand increase. In the last call, we spoke about a balance between supply and demand. We started seeing a correction of inventories. In 2023, we did suffer with high inventories. So, we got to Q4 with balanced inventories and a slight improved demand.

This is the same process that we see in January. We have a portfolio of orders which is quite robust, advancing into March which shows that the demand is showing signs of recovery. A part of that is for logistical reasons of some markets being difficult to be accessed and this is opening up some additional is for us. As for prices, naturally, as demand improves and with more aligned inventories, also regarding the U.S.

economy we have heard and seen some U.S. competitors also reporting improved demand and an expectation of growth in 2024, and I guess that with all of that, the impression we have is that price increase is expected for Q2.

The right conditions are there for us to start talking about a price recovery. Still at a modest level, but we are leaving behind a scenario of quote unquote stagnated prices. We're leaving that behind us. This is what we're seeing, Rafael.

**Rafael Barcelos:** Excellent. Thank you, Cristiano, Ivo, Douglas, and Soares for the answers.

**Operator:** Next question from Daniel Sasson with Itaú BBA. Mr. Sasson, go ahead.

**Daniel Sasson:** Hello. Thank you. Good morning to all. Thank you for the opportunity to ask questions. I don't think we've spoken since the announcement of the Caeté Project, so I'd like to congratulate the company on improved disclosure and increased level of information that you communicated about the project. I think that's helpful for the sell side and the buy side, we can understand the real value of the product and consider that in our estimates. So, thank you for being transparent, transparency that has increased.

My first question is also related to that. The material factor you disclosed yesterday, the increased EBITDA in the coming years until 2027 of 3 billion compared to the last 12 months of Q3 of last year, if you could give us a little more color, perhaps you cannot really break it down how much of that could come specifically from the Figuera Project and from Puma 2 in full ramp-up, but perhaps you could speak about the in terms of prices for corrugated boxes or coated board, if you're considering FX, foreign exchange, and what are your main sources of upside and downside for your estimates always regarding these 3 billion that you included in the guidance. That's number one.

Second question has to do with the pulp market. We have seen sequential announcements of price increases, particularly in Europe perhaps because of what you wrote in the release, the fact that the volumes were directed to China and not to Europe in the second half of 2023. So, perhaps this felling of shortage of product in Europe that would drive up prices in that region with even a price gap compared to China. Do you share this view? And what kind of flexibility do you have to perhaps redirect some ships from China to Europe? Because historically, Europe has been more important to you than to your competitors and it is a region that seems to have a better dynamic of pulp prices, at least in the short term.

These are my questions and thank you.

**Cristiano Teixeira:** Thank you, Sasson. And thank you for your nice words regarding this new format of communication and thank you for the questions. So, regarding the material fact, it's kind of curious because I would say that the material fact was very good for the company. Of course, this is reactive to something, but it is a simple,

quote unquote, a simple explanation, and there are a lot of mathematics involved, and you do the math better than us.

So, all the difficulties and the ramp-up are public information, we just told you what the ramp-up of the machine would be. When we talk about products and markets, we always talk about a mix per machine that we try to operate with in terms of conversion, et cetera. When we talk about price trends, we always get support from consulting firm input, and it's all public when we talk about paper and pulp. When we talk about corrugated boxes, we always mention boxes – Douglas Dalmasi has just mentioned – a 1% premium over the GDP that the corrugated boxes market always offers. That's the characteristic. We don't have time to explain this in detail, but this rhythm of corrugated boxes in a country like Brazil will have a lot of statistics to talk this, but it's not just about looking at the past, it really depends on income of the population, what is happening in practice when I talk about income improvement, absolute per capita income.

So, taking all that into account, when we compare countries, we realize that there are some distortions. For example, why is it that Brazil, if you look at the region, I'm not going to say it globally because we don't follow all of the countries in the world, but if we talk about the main markets in the world and in Latin America, I would like to leave a question in the air: Why is it that Brazil dropped less the shipping of corrugated boxes than what happened in many countries in Europe and in Latin America? It has to do with the characteristic of income in Brazil. And we like to look at that a lot, we study that a lot.

My trend is not to avoid answering your question, okay? On the contrary. But reading the material fact, we have more details there. I would risk saying that that disclosure of information was unique in the Brazilian Stock Exchange. The level of transparency we have there, the level of transparency regarding the ramp-up of machines, where we get our price trends from, what's left are assumptions related to some contracts that we cannot, will not and we cannot disclose, and we cannot give you details on that.

But as regards everything that is always said about Brazilian inflation, we use market curves, we use public information or projected information about inflation. So, in a very simple math of volume and curves, we get to the numbers that we've been talking about, the number that was disclosed in the material fact. So, we feel very safe about this. We wouldn't be saying these things if we didn't feel safe about this, if we were not supported by the partnerships we have in our long-term contracts.

