

## Q1 2020 Earnings Call

### Company Participants

- Antonio Joaquim de Oliveira, Chief Executive Officer
- Carlos Henrique Pinto Haddad, Chief Financial Officer
- Marcelo Izzo, Executive Vice President, Head of Deca

### Other Participants

- Caio Greiner
- Thiago K. Lofiego
- Thiago Ojea

### Presentation

#### Operator

Good morning, and welcome to Duratex's Conference Call. At this point, all participants are in listen-in mode only. Later on, we will start a Q&A session, where further instructions for you to participate will be provided. (Operator Instructions) This conference call is being recorded. I'd now like to turn it over to Mr. Henrique Haddad, Head of Investor Relations at Duratex S.A. You can proceed, Mr. Haddad.

#### Carlos Henrique Pinto Haddad {BIO 17599460 <GO>}

Thank you. Good morning, everyone, and welcome, and thank you for attending another earnings release of Duratex. I hope everyone is well in such an adverse event. I have our CEO with me, Mr. Joaquim. (Technical Difficulty) COVID-19 which has impacted us at the end of quarter one. In addition to the results that we usually present here, we'll also discuss the impact of COVID-19 in our short-term impact.

So we will start discussing the first quarter 2020. 2020 started with a slight improvement in our markets. Until February, we had a sales volume increase and also better profitability of our products. However, with COVID-19 pandemic and then the paralysis of economic activity in the last two weeks of March, the results were impacted especially in Deca and Ceramic Tiles' sales volumes.

In terms of net revenue, we had an increase of 11% as compared to the first quarter '19 and this was a result of the consolidation of Cecrisa in the Ceramic Tiles division, which took place in August last year. Now the adjusted and recurring EBITDA. (Technical Difficulty) so it had an improve of 22.3% compared to last year, totaling BRL219.3 million. This improvement related to Cecrisa was also influenced strongly by the improvement in the Cecrisa and Wood divisions. This is a first quarter in which we consolidated the results

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of the new dissolving Wood pulp division. And this had a negative impact of BRL19.3 million on our quarterly EBITDA, and this of course it's been pointed out for us to follow-up the operations and our evolution. Another important point is increased gross margin in our net profit. And also with the evaluation of our biological asset had a positive impact.

Now on Slide 3, in this quarter, cash generation of the company was impacted as a result of COVID-19 because even with a positive result of the structural review of the supplier payment terms, our increased inventory levels as a result of the drop in sales as well as late payment of clients impacted, of course, our working capital. As a result, our cash consumption was BRL19 million in addition to working capital and CapEx and also the routine operations that were impacted.

On Slide 4, by analyzing working capital compared to the same period in 2019, a reduction in our cash cycle was notice with increased inventory levels and a better structure in the payment terms of suppliers, (Technical Difficulty) of COVID-19 and the resumption of economic activity, we chose to speed this process up to have a better cash flow and this was crucial for this moment. We raised BRL635 million in March and in April, BRL760 million, with 100% of our maturity was restructure. So we generated cash to combat this situation.

We will now discuss our business divisions, starting with wood on Page 7. The Brazilian wood panel market retracted 1.2% because of the drop in MDP, in particular. However, with regard to exports, we had an increase of almost 5% in the period. Now on Slide 8, Duratex, the Wood division had a sales volume drop in line with the market. And the markets were mostly directed to the industrial channels with a potential market share gain in the MDP market.

We should also point out that the exchange rate variation in -- led to or made exports more attractive, leading the company to increase its exports in the period. As for the decreased -- or sorry, increased gross margin, we should also consider the impact of our biological assets. If you exclude this effect, then the gross margin would be 28%, and this would confirm the positive results in our productivity levels. As the highlight of the quarter, the management and control of costs in the division led to an adjusted and recurring EBITDA to increase 16% as compared to quarter one '19, with the EBITDA margin 3.3 percentage points higher than the previous quarter.

Now moving away from Deca -- we're talking about Deca on Slide 10, until February, the market of civil constructions material was dropping 2.2%. However, the March data haven't been published yet, and that was the month we used as a reference. And we'll discuss Deca on the next slide. At the beginning of the year, demand evolved slowly until February in Deca segment. In March, there was a dramatic drop, of course, in the market as a result of COVID-19 with stores being closed down and reduced economic activity. In addition, the effects of high rainfall in the city of Sao Paulo, although it hasn't impacted our sales, it led to temporary suspension of the operations. And these effects were compensated in part with a 5% increase in the unit revenue with compare to quarter one '19, and that led to a strengthening of our premium or high end production.

