

## Q3 2015 Earnings Call

### Company Participants

- Guilherme S. Souza e Silva

### Other Participants

- Felipe Koh
- Juan G. Tavaréz
- Karel Luketic

## MANAGEMENT DISCUSSION SECTION

### Operator

Good morning, ladies and gentlemen, and welcome to the Audio Conference call of Duratex. Thank you for standing by. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session, and instructions to participate will be given at that time. As a reminder, this conference is being recorded.

I would now like to turn the conference over to Mr. Guilherme Silva, Investor Relations Manager. Please go ahead, sir.

### Guilherme S. Souza e Silva {BIO 15325478 <GO>}

Good morning, everybody. Thanks for following Duratex's third quarter results 2015. Please turn to the page number one. And the idea here in this first part of presentation is to discuss the competitive advantages of the company, the structure and the strategy. And the second part, we will discuss the financial figures of this third quarter 2015.

So in the first slide we have, who are we? So as you know, we are the biggest producer of wood panels, sanitary wares, metal fittings from the South Hemisphere. So the company has two main business: Deca division that produce metals, sanitary wares and electronic showers; and Wood division that produce flooring, MDF, MDP and hardboard. So I'd like to emphasize that we are leader in both divisions.

Our competitive advantage: large scale plants with up-to-date technology, forest productivity, forestry integration. We are self-sufficient with low cost in wood. So it's important to mention here that wood represent the main cost of the panels. Okay? Brands top of mind in each sectors, the geographical localization. Our plant is very close to the consumer market. We will discuss this later on, okay? And finally, our strong corporate governance and financial fundamentals, okay?

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So please turn to the page, slide number two. And here, we have our shareholder structure. So, as the main shareholder, we have the first one, Itaúsa with 40% of the shares. So, as you know, Itaúsa is a holding company, owner of Itaú Bank. The second one is part of our control block, is Ligna with 20% of the share. Ligna is the former owner of Satipel, the company that we merged in 2009. After that, we have 40% of free float. Basically, 70% are foreign investors and the rest are local investors. Okay?

So, please right now turn to the page number three and here we have the history of the company. Duratex is the one company with more 64 years old, right? So we have - here we have the full history of the company. And in 2014, as you know, we closed our Jundiaí plant, ceramics plant in Jundiaí. We start a Duratex 2020 strategic plan, and we did a joint venture with Usina Caeté in the Northeast of Brazil. And in this year, we had the acquisition of Ducha Corona. Okay? But if you'd like to know more, you can see the history of the company.

Right now, please turn to the page number four and the idea here is to discuss our corporate governance. Okay? Our board composition is five members of Itaúsa, three members of Ligna, and three independent members. Right? Who are these independent members?

The first one is Álvaro de Souza. Álvaro de Souza is the board member since April 2011. Álvaro de Souza is the former COO of Citibank in Brazil and Latin America. And nowadays, in addition to Duratex, Álvaro de Souza is a board member of a lot of companies around the world.

The second one is Amaury Olsen. Amaury Olsen joined us in April 2013. Amaury is the former COO of Tigre, a tube and pipes company in Brazil. And nowadays, he's a board member of the Brazilian companies. And finally, the last one is Raul Calfat. Raul Calfat joined us in April 2014. Raul Calfat is the Chairman of Votorantim Group. As you know, Votorantim's the one of the main important industrial group in Brazil.

So how it works, this corporate governance? We have five committees that advise the board in the management and decision-making process. These five committees are; the first one, personnel, governance and nomination; the second one is the sustainability committee; the third one is the audit and risk management; number four is disclosure and negotiation; and the last one is related parties.

Related parties committee is one committee that is composed by - only by the independent members. And finally, it's important to reinforce here that the member of the board, they are not executive in the company right now.

