

Q2 2021 Earnings Call

Company Participants

- Alexandre Nicolini, Chief Operating Officer, Pulp Business
- Cristiano Teixeira, Chief Executive Officer
- Douglas Dalmasi, Packaging Director
- Flavio Deganutti, Paper Director
- Francisco Cesar Razzolini, Director of Industrial Technology, Innovation, Sustainability & Projects
- Marcos Paulo Conde Ivo, Chief Financial & Investor Relations

Other Participants

- Caio Ribeiro, Analyst
- Daniel Sasson, Analyst
- George Staphos, Analyst
- Rafael Barcellos, Analyst
- Thiago Lofiego, Analyst

Presentation

Operator

Good morning and welcome to Klabin's Conference Call. At this time, all participants are in listen-only mode. Afterwards, we will have a question-and-answer session, when further instructions will be given. To the benefit of time, we ask analysts to please limit your questions to two each. (Operator Instructions) As a reminder, this conference is being recorded and broadcast simultaneously via webcast, and you may access it at Klabin's Investor Relations website, where the presentation is also available.

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

Today with us we have Mr. Cristiano Teixeira, CEO; Marcos Ivo, CFO and Investor Relations Officer, and other company officers. Initially, Mr. Teixeira and Mr. Ivo will comment on the company's performance during the first (sic - second) quarter of 2021. After that, all the officers will be available to answer any questions that you might have.

Now I would like to turn the call over to Mr. Teixeira.

Cristiano Teixeira {BIO 17567319 <GO>}

Welcome everybody to Klabin's conference call referring to the second quarter of 2021. The second quarter of the year shows a global economy recovery from the COVID-19 economic impact, and Klabin with its integrated, diversified and flexible business model still under a very strong demand for packaging, hygiene and cleaning items.

In packaging, the second quarter showed an expansion of the Brazilian market consumption, the food service to export market that require the use of virgin fibers, such as is the case of proteins and fruits and also the accelerated growth of e-commerce. After nine months of the integration, since the acquisition of the box and recycled paper operations of IP Brazil, we consolidated a 24% market share in packaging, in corrugated boxes, with increase in volumes, revenues and good client portfolio.

In the second quarter of 2021, Klabin announced the approval of 23 special project with high return and expansion of the business amounted to BRL342 million. And that will allow us among other things to increase the conversion capacity and the supply of state of the art technology for the printing of high quality packaging.

In pulp, prices in Brazil, Europe and the U.S. continue to surprise us positively for short fiber and long fiber as well. Driven by a still very sound demand, prices in China operate with stability. After the correction occurred in June and July, Klabin sustaining the position of being the only Brazilian producer of the three types of pulp is highlighted because of the diversified portfolio offered to the market.

In the Kraftliner market, internal demand in the U.S. consistent ended up by reducing the supply of paper to other markets which favored the increase in prices and further stimulates the global dynamic for packaging paper creating very favorable conditions for the MP 27 start-up.

Eukaliner which will be producing MP 27 will bring quality of printing reduction in the consumption of energy for converters and who reduce the weight of the packaging bringing to the market the new standard of top performance packaging papers.

In the second quarter, we also highlight the fact that the targets established by Klabin for the reduction of greenhouse gas emissions were approved by Science-Based Targets initiative based on scientific criteria, which represent our alignment for the mitigation of the effects of climate change. Our results show an increase in revenues in all our businesses, reduction in our leverage compared to the previous quarter and adjusted EBITDA, net of the non-recurring effects of the quarter of BRL1.8 billion, a 35% increase vis-a-vis the same period in '20, reflecting the efficient capital allocation, cash generation and value creation for our shareholders.

Now, I would like to give the floor to Marcos Ivo who will bring the financial details about the second quarter of '21.

Marcos Paulo Conde Ivo {BIO 21106710 <GO>}

Thank you very much, Cristiano. Good morning, everybody, and thank you for following our call. In line with what we said before, we delivered another quarter of positive results, ratifying the strength of Klabin's business model and the predictability of results.