On the next slide, Ceramic Tiles. On Slide 13, we see that the ceramic tile market dropped cumulatively 3.7% in the quarter with a retraction of 13% in March alone. On the next slide, before we talk about the division's earnings, we should remember that in August 2019, we acquired Cecrisa, which held Portinari -- the Portinari brand. And with this acquisition, we increase our production capacity to 20 million square meters a year. Duratex Ceramic Tile division as well as Deca, they were impacted with the shutdown of stores, and this led to a quarterly earning that was not what was expected.

Positive highlights, the unit revenue in a more adverse environment was still stable as compared to the first quarter of '19, and this was a result of adjustment of our commercial policy and our product portfolio. Also as an initial result of the process of capturing of synergy, we had results that were better than expected. In the first quarter, we closed almost 20% or almost 2 percentage points higher than the previous period. And we are confident that we will have a great potential after economic activity is resumed.

On the next slide, we will discuss dissolving wood pulp. As mentioned before, at the end of the year, we announced the creation of LD Cellulose in partnership with Lenzing, and Duratex has 49% -- a 49% stake is located in the state of Minas Gerais. The new company will produce 500,000 tonnes of dissolving pulp with an additional CapEx of BRL5.2 billion. The new unit is expected to start its production in the first half of 2022.

To form the new company, Duratex already contributed BRL497 million in forests and in April, disbursed BRL70 million in cash. This quarter, we consolidated the results with the property equivalent systems. So we had a negative impact of BRL19.2 million in our EBITDA in the quarter. I should point out that social isolation that came with COVID-19 did not impact our work schedule that keeps developing. We have some pictures of the building sites for you to take a look.

Now we are finishing our comments about our business divisions. Now I'd like to make a few comments about what we've been doing to combat the COVID-19 pandemic and our expectations for the short run.

The next slide. Since the beginning of the COVID-19 outbreak, we have been focused on taking all the necessary measures to ensure safety and health of our employees. As a result, we created a Crisis Committee made up of top managers of different departments, and they meet daily to discuss the best practices and the best measures to be taken in this committee. Five fronts -- work fronts were defined: people and communication, industrial supplies, commercial, IT and finance. Among the action that was taken I'd like to point out, first, the beginning of remote work. We're working from home since the beginning -- the second week of March for the employees that were in the risk group.

And then in the third week of March for all administrative personnel and then reinforcing hygiene sanitary conditions and aseptic conditions in our plants as well as our main offices as well as people were not working when it was not necessary. And then a good communication, both internally and externally, making sure that we remain transparent

with our employees and the market. So we had also cash reinforcement and that would ensure that our maturity -- short-term maturity is insured 100%.

It's important also to point out that we have been supporting communities where we are located. We have donated from Deca, Hydra, Durafloor, Duratex and Portinari, all these brands, in addition to donating masks and hygiene products to hospitals in all the regions where we operate. We also support the building of many hospitals -- field hospitals throughout Brazil. We will now discuss what can be expected in our short-term expectations.

On the next page, now it's very hard to estimate the results in 2020, considering a scenario of so much uncertainties. However, we can at least show what we're expecting in April and May. In April, although there is dramatic demand -- drop in demand, we were surprised with a sales volume that was above our initial expectations, which was above 50% of what was realized in April 2019. We also started resuming the activities of our paralyzed plants, in particular, the wood plants. So they are now operating at a reduced capacity level in wood. Wood, 40%; Deca, 70%; and Ceramic Tile 60%, about 65%.

In terms of financial, financial management, we have a focus on cash control and also raising. Now on Slide 20, considering these circumstances, we have been strengthening our values, always trying to direct our attitudes and activities in our way of being and acting at Duratex, strengthening our journey of cultural transformation. And also remembering that balance is the name of the game. We will keep focusing on ensuring that we provide attention to our team's cash management support to the communities' communication, but never forgetting our strategy. We are ready to resume our operations at full steam, 100% of the time, to meet the market demand.

Before I finish, I would like to take some time to thank the huge contribution of Amaury Olsen, our Director, who leaves this position after seven years as he has reached the statute age limit. Amaury worked actively and also challenged all the executives and the company in a very constructively. He has participated in providing advice to the Board always very present and as President of the people, governance and appointing -- or appointment committee has a crucial role in all the measures that are being implemented at Duratex. So we're expecting to announce a new Board member -- Independent Board Member for Duratex and the selection process is underway.