So please turn to the page number five, and the idea here is to discuss the Wood division. Okay? This first slide shows our geographic distribution. So we have five plants in the Wood division with nine lines, three plants in São Paulo, basically in Agudos, Botucatu and Itapetininga, one plant in the south in Taquari, in Rio Grande do Sul and one plant in Minas Gerais in Uberaba.

So, the plants are very close to the consumer market. Okay. The furniture industry is spread in this region, in Brazil, right. So this is an important competitive advantage because freight cost is very expensive on the Wood division.

In addition to that, we have the forest very close to the plant, right. For you to have an idea, the average distance between the plant and the forest in the market is 100 kilometers and our average distance between the forest and the plant is 60 kilometers. This is an important competitive advantage when you compare it with our competitors here in Brazil. Beside, you have a picture and Colombia in Tablemac. You have four plants in Colombia, and we will discuss specific about Colombia later on.

Right now, turn to the page number six, please. And here, we have our products in the Wood division. Basically, we have MDP, MDF, flooring and hardboard. As the distribution channels, we have the furniture industry, it's the main one; the second one is the retailers, the resales. And it's important to mention here that this channel is increasing over the last month. Okay? And the third one is the civil construction and exports. Specific about exports, we will discuss more over the presentation.

Right now, please turn to the page number seven. Here, you have the two highlights of the Wood division this quarter. The first one is a partnership with Casa Claudia magazine to develop the flooring product with the final client, and the second one is the MDF Fire. It's a new launch on this segment, MDF panels with innovation technology that avoids and slows flame spread. This ecological panel certified by FSC.

Right now, let's turn to the page number eight and the idea here is to show our - high level of our integration in the Wood division. Okay? So, the first item, we have 270,000 hectares of land. From that, you have 185,000 hectares of planted forest. We have 230 farms in the region of São Paulo, Minas Gerais, and Rio Grande do Sul, right. And finally, as I said before, we have the low distance between forests and the plants.

In the picture below, we have evolution of our productivity in Duratex over the last 30 years. So basically in the middle of 1980s - in the beginning of 1980s, our productivity was 30 cubic meters per hectares a year. And right now, our productivity is 52 cubic meters hectares per year. This is a strong evolution over the last years.

In this picture beside, you have our resin plant. So, it's important to mention here that after woods, the resin is the second main of the Wood division. So, we have this plant since April 2010 in Agudos. And with this plant, we are self-sufficient in terms of resin for the all plants in São Paulo. And this represent that we have 65% of our resin is produced internally. Okay. This is another very important competitive advantage when you compare with our competitors.

Turn to page number nine, and the idea here is to show and to discuss more about our division in Colombia, Tablemac, right. It's important to say that Tablemac is going very well with high margins, with growing volumes and revenues. Okay? So, this process is started in 2012, and we finalized in 2014, when we bought the rest of the shares. Right now, we

now have 80% of the shares of Tablemac in Colombia. What's happening in Tablemac? As I said before, consistent growth of volumes, margin and revenues, right.

So, Tablemac is running full capacity over the last quarters. So, how is the market in Colombia? 50% of the production is local production and 50% is imported. So, this is due to the devaluation of the pesos Colombianos over this year, right. The imported products right now is more expensive, and we could increase price internally in Tablemac. That's why, right now, the EBITDA margin in Tablemac in Colombia reached 30% in this quarter. Okay? In the picture below, we can see the one picture of each plant in Colombia.

So, right now, turn to the page number 10, right. And the idea here is to discuss our exports strategy for the next years, right. So, this one is very important pillar of growth of Duratex for next years. Okay? Here, you can see the evolution of the exports volume. In the first picture, you can see the exports volume evolution. So, we can see that we are increasing volumes over the last years. But in 2014 to 2015, we are increasing more than 40% in terms of volumes, plus the devaluation of the currency.

In the picture below - in the picture beside, we have the exports revenues evolution, right. So, in U.S. dollar, we are increasing revenues in this segment more than 24%, right. And the picture below - I mean, the picture beside, we have the participation of exports over the woods Brazil net revenues. So this participation right now is 10% and the idea is to reach 20% in the near future. Okay?