Among the highlights of the period, I would like to mention net -- record net revenue for one single quarter reaching BRL4.1 billion, a 38% increase year-on-year. Adjusted free cash flow of BRL4.7 billion in the last 12 months representing a 16.4% yield. And beginning of the deleveraging of the company even at before the start-up of the MP 27, closing the quarter with a net debt/EBITDA ratio in dollars at 3.6 times.

Now going to Slide number 4, the sales volume grew 10% on a year-on-year basis, reaching 946,000 tons. This growth is explained mainly by the volume of sales coming from the assets acquired from International Paper do Brasil in October 2020. The growth in the net revenue in all lines of business on a year-on-year comparison in spite of some pressures on costs drove the adjusted EBITDA that reached BRL1.798 billion, record for one single quarter with a growth of 35% on a year-on-year comparison. Of this total, BRL992 million refer to the pulp segment and BRL806 million to the paper and packaging segments.

On the next slide, among the highlights of the business, this pulp sales volume was 399,000 tons in the quarter, 5% increase year-on-year. Net revenue of this business reached BRL1.5 billion in the period, a major growth of 48% on a year-on-year basis. EBITDA per ton of pulp showed [ph] BRL2,489 in the second quarter of '21, an increase of 63% vis-a-vis the same period last year.

On Page 6, another highlight in the quarter was the corrugated box business performance. Sales volume in this segment grew 62% in the annual comparison. Net of the effect of IP assets purchase in Brazil, growth was 19%, 2 percentage points higher than Empapel, former ABPO and the same comparison. Net revenue for corrugated box was BRL1.1 billion in the quarter, up 108% vis-a-vis 2Q '20. Net of the IP effects, growth was a 51%, driven by the prices increase in the last 12 months.

Now turning to Page 7. By the end of June, Klabin's net debt was BRL18.8 billion, down BRL3 billion compared to the prior quarter. This reduction is mainly explained by the appreciation of the Brazilian currency against the dollar, which affects the dollar-denominated debt mark and also by the cash generation in the period. Leverage measured by net debt over EBITDA in dollars went down from 4 times by the end of March to 3.6 times in June, starting the company's deleveraging before the first phase start-up before Puma II.

Turning to the next slide, Klabin's liquidity remains sound and ended the quarter at BRL10.8 billion. Of those, BRL8.2 billion are in cash and the remainder in revolving credit line. The average debt maturity between 2021 and 2023 period in which Puma II will still be under construction is of approximately BRL1.1 billion a year, a comfortable level for the company. The debt average tenure by the end of June 2021 was 110 months, around nine

years vis-a-vis 116 months by the end of 2020. I also remind you that Klabin does have credit lines contracted and not withdrawn upon in an amount equivalent to CapEx, which will be disbursed by the conclusion of Puma II as explained in the release.

Now turning to Page 9. Adjusted free cash flow, net of discretionary factors and expansion projects was positive in BRL1.5 billion in the quarter. In addition to a strong EBITDA, the result was driven by a BRL328 million reduction in the working capital. In the last 12 months, adjusted free cash flow was BRL4.7 billion, representing a free cash flow yield of 16.4%.

Turning to Slide 10. The return on invested capital reached 18.7% in the last 12 months, proving the company's ability to grow and generate value. A special attention to strong operation cash generation and lower amount of funds used in the period, mainly thanks to the working capital release.

On Slide 11, Puma II first stage is in its final commissioning phase and pre-operation tests. And the start-up for MP 27 is scheduled for the second half of August as we announced in the material fact published on the 5th. Since the beginning of the project, BRL6.5 billion were spent. Out of those, BRL700 million in the second quarter of 2021. For the second half of this year, we estimate an additional disbursement of BRL2.4 billion for the project.