I'd also like to take a moment to thank Guilherme Setubal. As we said before, a while ago, he is taking on new challenges at Duratex, leading revenue growth management at Deca. Now working with Marcelo Izzo, Guilherme had a crucial role building Duratex's investor relations in last five years. We'll miss him. Thank you, Guilherme, very much for your partnership and friendship in this period, and I hope you have success in your challenge. We'll keep working together. Now Natasha will take over and will report to me while I count on your support in this transition period. This is the end of my presentation. And we are now available for your questions.

Thank you very much.

## Questions And Answers

### Operator

(Question And Answer)

Ladies and gentlemen, we will now start our Q&A session. (Operator Instructions) Our first question Thiago Ojea, Goldman Sachs.

### Q - Thiago Ojea {BIO 17363756 <GO>}

Good morning, everyone. Thank you for taking my question. First, congratulations, Guilherme, on your new challenges. Thank you for being a partner, organizing the events and the calls. You've been really relevant to us. Thank you so much. Now my first question about the Deca division. We saw there was a huge impact and the impact of COVID-19. So what do you think will happen in the second quarter? And what is the impact in terms of costs with the exchange rate to the dollar currently, so how do you see the second quarter and are you expecting improvement in the third quarter?

Another question, and this is about cash management. You're usually more conservative in terms of cash management, but there are maturity that is important for 2020. You've made -- paid dividends. So how do you see cash management in the next quarters? Is there room for future dividends and as well as debt maturity and can you discuss cash management as well? Thank you.

### A - Antonio Joaquim de Oliveira {BIO 15358831 <GO>}

Well, Thiago, all right. Antonio Joaquim here. We have Marcelo Izzo as well, he may add to my comments about Deca. Well, the thing is, we have finished -- or finished the first quarter. In the last weeks of March, of course, everyone in Brazil was very pessimistic and apprehensive considering what could happen in April. With all the impact, Deca suffered a little more with the impact of the flood -- floods and that increased our recovery cost in March and then soon after, we had the second fortnight.

Well, our initial expectation for April was a catastrophe, not only for me but for the other divisions as well. We expected 10% or 15% of our sales only. That was the drop -- the size of the drop. In this respect, we designed a contention -- a cash contention plan, and also cost contention and also working with our employees to protect our employees as well. So we were expecting the worst, so we prepared ourselves. And then April surprised us positively. So with regard to the first -- our first expectations we had much better results. In April, for instance, Deca was around 60 percent of what would be normal sales figures. When compare to the previous year, the budget this year, of course, increased at the levels that Haddad mention. So especially at the end of April, we also reach about 56%, 57% of what we expected.

And Wood, we were a little more optimistic, so we expecting to work like at 40% of our plan, but then we got to 60%. So in April, we opened our building material stores, especially benefiting Deca. So building material stores are now opened throughout Brazil.

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About 90% of them are open, and this, of course, make our lives easier. So we finish April in a -- on a more optimistic note. Of course, the scenario is still very critical. We're expecting to suffer in the second quarter considerably, but at least better than our initial expectations.

So for the second quarter, we are expecting operating levels (Technical Difficulty) when we start -- we've already started May. It's the first week. But May started better on the same level as April -- last week of April. So we are less pessimistic. Of course, we have intervened. We have worked to improve the situation. So we're not wasting time designing scenarios. We're just doing what is needed. We have daily meetings, including weekends with the top management, so we are not working very a lot on scenarios, but doing what is necessary. So we want to have a similar level as April in the second quarter - throughout the second quarter and growing at the end of June.

We're expecting to be closer to normal operations at the end of the quarter, but of course, still below the expected levels. And reaching a level that could be considered April. Well this is expected at the fourth quarter. And then in your question, yes, we do have this expectation at Deca and Wood as well. In April and May, we had positive results. So I think that we have the conditions to work in this scenario to provide or supply our clients. In terms of cash, Marcelo and Haddad can give you further moment. But anyway, in regards to cash management, we are indeed conservative, and we have raised really well.

We had a significant capital raising of BRL6 million -- BRL600 million at the week when the quarantine started and COVID became a very serious issue. And then we had an additional BRL1 million, again, in very reasonable -- under very reasonable conditions. So we reinforced our cash and of course, there was a greater impact in the second quarter. We have maturity dates for March -- sorry, April and May that were settled with this capital raising. So our cash is robust and ready also for delayed late payments. This is something that happened with our clients, but we had -- we did help our clients in this respect. And they renewed some of their orders and that led to a better performance for us, better than we initially expected.