So in the points below, we have part of our strategy. So, as I said before, export is one of our pillars of growth of Duratex 2020 strategic plan. The second point, increase of 40% in volume from 2014 to 2015 and our forecast is to increase more 50% from 2015 to 2016, okay. Increase exports, we will reduce our dependence of the domestic market. This is part of our strategy to have important part of our revenues coming from out of Brazil, okay.

So, as I said this before, the idea is to reach 20% of our revenues coming from exports. And what is our focus on exports side? Our focus is in America, okay, basically in Latin America, Peru, Colombia and Mexico and United states. We are more focused in North America, in North Carolina, United States, right. So we have a distribution center there, but, of course, we are exporting to more than 50 countries, right, but our strategy is to focus more in this region. Okay?

Turn to the page number 11 and the idea here is to discuss Deca division. Okay? Here, you have our geographic distribution. We have three main businesses in Deca; metal, sanitaries and electronic showers. Metals, we have three plants in São Paulo, right. So why? Because metals, the logistic cost is not so relevant, the freight cost is not so expensive to deliver metals. That's why you can have the all plants in the same state.

On the other hand, on the sanitary wares, we need to have the plants spread Brazil, okay - spread over Brazil. Why? Because the freight cost is very, very expensive. That's why you have two plants in northeast in Paraíba and Pernambuco. We have one plant in São

Leopoldo in the Rio Grande do Sul. We have one plant in Jundiaí, São Paulo and we have one new plant, a very modern plant, in Queimados, in Rio de Janeiro. Okay.

And finally, the new business that is electronic showers, we have two plants. One plant that we bought from Thermosystem in the south, and one plant that we bought from Corona in the northeast of Brazil. Okay?

So turn to page number 12, right, and the idea here is to discuss the products of that Deca division. The main products are sanitary wares, metals and electronic showers. The main distribution channels are home centers, the number one, resales and the construction companies.

Turn to the page number 13, the highlights from Deca division. Okay? So the main highlight is the water saving products. So the sales of this product is increasing 23% when compared to the first nine months 2014 with the nine months 2015. So, we have more than 350 different products to save water, right? We are very focused on that. This product has higher margin, and due to a lack of water that we are facing in Brazil right now, this kind of product is very, very important.

So, right now, please turn to the page number 14. The idea is to show our electronic shower business. This is the first time that we are doing here and we can see some pictures of the electronic showers and the picture below have the market shares of this business. The main competitor in this business is Lorenzetti. Lorenzetti has at around 60% of market share. Hydra, Hydra is Thermosystem, plus Corona is our brand with 23% of market share, but we have 30% of capacity share. So the idea is to reach this number with new investments and increase the production.

Okay. Regarding this business, the Brazilian market has at around 22 million units. We have a seasonality in this business. The sales concentrated is before the winter time in Brazil by the volume concentration in the South and Southeast region. And this is one product that's possible to export. So we analyze if this is profitable or not. Okay? And we can discuss this in the next presentation.

So, in the next page, we have our sustainability platform. So, you can see more about our sustainability platform in our website, right, but I'd like to mention here only our three pillars of sustainability. The first pillar is dialogue and relationship, environmental management and performance, and number three, the business transparency and responsibility. So, right now, we can turn to the page number 19, and right now, we will start the discussion about the financial results of the third quarter 2015.

Turn to the page number 20, and the idea is to discuss the operational highlights from this quarter. From the Wood division, the first one is the increase of 12% in volume when you compare to the second quarter 2015. The second one, Deca, increase of 4% in volume when you compare to the second quarter 2015. This is excluding Corona. Including Corona, the increase of 15%. The number three and the main important one in my view is exports. We have increase of 72% in export volume when you compare to the third quarter 2014.