To conclude, I would like to highlight Klabin's continuous efforts to improve communication with all stakeholders providing full transparency and information disclosure. So, Klabin launched three important platforms. Klabin Invest, our podcasts and videos platform with accessible content about topics on the financial market; a new IR portal, more modern, very comprehensive and with easy access to information about Klabin; and also the ESG dashboard, where in a single platform we have all our ESG indicators including KODS goals performance. I would like to invite you all to check these new platforms.

So now Cristiano and the other officers and myself are available to the Q&A session.

Questions And Answers

Operator

Ladies and gentlemen, we will start the Q&A session now. (Operator Instructions) Our first question comes from Rafael Barcellos from Santander.

Q - Rafael Barcellos {BIO 20593721 <GO>}

Good morning, everybody. Congratulations for the results. If possible could you please talk about the impact of a hydric stress on your production, especially in Parana, where there is a hydric emergency declared by the government? And the second question is about Puma II. Could you give more details about the postponing of the start-up and how much of reduction do you expect from this machine for 2021?

A - Cristiano Teixeira {BIO 17567319 <GO>}

Thank you, Rafael. Francisco Razzolini, our officer will answer your questions. We apologize. There was a problem with connection, and Flavio Deganutti is going to answer the question.

A - Flavio Deganutti

Rafael, this is a very worrisome scenario, not only for Parana State, and we are very careful about that. We monitor not only Parana, but the whole of Brazil from north to south and the center west as well. We have the construction with the entities of FEMA and we have important contingency plans in place, and they lead us to a situation that is not limited to the hydric stress. We just start from the principle of placing additional capacity of generation in the places that could be affected and still maintaining the production levels. And we also consider that in the peak of demand, we have options to reduce plans that do not affect the production capacity. So as we may keep production to the limit and the scenario that we see today where we set up a committee in order to track the same on a weekly basis and we know that this thing also has the most critical moment in November when the rain starts right afterwards.

And about Puma, this is a very major project to imported machines. It's very big and the plant is in very advanced stages and you must remember that we have the pandemic, and we have to be very safe and careful testing and with professionals from the whole of Brazil and the world, and they continue in a very good pace and we are very close to start production. The impact is negligible so far.

Q - Rafael Barcellos {BIO 20593721 <GO>}

Thank you very much.

Operator

Our next question is in English from George Staphos from Bank of America. Please, George, you may ask your question.

Q - George Staphos {BIO 1495442 <GO>}

Thank you for taking my question, and good morning, everybody. I wanted to ask a question on the Puma II PM 27 start-up. Could you give us your best estimate as to when you would be running at nameplate capacity and when the machine should be generating EBITDA per ton equal to or greater than average for your other containerboard machines, assuming we hold cost and pricing constant to today's level? And then I had a follow-on question.

A - Cristiano Teixeira {BIO 17567319 <GO>}

Thank you very much, George, for your question. I will share the answer among two officers and myself. But about the ramp-up Flavio Deganutti will start answering and then the expected result in the cycle of 12 months for those machine when compared to the last 12 months and Marcos Ivo will then add to the answer of Flavio Deganutti.

FINAL

A - Flavio Deganutti

Hello, George, good morning. Well, this machine starts its production now in August. And it has a projected curve that is on the release, you can check there and it has that material there. Of course, there is a learning curve. Therefore, we start at 70% capacity in the initial months and we move towards the 100% over the second year. This production, considering we have Puma II in two stages, this will benefit from the context of Puma I. So there will be a dilution of fixed costs. We will have the benefit of scale gain, but the full benefit and therefore the cost impact will come after the implementation of Phase 2 with the coated board machine in 2023. Even then, as a starting point, considering we have an important scale, the cost of production of this machine is equivalent to the other sites that produce Kraftliner and Klabin's Group.