I guess that the material fact in and of itself is very transparent. It communicates a lot in addition to our presentations. So, regarding the material fact, I'll stop here, and Nico will speak about the pulp market.

**Alexandre Nicolini:** Thank you, Christian. Sasson, good morning. Thank you for the question. Sasson, trend for the quarter, it remains very positive for all three fibers. You know that Klabin produces eucalyptus, long fiber, and fluff, so it's a positive trend in terms of demand or due to price realization that has already happened and others



that will be realized soon. Our expectation for the quarter remains very positive. When I speak about demand, we'll look at what we already have in our portfolio for the whole quarter.

Now, your question was also about Europe and our flexibility of moving volumes. We never denied that Europe was always a very relevant market for Klabin, just like the domestic market, which reflects the same price index that we have in Europe. So, we have basically 2/3 of eucalyptus sales going to Europe and the domestic market. And our level of flexibility depends on contracts because all supply contracts set forth a tolerance of about 10% so we can move volumes among regions, and also due to production gains, all production or output gains is translated into allocation of volume in those markets that are more profitable.

**Daniel Sasson:** Thank you, Nicolini. Super clear.

**Operator:** Next question, Márcio Farid, with Goldman Sachs. Please go ahead.

**Márcio Farid:** Hello everyone. Good morning. Thank you for the opportunity. I would like to have a follow-up question. Maybe being provocative, after Rafael's question about paper and packaging, since 2019 or 2020 to-date, basically, massive investments in packaging and paper involved IP acquisition with slightly more than R\$ 300 million and almost 350,000 tons capacity. And obviously, the Puma 2 project with slightly more than R\$ 12 billion plus something in forest assets invested as well. When I check the total volume sold, we can see some growth. Naturally, Puma 2 is not fully ramped up, the second machine PM28 only got started up. However, we can see intrepid growth, more than 200,000 tons of paper for packaging and growth offset by other papers and sectors as well.

So, it seems to me after all this investment, market conditions didn't help. However, we see nearly nothing reflected in total volume. Considering the future, the idea is to try to understand. Douglas mentioned that Figuera potentially will be in full capacity, possibly there will be a better demand scenario, but Klabin seems to be far from running full capacity considering the current capacity. So, the question is: How do you expect to see volume growth being translated in the coming years in uncertain market but with apparently excess capacity and certainly, well, sometimes see the impact of these investments that have been made recently reflected in the balance sheet?

If I'm not mistaken, new capacity of Westrock in Brazil, so a better demand scenario, so possibly more availability not only at Klabin but also competitors. So that's my first question. Thank you.

**Cristiano Teixeira:** Thank you, Farid. Great provocations. I think they give us the opportunity to have a more transparent debate. I thank and I also respect your question, and along the same lines and with full respect, it's curious how I can have a completely different vision on what you see on the same fact. So, all Klabin's investment, no exception, small or big – just a side comment –, we don't do post-audit every day, but naturally we do follow the figures. All our internal rates of return are

beyond what we had approved by the Board or in any disclosures, so all of them. And rest assured, when we think about the period since 2017 up to now, there is no exception of a better internal rate of return than what we said before.

So, when we go to market, I'm also happy to see and to show and share with you that first and second slides that I showed before where we break down our markets. Once again, I always go back to the mathematical simplicity of looking at that chart. In that chart, we all know the startup of PM 27 and 28. PM 28 hasn't been fully run as you showed, but they always improve the mix of cash flow at the company. PM27 did greatly improve the cost mix of the company and also shipping more square meter than rather than ton of boxes.

So, we ship the same unit of box but by using less paper to manufacture the boxes. That's why I always like to show it in details, because now we can get closer to the mathematics that we use, closer to what you do. So, perhaps, I suspect that you're not disregarding third-party purchases from the volume, we always share with you that we may run up to 300,000 tons additional with the company when we purchase paper from the market. So, if to any extent the market is favorable for paper purchase, we decide to buy this in the market, as a result we improve our total capacity.

From the practical standpoint, the only figure, well, if I just told you that all internal rates of return are better than what we expected, if I tell you that all our machines are running at a better efficiency pace than what we expected, the only difference that you have to subtract from the math is third-party paper. If I'm not buying today, it's only because I'm better off using my paper, therefore improving the profitability, the results of the company, and our actions.

We talk about flexibility, and we do believe this is being understood by all, but when you ask this question, Farid, this is great, it gives us a chance to explain things that maybe are not being clearly understood when we speak of flexibility.

Lastly, about production of coated board in PM28, I invite Soares to tell us more about it. We're doing very well in the ramp-up of product mix in PM 28. We're very excited with our main clients. So, now I'll ask Soares to give you more, to qualify the qualification time of these products.