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And the last one, the EBITDA margin, the recurring EBITDA margins in this quarter was 21.8%, stable when you compare to the last quarter, increasing when you compare to the first quarter. And this is an important highlight because the scenario is deteriorating and we have maintained the same level of margins.

Please turn to page 21. The financial highlights consolidated on the page number 21. We have the total net revenues in this third quarter was R\$1.042 billion. This amount is at around 80% higher than the second quarter 2015 when the net revenue was R\$965 million.

Wood division, Brazil, the net revenue in this quarter was R\$585 million, Tablemac was R\$94 million and Deca division, the net revenue was R\$363 million. Given that, in the picture below, we have the breakdown of the revenues. 56% of the revenue is coming from the Wood division Brazil, 9% is coming from Tablemac, and 35% coming from Deca division.

In the picture below, we have the breakdown between the domestic market and foreign market. Right now, the foreign markets represent 60% of our net revenues in this quarter. If you remember, this number was 10% in 2014, 12% in this first quarter, 40% in the second quarter, and right now, we reached 16%. So, this part of our strategy to increase the revenues that is coming from out of Brazil, exports, plus Tablemac. I would like to reinforce that our strategy is to reach 30%, 3-0, in the near future.

Please turn to the page number 22, and the idea is to discuss the consolidated volumes and margin and net profits. The Deca volume in this third quarter was 6.9 million items, right, including Colombia without Corona. Without Corona, this number is 6.3 million items. Both are higher than the same volumes in the second quarter 2015.

On the Wood division, the volume in this third was 629,000 cubic meters. This volume is at around 12% higher than the volumes in the second quarter 2015. But it's important to mention that when you compare with the third quarter 2014, the volume in this quarter was at around 70% lower than that.

The recurrent EBITDA was R\$227 million in this quarter. This EBITDA is at around 80% higher than the EBITDA in the second quarter 2015. The recurrent EBITDA margin, as I said before, is 21.8% in the same level of the second quarter and a little bit higher than the level of margins in this first quarter 2015. The recurrent net profit was 38.8%. We are in the same level of the second quarter 2015.

Please turn to the page number 23 and here we have the Wood division discussion and basically here we have the panel market in Brazil. This number is not only from Duratex. It's the market as a whole in Brazil. On MDP side, as you can see, we are decreasing volumes net around 14% when you compare the first nine months 2014 with the first nine months 2015. On the MDF market, we are decreasing 4.7% when you compare to the first nine months 2014 with the first nine months 2015. If you remember, in the first semester 2016, MDF was growing a little bit.

So, right now, please turn to the page number 24. So the volumes in Duratex year-over-year, first nine months 2014 with nine months 2015 is decreasing at around 7%. In the next chart, we can see our occupancy rate, and our occupancy rate nowadays is 60%. So this level is very, very low and one of our strategy is try to increase the level of occupancy to dilute fixed cost, right, basically through exports.

Turn to the page number 25. Here, you have the operational highlights. So the net revenue in the Wood division in this quarter was R\$679 million. The net revenue is at around 80% higher than the second quarter 2015 where the net revenue was R\$629 million. We have the same movement on EBITDA side. So, the EBITDA in this quarter was R\$160 million. This amount is more than 12% higher than the second quarter 2015. But when you compare the first nine months 2014 against nine months 2015, our EBITDA is decreasing at around 7%.

So, please right now turn to the page number 26, and the idea is to discuss Deca division, after that the investment, the corporate debt and our strategy for the next years. So, in number page 26, we have the ABRAMAT Index. This is the building material index of the industry as a whole in Brazil. So, so far, this index is decreasing 11%, and the forecast for the end of the year should decrease 9%. As we are decreasing less than that, right, so we are gaining market share in this segment in Deca division.

So, turn to the page number 27. And regarding the volumes, we are increasing the volumes when you compare to the second quarter 2015 with more than 15%, but in this case, we are including Corona. Without Corona, we are increasing only 4%. Besides that, you have the occupancy rate. The occupancy rates under Deca division are in the low level, too. Okay. The idea is to increase the occupancy rate on the Deca division to dilute the fixed cost.