A - Marcos Paulo Conde Ivo {BIO 21106710 <GO>}

Hello, George. This is Marcos Ivo. Good morning. Just adding to what Flavio said, and I think he covered everything in the question, but let me comment. On the first 12 months and also months 13 to 24, the main difference that we are going to have is greater dilution of fixed cost because of the 27 machine ramp up of approximately 70% of production in the seven -- in the first year, and then in the second year, very close to 100%. And from 13 to 24, that is 13th month up to 24th month, it is also going to -- we are also -- we're going to have the production of machine 28 of coated board. That is what is going to really change is the dilution of fixed cost over time. Therefore, this curve will be fully on when we have both machines working. So we should remember that is structurally wise, this factory will have the lower cash cost per ton in the world, which in our point of view is going to ensure our competitiveness and also return of this project.

Q - George Staphos {BIO 1495442 <GO>}

Thank you. My second question, some of your peer companies in fluff pulp have discussed the need to improve their commercial arrangements over time with their customers. Has that provided any opportunity to Klabin in its fluff business vis-a-vis to change commercial terms, improved pricing or gain share? And then just back to PM 27 should we not expect that white-top and some of the other products that you are making on PM 27 should have a premium. I thought they would? Thank you very much and good luck in the quarter.

A - Cristiano Teixeira {BIO 17567319 <GO>}

Thank you,,George for your second question. Yes, we also -- we'll talk a little bit about that. The white-top is a product of MP 27. This is a premium product not only white-top, but also the low raw material [ph] paper brown base where we have an important competitive advantage in the market. The fluff question, (inaudible) Nicolini, who is our Pulp Officer, and he's going to talk about the question.

A - Alexandre Nicolini {BIO 21861040 <GO>}

Good morning, George, and thank you for your question. In fact, George, fluff is a niche segment when compared to other pulp grades, such as our long fiber. And yes there is an opportunity of a special pricing here, and that is, thanks to long-term contracts when compared to other fibers. There are some discussions ongoing and we believe this is

going to be a tight market for fluff, not only for this year, but also next one. So, my answer is, yes there is a possibility of a better differentiation in terms of pricing for this product.

Q - George Staphos {BIO 1495442 <GO>}

Thank you very much.

A - Cristiano Teixeira {BIO 17567319 <GO>}

Therefore, George. Just adding to that, I think, Klabin is placing itself in the market as a manufacturer of differentiated products and with great performance in pulp and paper.

Q - George Staphos {BIO 1495442 <GO>}

Thank you very much.

Operator

Daniel Sasson from Itau BBA.

Q - Daniel Sasson {BIO 19234542 <GO>}

Good morning. Thank you for the question. About Puma, do you have a 100% of production sold for the next six months? And what about the 70% of the sales volume? These contracts do they have a final price already or will the price be defined when the volumes are available? And what about the ramp-up of the machine? Could you bring it forward in order to tap into this very favorable market condition, favorable demand? And afterwards I will ask the second question.

A - Cristiano Teixeira {BIO 17567319 <GO>}

Okay. Let's start by the market, and Flavio will answer. And afterwards we will again try to reach Francisco, so that he could talk about an improvement possibility in the ramp-up of this machine.

A - Flavio Deganutti

Sasson, good morning. The contract established the volume, with maximums and minimums, some variation, some are annually and some are longer, and they are indexed with the basket of indexing factors. So we do have a price already defined as a starting point which is the price of these operations. But there is a variation regarding the indicators that are used for these restatements with the clients.

A - Cristiano Teixeira {BIO 17567319 <GO>}

Chicho, could you please answer. Can you hear me now?