**José Soares:** Hi Farid, how are you doing? For coated boards, we are in this fast track. We've been having an excellent cooperation from our partners, particularly LPB. We are very much advanced in the very stringent test period. In a year, we expect to have this process completed by mid-year. This will be a milestone in the process of qualification of an LPB-coated board. At the same time, we already had a share in the foreign market with other partners of ours and we are coming back to that. In the pandemic, we had to stop exporting to some markets or lower our volumes, and now with the capacity of PM 28, we are at full capacity to recover, to come back to these clients and markets, and we've been favored by a logistic program with Suez Channel, now ships and vessels, they have to use it, and this is improving the transit time.

We've been having an increase in demand, we've noticing better demand in Asia, which has been helpful in this first quarter to improve our exports of coated boards. In the domestic market, we're also benefiting from the climate in the beer market, demand has been good since November above our expectations.

So, PM 28 for year 2024, we imagine it will run about 60% of production for coated board. So, that's our general outlook about PM 28.

**Cristiano Teixeira:** Thank you, Soares.

**Márcio Farid:** Thank you, everyone. Thank you, Cris. Just a follow-up question. Your comment on use of flexibility at the end of the day strengthens the fact that Klabin is running below what it could deliver in terms of total volume. So, my question is: Considering the future, are you running about the same sales volume compared to 2019? Clearly, you can use of the flexibility of recycled products to have better market conditions.

So, the question is: Should we expect to see Figueira more competitive ramping up or could we also consider underused capacity ramping up at a higher cost and therefore less dilution of average cost in a scenario of more favorable demand? I don't know if my question was clear, but that's my follow-up question. Thank you.

**Cristiano Teixeira:** Thank you, Farid. So, I would love to be running full capacity and buying third-party paper and having a trend in the market. This is not happening, and I don't see this happening according to the current scenario.

Having said that, you mentioned fixed cost dilution, right? And this shown in our earnings. We do have gains in productivity, like I said in the beginning. We are managing, therefore, per ton, we've been managing to lower the company's cash cost, and this is not only related to volume, but also with efficiency. I mentioned an example which is square meter, so less fiber per square meter with the same product resistance, and other efficiencies that we are pursuing. And I cannot give you all the detail right now but coming back to your question and agreeing with you when your last comment, it's true, I'd love to dilute even further our fixed costs, but in order to make it happen, it takes a market, and for the moment, it is not there.

How should I put it? We've been relatively accommodated in the pandemic peak, except for some humanitarian problem, we had a commercial thing, but except for that, we were accommodated because particularly in the second half of the pandemic, consumption with all that liquidity – and by the way, this acceleration is not only in the packaging business, but nearly all non-durables in the world – those who are really affected were durables, but it happened over the pandemic, and my perspective, which is what we see today, is that after the pandemic, now we got into reality, reality check.

We adapted our fixed cost, our production, absolute numbers, and when we check per ton, in our case, something comes up, but not the full potential yet. And I agree

with you that from the moment all the volume comes back, we'll improve even further the company's fixed cost.

But I conclude by thanking your question and I'm really happy with the volume we're delivering today. And all these investments include Figueira, which is a brilliant project for the company just as the IP acquisition, all these projects will, well, as we also had with other past projects, these new projects added to ramp up of PM 28 will still bring a lot of productivity gains to the company.

**Márcio Farid:** Thank you, folks.

**Operator:** Next question, Lucas Laghi with XP Investments. Please go ahead, Lucas.

**Lucas Laghi:** Good morning. Thank you for taking my question. Just adding to a couple of points that you already addressed during the call, particularly related the guidance of the 3 billion incremental EBITDA and also vis-à-vis the discussion on unit cash cost of the company.

When we consider the evolution of production capacity for PM 28 and Figueira project, what we had in mind was precisely the expectation of higher dilution of fixed costs and the opportunity to lower the unit cash cost. However, when you look at the assumptions for incremental EBITDA, and this is crystal clear in the reference form, maybe one of the assumptions, except for price that is slightly out of control when we check the cash cost assumption, there is an inflation assumption. Think about 3,100 tons in 2014 and 2024, not considering this cost dilution.

So, is it reasonable to assume that if we think about a reduction of production capacity that this is not included the use of capacity, an optimum capacity that would bring this cost dilution that doesn't seem to be embedded in the guidance? And just to confirm, R\$ 350-400 million savings with Caetê is not included either. So that's a potential upside when you think about cost reduction. So, these two points just go deeper into the assumption of what is embedded in incremental EBITDA for the years to come.

**Cristiano Teixeira:** Thank you, Lucas. My first answer was about the material fact. Now something adding to that, Marcos is going to talk about the same topic.