So, turn to the page number 28, the operational here. We have the net revenues. When you compare the first nine months 2014 with the first nine months 2015, it's quite stable. The net revenue is at around R\$1 billion in Deca division.

In the EBITDA, we are in the same level the second quarter when our EBITDA is at around R\$66 million, and year-over-year, we are quite stable. But it's important to mention here that our margin nowadays is better than the margins of Deca in the last year. Okay? Our average margin nowadays is 19%, and the last year, our average margin was 17.7%, basically due to a better mix of products and saving water products.

So please turn to the page 29. So our CapEx forecast for this year is R\$556 million, basically R\$116 million from Corona, R\$177 million is our OpEx, from the forest CapEx, right, and the rest, R\$263 million for the sustaining of the business in Colombia, the maintenance of the machines in the Wood division and Deca division, plus the investment of R\$10 million that we are doing in our business, Caetex, the joint venture that we did with Usina Caeté that we have planned forest the Northeast of Brazil.

So, finally, turn to the page number 30, regarding our corporate debt. The net debt in this quarter is R\$1.9 billion. We are increasing only R\$100 million quarter-over-quarter, basically

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due to the Corona acquisition, right. So without Corona, we would be stable in terms of net debt. This represents 40% of our equity and 2.1 times EBITDA. So we are very comfortable with the situation, right. And as you can see below, we have our amortization schedule. So we have enough money in cash to pay the all debts of this year and the all debts that will expire in 2016.

Here, you have a picture. In the picture below, we have a picture of our debt, right. 62% from our debt is in domestic currency basically BNDES, rural loans and working capital. 1.6 is in pesos Colombianos is the debt of Tablemac and 35.6% is in foreign currency. But it's very important to reinforce here that 100% of this debt hedged to BRL. It's the policy of the company to hedge 100% of our debt in other currency than BRL. So we don't have exposure in other currencies than Brazilian reais.

And finally, turn to the last page, page number 31, and the idea here is to discuss our strategic position. In the chart below, you have our capacity evolution. So, as you can see, we doubled our capacity in the all segments; in MDF, MDP, metals, and ceramics. Okay? It was part of our strategy from 2007 to 2014.

So what was our priorities from 2007 to 2014? Increasing of capacity through expansion and acquisition, integration Duratex and Satipel that happened in 2009, acquisition of six companies in this period with integration of the acquired companies. So if you remember, we bought Tablemac, Corona, Thermosystem, Mipel, the valve company, Ideal Standard and Cerâmica (29:52) plant and Elizabeth in the Northeast of Brazil.

Corporate governance consolidation over this period, increase of market share, we are very focused to increase our market share over the last several years, and customer services. Right now, the scenario changed, and now we're focused in 2015 and probably for the next years will be the first one and very important one, our internal agenda. Okay?

In the internal agenda, what we are doing? Improvement in the logistic. So for you to have an idea, we expend at around R\$200 per year in logistic and we hired consulting and the idea is to cut at around 10% of this cost in 2016.

Second one, Duratex Management System. So, as you know very well, we hired Falconi Consulting to discuss our operation and variable costs in Duratex. Then number three is the zero-based budget that starts in July 1. So this program is very focused in fixed cost, and the idea is to review the all process of the company. And this program is doing very, very well.

And the last one is improvement in our working capital. So we believe that we can improve our working capital over the next month, right, basically reducing the inventory, expand the tender of suppliers and try to reduce the tender to the civil tender. But we know that this last one is more difficult due to the scenario, but reducing inventory, extend the tender to supply is possible.

The second one and very important one, as I said a lot of times over the presentation, is to increase exports. Why? This is a very important pillar of growth of the company for the



next years.