A - Francisco Cesar Razzolini {BIO 16565930 <GO>}

Yes. Perfect. Thank you very much. There was a problem trying to answer the first question. But talking about Puma, thank you very much for the questions Sasson, and also

FINAL

thank you for the questions from Rafael and George. On machine 27, most of the system is already in operation. It's already commissioned. We already have all the wood part and we already generated chips and biomass. And we have the biomass boiler already in operation, generating steam and recovery boiler is already burning liquor coming from Puma I. We concentrated this liquor in the evaporation of Puma II. And the system is reaching a balance. Also regarding the recovery of chemicals and calcification, it is ready for the start-up, and the water system and operating system, all up and running and the effluent lines are already in operation. The tanks are already working and operating. In the fiber line we have already carried out all the tests with water with a full heating of the system. Everything normal. And now we are in the final phase of commissioning of the MP 27, which is the most critical area because of the large number of controls, over a 8,000 points of control that we have to commission.

So we are going great strides, and up to now we have found no critical problems in the project, nothing whatsoever in the hardware of the system. And now we have to do the final tuning of the control systems. And by the end of the month, we will believe that we will start production. As far as we can see, we will probably have a ramp up better than we had estimated in a conservative fashion, and we always be conservative rest of it [ph]. But this depends on what will occur in the next few weeks, but it's important to say that we are finding, no problems whatsoever. And now it's just a matter of finishing the finetuning and the (inaudible) go up and running and start up.

Q - Daniel Sasson {BIO 19234542 <GO>}

Thank you. My second question. If you could compare qualitatively the level of prices in the domestic market, especially in boxes and cards [ph]. Could we expect some carryover of prices over the second or from the second quarter to the third quarter?

A - Cristiano Teixeira {BIO 17567319 <GO>}

Thank you, Sasson. Douglas Dalmasi will answer your question.

A - Douglas Dalmasi

Sasson, good morning. Thank you for the question. Yes, we applied the price increase in a major part of our portfolio as of July. And this should be reflected fully in the third quarter. Overall, this has been happening in all markets. So we do see better prices in the third quarter and for the second half of the year.

A - Cristiano Teixeira {BIO 17567319 <GO>}

Flavio?

A - Flavio Deganutti

Well, we have a coated board market that has a very high demand, the highest demand level in the last decade, and we had a price increase in the second quarter with a very high level of backlog. So we see a very important carryover of prices happening in the next few months. For comparison purposes, the profitability of exports has an additional price increase ahead.

Q - Daniel Sasson {BIO 19234542 <GO>}

Thank you very much.

Operator

Our next question is from Thiago Lofiego from Bradesco BBI. Please, Thiago.

Q - Thiago Lofiego {BIO 16359318 <GO>}

Thank you very much, and good morning, Cristiano. My first question, if you can comment more on the special projects that you have recently announced about in the BRL40 million investment, what is the capacity, the improvement and what is the extra in EBITDA that you will have when you add these capacities and also the improvements that you will carry out in costs and efficiency?

And my second question is more of a short-term one. I would like to understand about the demand temperature for coated board. You just mentioned that the market is still strong. But I just would like to better understand what you would expect for the second half of the year? And also for boxes, what do you foresee in your order book for the second half of the year? Thank you.

A - Cristiano Teixeira {BIO 17567319 <GO>}

Thank you very much, Thiago, for your questions. Yes, perfect. First, about investments. Well, let's say we need to understand that the packaging market, as more and more demand in printing capacity, mainly printing capacity. So this investment specifically -- and I would say, first half this when we invested and capacity of conversion with a better printing technology, basically that is to change the level of printing quality of packaging here in Brazil, obviously here focusing on the corrugated boxes.

This is in line to our strategic vision, and that's something that we have always been bringing to you that this paper that will come later on with the production of MP 27 after the ramp up. Well, I believe that this paper will change the standard and also the printing standard and cost as well of converters, therefore, our clients -- this is a high performance paper that, yes, will allow better printing at a better cost, and also in terms of energy savings. And always bringing a competitive advantage from Brazil of low weight packages. And this is also in line with sustainability and CO2 emissions matters.

So Brazil in the short-term of this investment now focused on conversion and it's important to say that is focused in conversion and that doesn't change the total capacity of Klabin, the models that you run. What we are talking here is more converted paper at a -- with a high quality. This is converted packaging paper. So that doesn't change our total number. And this investment, which whenever we have high return investments, we quickly bring to you investments of that level that will improve also the deleveraging of the company.