**Marcos Ivo:** Lucas, good morning. Your question makes it easier on me to answer it. At first, what Cristiano said, the comment that led to this guidance, which is very rich to support our communication, this happened prior to Caetê Project and therefore we couldn't, considering the chronology of the facts, it was not possible to include Caetê in the math, and this is confirmed in all the assumptions that we broke down and explained in our material fact.

Second point, we're very confident about the comments in the reference form. Cristiano already mentioned this today. And naturally, these are very down-to-earth assumptions to put it bluntly. Your analysis on a potential upside on top of this figure, cost cash per ton below inflation rate, it's very reasonable to assume that even though it's not our base scenario in the material fact or in the formal guidance. But

this is very interesting to work on this analysis. You have all the other details of the company, and this is good food for thought.

**Cristiano Teixeira:** Thank you, Marcos.

**Lucas Laghi:** Thank you. Just wanted to add to this. Have a good day.

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

Mr. Teixeira, you may proceed.

**Cristiano Teixeira:** Well, thank you, everyone. And as promised in the beginning, I will talk about the last slide, the expected trends. We're getting more and more used with this panel, these traffic lights.

And I'd like to make clear that maybe it's because it's a schematic drawing, we don't really pay a lot of attention to it, but the accurate position of this needle requires hours and hours of discussion with each officer. So again, I'm going to bring you some color on this. It's our guess, guesswork, of course, of the officers of the company in terms of what we are seeing of the demand, the pace in which we are operating today and the prices that we are expecting for this quarter that we are in right now. So, this is a little bit of our expectation, our perception. So, I'm going to talk a little bit about this, but not elaborate too much, but for each one of these gauges that you see, I believe that the answers from our officers are represented here.

Nico gave you a lot of detail regarding how we are running prices in short fiber, so if you see the arrow on the green or right at the border of the green, it's because we see some improvement today compared to what we've been delivering. Just as an example, on the left at the top, we wanted to set the tone of this arrow – again, I apologize, I'm not being simplistic in my explanations, but –, when we have these straight arrows, because we are thinking about neutrality, but when it's more towards the left, it's a negative trend. To the right, it's a positive trend, and the higher the intensity of the positive trend, we move the needle more to the right. More to the right if it's a positive trend, more to the left if it's a negative trend.

Again, I just wanted to explain how we are working with these cold traffic lights. We are looking at this with a lot of attention, and we practically see all of the needles of pulp, short fiber or fluff with a positive trend when we talk about what we're living today, and for paper, coated boards – and for coated boards we're talking about long-term contracts –, so the trend of the needle for coated boards is always to move very little, except in some market moments when there is a lot of consumption, particularly consumption of seasonal foods that could be related to summer, for example. The coated boards tend to be more stable.

In liner, José Soares already mentioned that he sees demand improving. He can already see this, not just for our company, but in the market movement, we see some expectation. We see it as a neutrality. But if I have a demand needle moving to the

positive side, at a second moment, we could see also the needle of prices moving to the right. So, we'll have to wait and see how the market behaves.

For corrugated boxes, demand running better than expected for the period, for January, and this is a surprise both for the month and for the year. Of course, it's way too early to speak about the whole year, but at the moment, January was better than expected with a price neutrality.

I'd like to remind you that corrugated boxes in recent years, in the last six years, the price of corrugated boxes has been increasing above inflation due to consumption characteristics that we don't have time to address here as we are running out of time, but either due to market consolidation or the characteristics of income in Brazil, corrugated boxes in dollars start seeing a price increase, the price in dollars.

And for industrial bags, we see, for some industrial bags, we see a relative stability. We were expecting some government actions that would have an impact, but we had a lot of rainfall, and in periods of a lot of rainfall it's really difficult to have a qualified opinion about this market. We'll have to see what happens.

So, with this, I would like to end my explanations about the trends. I reaffirm with you that our main focus for 2024 is delivery of projects. Like I said, we worked a lot in 2023 to deliver a lot, we want to deliver a 2024 with ramp up of paper Machine 28 which will contribute with a greater production in 2024 for production of coated board. The difference between coated board and liner is that we don't buy coated board from third parties, so we only see this number of coated board increasing, not being regulated by flexibility. Coated board is if we have production capacity, we'll have selling capacity for coated board with no volume arbitration.

Figueira Project, we are very confident about it. We are confident regarding the startup of production in the second quarter of this year, the project is unfolding really well. And lastly, the acquisition of forestry assets, what we called Caetê Project, we are estimating approvals occurring sometime along Q2. In addition, in this year when Klabin celebrates 125 years of existence I stress that we continue firming the constant pursuit of operating efficiency in our plants and we pursue cost optimizations.

Thank you very much for your participation. I hope to see you next time.

**Operator:** Klabin's conference call has come to an end. I would like to thank all of you for participating and have a great. Thank you very much.