Next one is the CapEx. So, our CapEx for next year is the only to the sustaining and to improve productivity. The next one, to increase the occupancy of the plants. As I said before, our occupancy rates right now is very low and the idea is to increase these occupancy rates. The integration of Corona, so the captured synergy between Corona and Hydra, our brand of electronic showers. And finally, so we are looking for some good opportunities in the civil construction sector.

So, that's it. Thank you very much for your time and we are available to discuss any questions after that. Thank you.

## Q&A

### Operator

Ladies and gentlemen, we will now begin the question-and-answer session. Our first question comes from Karel Luketic, Bank of America. Mr. Karel, please go ahead.

**Q - Karel Luketic** {BIO 16467278 <GO>}

Hello?

**A - Guilherme S. Souza e Silva** {BIO 15325478 <GO>}

Hello.

**Q - Karel Luketic** {BIO 16467278 <GO>}

Yes, hello.

**A - Guilherme S. Souza e Silva** {BIO 15325478 <GO>}

Go ahead, Karel, please.

**Q - Karel Luketic** {BIO 16467278 <GO>}

Can you hear me? Sorry for that. We had a problem, technical problem here.

**A - Guilherme S. Souza e Silva** {BIO 15325478 <GO>}

No problem.

**Q - Karel Luketic** {BIO 16467278 <GO>}

So, I have two questions. My first one is on the cost cutting and efficiency measures. You detailed quite well today and yesterday also the measures you're taking to cut costs and improve efficiency, increase export, et cetera. I was wondering if you could help us quantify, in terms of reais benefits, what do you think is possible to achieve here? I know it

might be too soon to know in detail I think, but if we could have a better sense on that that would be great. That's my first question.

**A - Guilherme S. Souza e Silva** {BIO 15325478 <GO>}

Karel, it's very hard to say how much money we will save with these kind of measures, right, but this is long-term measures, so we believe that we'll capture a lot of benefits of that. But it's impossible to say one specific number because, as we said, we have a lot of measures that is going - ongoing in the same ways. Okay?

**Q - Karel Luketic** {BIO 16467278 <GO>}

Okay. No, that's great. And just to confirm in terms of timing, the bulk - I mean, the majority of these measures, we should start to see them kicking in next year, let's say, first, second quarter already. Just to have an idea, I mean, I know the number is hard, but in terms of timing, that makes sense.

**A - Guilherme S. Souza e Silva** {BIO 15325478 <GO>}

I mean, some measures that we took over the year, we can see the benefits over this semester. Okay? But the majority of that, we can see in the full year of 2016. Okay? But we are seeing this kind of benefits in this third quarter and then we will see in the next quarter, too. But the year of 2016, we will see the full picture of this benefit, okay?

**Q - Karel Luketic** {BIO 16467278 <GO>}

That's perfect. That was great. And if I may ask a second question briefly, looking at the market to-date? You were commenting, we saw an average almost 20% lower volumes, MDP almost 25% lower volumes year-over-year. In this fourth quarter today, is this a trend that we continue to see in that range, talking about roughly 20% lower volumes year-over-year? That's my second question. Thank you.

**A - Guilherme S. Souza e Silva** {BIO 15325478 <GO>}

Okay. We don't have the numbers of October so far, but the visibility is very short in the demand. What I mean, we believe that the - unfortunately the economy, I mean, will deteriorate over the next month, but it's very hard to say about the volumes of this last quarter, okay, but in our view, we are in the middle of the crisis, okay. So we are not in the end of the crisis or in the middle of the crisis. Probably the volume will really start decreasing over the next month.

**Q - Karel Luketic** {BIO 16467278 <GO>}

No, that's great. Thank you very much for the questions.

**Operator**

Our next question comes from Felipe Koh, Citigroup.

**Q - Felipe Koh** {BIO 17962174 <GO>}

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Hi. Good morning, Guilherme. Just a question on prices. You mentioned the volumes. You're kind of in the middle of the - of this turmoil in the market. But in terms of prices, have you seen any further reduction in prices from competitors, or you believe that prices will be kind of flat for this fourth quarter?