About the second question, I think it is regarding corrugated boxes and the consistency of this market. And in another event, I mentioned that we are talking a lot about the e-

FINAL

commerce growth. I am suspicious, but in a good way. But that is raw material mainly paper packaging and e-commerce, they should be higher than what we normally say and believe they are because we also consider food delivery. So in addition to e-commerce, if you add food delivery and our indirect sales of paper, two converters that work with e-commerce.

So all that in reality maybe it has been underestimated by all of us in terms of volume. And today, I believe that this curve is just in the beginning, but it won't go backwards anymore. We can't go back now. This is regardless a new normal or not. This is the reality and we have to say that the e-commerce was happening already, the pandemic has accelerated the process, but the curve acceleration should not have -- should not back down, I think. So considering the circumstances of e-commerce growth, considering the demand by -- the demand for packaging for consumption and we believe this will be there. And also associated to a possible structural improvement and the economies investments which may or should generate income because we are also seeing real income gains because of employment. The consistency of the packaging sector just rectifies the strategic vision of this company. So, well, I would say that the consistency of the strategic vision today really stresses everything that we have been saying in the past few years.

Q - Thiago Lofiego {BIO 16359318 <GO>}

Thank you, Cristiano. A quick follow-up about the first question please. You are going to increase the conversion capacity, right, for instance boxes. Do you have a figure, something that you can tell us? How much more boxes you will have available for sale or we cannot think on those terms?

A - Cristiano Teixeira {BIO 17567319 <GO>}

Yes, you can think on those terms. We are going to increase in 50,000 tons. Our conversion capacity of bags and specifically corrugated boxes, but that does not add up to the total tonnage of the company because that means less paper sold. Okay.

Q - Thiago Lofiego {BIO 16359318 <GO>}

Yes, that's fine. That's very clear. Yes, 50,000 ton. And then -- I'm sorry going back to the second question then, and the context that you just mentioned and analyzing coated board, what has changed in the market? The market for coated board is very strong. And from what you say, this is not slowing down now and we do not have any signs that this is going to slow down. So what has changed? And boxes, I think, we can understand a little bit better that what was the dynamics here, but in coated board what has changed in the post-pandemic. So if you compare the mid of 2021 and mid-2019 pre-pandemic, what changed in the market that was so relevant so that you have the demand so high?

A - Cristiano Teixeira {BIO 17567319 <GO>}

I think that we need to talk about the beverages market. If you go to the supermarket, you know, for those who like to go to the supermarket, it's just amazing to see the all types of different beers that you have available with all types of different packaging. I think packages for beers, not only in Brazil, those have brought -- they replaced the plastic in a more accelerated fashion. And that affects coated boards and also corrugated boxes. But

Bloomberg Transcript

FINAL

with a different characteristic which also has to do with printing and new ways of working with packaging.

But coated board and corrugated boxes, they have responded very well the replacement of package -- plastic packaging for beers. Not only that, I would say that, in general, you can also see, and I always tended to make the correlations with our daily lives. You can see the packages that come to your homes, you will have a lot of coated board packaging for food, I would say, for food delivery. So for me, the answer -- the main answer here is the plastic replacement because of an increase in consumption and companies in general are large brands or are those more retailers or deliveries also with a greater demand of paper packaging, Thiago.

Q - Thiago Lofiego {BIO 16359318 <GO>}

Okay, that's clear. Yes. So it seems to be something permanent, this higher demand in the past months.

A - Cristiano Teixeira {BIO 17567319 <GO>}

Yes. For me, this is permanent. That's here to stay. I do not see in the mid term, unless something very different would happen in the world. But I do not see a change in the consumer's view for, you know, in terms of sustainability and recycle product -- the recycled products or products with a high level of recyclability, biodegradable products. I think it's very hard to have this trend changed.