**A - Guilherme S. Souza e Silva** {BIO 15325478 <GO>}

So we are facing a strong pressure from the price due to a low level of occupancy rates for the all competitors, right, more on MDP than MDF. I mean, it's hard to say because MDP right now is with very low margin, so there is no space to cut more pricing. But on the other hand, the scenario nowadays is worse than it was in the second quarter 2015, for example.

But the idea is to maintain the same level of market share, okay. So we can follow the competitors if they reduce price.

**Q - Felipe Koh** {BIO 17962174 <GO>}

And what about inventories? How are your inventories on wood panel? And do you have any sense of how much your competitors and also the retail, they do have a lot of - what is the level of inventories at this guys?

**A - Guilherme S. Souza e Silva** {BIO 15325478 <GO>}

The idea is to reduce inventory over the next quarters, okay. So, our inventory was in the high level, right, because we believe that demand could be better that we are seeing right now. And the idea is to reduce the inventory to the - to accommodate - to adjust for the low level of demand in the company, okay.

**Q - Felipe Koh** {BIO 17962174 <GO>}

Can you give a sense of how much in terms of days you have in inventories and how should be there a not more normalized level?

**A - Guilherme S. Souza e Silva** {BIO 15325478 <GO>}

Just a second, please. The idea is to achieve 60 days, right. And we are running for that in the short-term.

**Q - Felipe Koh** {BIO 17962174 <GO>}

Okay. And what is the current level?

**A - Guilherme S. Souza e Silva** {BIO 15325478 <GO>}

About 70 days. Okay. And the idea is to reduce to 60 days in the short-term.

**Q - Felipe Koh** {BIO 17962174 <GO>}

Short-term. Okay. All right. Thank you.

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## Operator

Our next question comes from Juan Tavarez, Citigroup.

### Q - Juan G. Tavarez {BIO 15083199 <GO>}

Hi. Good morning, gentlemen. Just a quick question on my side regarding the overall trend you're seeing among your competitors. Are you seeing anyone shutting down capacity, just to have a sense there if we're seeing any rationalization at this level yet, given that we're mid-crisis (39:30)? And my second question is regarding your point about your attempt to try to increase your operating rates with exports. Could you give us a sense of how much more you could export and what are the countries you are exporting into? All right. Thanks.

### A - Guilherme S. Souza e Silva {BIO 15325478 <GO>}

So regarding our competitors, so it's hard to say, but what we are seeing they are facing cost pressure, right, basically from the MDP side, right. So we know that the competitors is facing a tough time nowadays, right, but we believe that something can happen on the MDP market in a short period. Okay?

So regarding your second question regarding exports, so basically, we have one important pillar of export is Latin America, plus United States. Latin America basically, Colombia, Peru and Mexico, and North Carolina, United States. We are export to more than 50 countries, but more focused in Latin America. So we will increase 40% in terms of volumes this year when you compare to 2014. And the idea is to increase more 15% in terms of volumes next year over the number of 2015. So the idea is to reach 20% of our revenues on the Wood division coming from exports in the near future, right. So due to the devaluation of the currency, the majority of the product to export has more margins than the local margins or the same level of margins.

Of course, depending of the product, depending of the distance that we will export and stuff like that, but nowadays, export is a very profitable business for Duratex.

### Q - Juan G. Tavarez {BIO 15083199 <GO>}

Okay. Thank you very much.

## Operator

This concludes today's question-and-answer session. I'd like to invite Mr. Guilherme Silva to proceed with his closing statements. Please go ahead, sir.

### A - Guilherme S. Souza e Silva {BIO 15325478 <GO>}

Again, thanks for following Duratex third quarter results. So, if you need any additional questions, please let us know. Thank you.

## Operator

That does conclude Duratex audio conference for today. Thank you very much for your participation. Have a good day, and thank you for using Chorus Call.

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