Q - Thiago Lofiego {BIO 16359318 <GO>}

Thank you.

Operator

Caio Ribeiro from Credit Suisse.

Q - Caio Ribeiro {BIO 18420483 <GO>}

Good morning, everybody. Thank you for the question. I would like to know about the price of OCC that dropped sharply in the last few months. Do you think it already reflects a more normal level of availability of OCC in the market and we expect this drop to continue? And in your view, we did make more difficult to implement increases of corrugated boxes. And could you talk about the demand for pulp in China, given the fact that we are getting into a more -- into a stronger seasonality? And do you think there would be some room for price increases in the fourth quarter in the price of pulp? Thank you.

A - Cristiano Teixeira {BIO 17567319 <GO>}

Thank you, Caio. I will ask Douglas, our Packaging Officer, to answer your question. And he will be talking about the dynamic of the prices of OCC in Brazil that were really misplaced in fact. And in dollar, they were extremely high in comparison to the rest of the world. So he's going to talk about that.

Bloomberg Transcript

FINAL

A - Douglas Dalmasi

Thank you for the question, Caio. In the second quarter with the improvement of the pandemic, we see prices of OCC dropping already significantly, and very close to BRL1,000 or BRL1,100 per ton. And the second half, the demand for boxes is higher. So we expect a strong market for the second half of the year. And this of course has an impact on prices and we believe it should stabilize around BRL1,200 in the second half. We do not see an impact on the prices of boxes themselves. The market in general has a very well balanced demand and to say in the carryover of prices. So we do have better prices in the second half and the average price of OCC in the second half regarding the first half of the year is significantly lower.

A - Cristiano Teixeira {BIO 17567319 <GO>}

Thank you, Douglas. And Nico will answer about the pulp.

A - Alexandre Nicolini {BIO 21861040 <GO>}

Thank you very much for the question. In fact we see an improvement in seasonality in China, in spite of a bigger price correction that we saw in July. In August, we see a better order book already. We already see a higher consumption of pulp vis-a-vis July. So this is very positive and we also see a certain stabilization in prices. And of course discussions start to occur as of the second half of the current month. But we have a very good outlook for stabilization. And I would like to remind you that other market will also have a very strong demand and very high prices in Europe, United States and Brazil. So the outlook for the quarter is very positive.

Q - Caio Ribeiro {BIO 18420483 <GO>}

Perfect. Very clear. And I would like to make a very quick follow-up with Douglas. Is there some automatic adjustment mechanism for corrugated boxes prices based on the fluctuation of the OCC prices? Is there this...

A - Douglas Dalmasi

No. No, we don't have this today. This is really the market dynamics. Only in very special cases, but our prices vary. They vary according to the market thermometer so to say.

Q - Caio Ribeiro {BIO 18420483 <GO>}

Thank you very much.

Operator

(Operator Instructions) If there are no further questions, I would like to turn the floor to Mr. Teixeira for his final remarks.

A - Cristiano Teixeira {BIO 17567319 <GO>}

Thank you very much. So now my remarks about the third quarter of 2021. The third quarter is seasonably strong and we should deliver a good cash generation measured by

FINAL

the EBITDA in addition to the ramp up of MP 27. And in 3Q 2021, we will deliver stronger growth when compared to the pace of 2Q 2021 vis-a-vis 2Q '20. About sustainability, I stress our full commitment to the best practices in the private sector in the world. And I highlight the engagement of a team of Klabin's experts supporting authorities in Brazil and in the world and the climate change global agenda. Klabin is relentless in its growth vision and value generation in the long-term, focusing on people, innovation and sustainable development. Thank you all very much for being here with us, and I will be awaiting for you in our next call results.

Operator

The conference call for Klabin's results has ended. Thank you very much for your participation. Have a nice day and you may disconnect. Thank you.

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.

Bloomberg Transcript