So with regard to your question, we don't see any adverse events in terms of cash in the future. We are negotiating long-term with the BNDS and other institutions in order to stretch our payments, and we may have maybe new capital raising, maybe at the end of quarter three. But this is the cash we have today. And according to our projections, it is robust and it is sufficient to -- for us to do what is planned. Even though the situation, the scenario is more adverse, but considering the conservative and pessimistic scenarios we have imagined, we still consider our cash to be adequate. But we are, of course, keeping an eye on everything. And if the need arises for more capital raising, we will be doing this if need arises. Thank you.

## A - Marcelo Izzo

You've mentioned Deca, right? And cash flow. I'd just like to clarify a point about cash. This number that you see in March of debt that should be paid off in 2020. Well, part of that, about BRL600 million, this was used to settle 70% of our debt was paid off. So we're

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expecting to deal with a 100% of all the debt that is maturing. And we have cash to manage the situation in this transitional period.

I have two more comments about the situation and look at the first quarter performance. Well, the first things we want to stress is that we kept working, so we have good news in this respect. And then we have our project that is becoming tangible and totally aligned. But unfortunately, we had floodings in our Marafunda plant. So we were about 10 days in a standstill and that had an impact in February. Then in March, COVID. So what we can say, without a doubt, is that -- if we excluded the COVID effect and the flood effect, we would be growing in this quarter much more. So when you look ahead, of course, it's very hard to not have the effect of what happened in the following quarters.

But as Haddad said in this presentation, we are working on our -- we're having better demand than expected in our operations. And of course, there were all the shutdowns in our plants, but with the -- with our scenario and everything we worked on to address it, we will be operating at levels that are compatible with what we're expecting.

#### **Q - Thiago Ojea** {BIO 17363756 <GO>}

Okay, great. Now a follow-up about cash, especially short-term maturity. But then in terms of dividends, is there anything -- any operation about dividends?

#### **A - Antonio Joaquim de Oliveira** {BIO 15358831 <GO>}

Well, as we mentioned here, we worked hard on CapEx. So we are slashing or decreasing our CapEx between 25% and 30%, at least 25%. We analyzed the case. And what we did was to in this give you an idea, was considered over BRL100 million, yes BRL120 million -- BRL130 million. So as a result, well, we've also reduced our costs because we're working less. So as for dividends, if I understood your question correctly, we did pay out dividends relative to this. And we will have to wait, and we will of course, wait for the quarter to close for us to see the earnings and results and then make decisions later on, after we have an vision of the year, the whole year is closed, and we have a more consolidated vision closer to the end of the year. So we'll be careful, of course. But the -- our cash has a very good position already. And it was a readjusted for a situation of crisis. So it has a very good position to address whatever is coming ahead. Thank you.

#### **Operator**

The next question comes from Caio Greiner of BTG Pactual.

#### **Q - Caio Greiner**

Hello. Good morning everyone. Thank you. I'd like to take advantage to -- of course, congratulate Guilherme Setubal. He's always been very helpful to us, very open to talking to market analysts. So thank you very much. Now I'd like to understand what you're been doing in your negotiations with your clients? What have you been doing to reach this level of 50%, which is quite reasonable considering the current situation. So are you offering discounts on your products? We want to see what your expectations are? We expect you to fall in the second quarter. So what will happen in quarters three and four to ensure a

resumption of economic activity or what would you be doing? Is this about lengthening payment terms or what are you trying to do?

And then number two, and I know this is not a focus today. But my question is, how far do you think that after the crisis in a post-pandemic period, has -- will you be more likely to make acquisitions in the Ceramic Tile sector? More consolidation there, because your financial position is weaker than Duratex's. So are you expecting to make acquisitions post-pandemic?

### **A - Antonio Joaquim de Oliveira {BIO 15358831 <GO>}**

Well, Caio [ph]. Thank you for your questions. First, let's discuss our negotiations with our clients. First of all, we're not giving any discounts or there's no drop in prices. We're not expecting this to take place later on either. We're not even feeling this taking place in the market. As sales volumes have decreased dramatically, there's no pressure from clients or the market for lower prices. So we're not providing discounts.

And maybe until April, we considered -- at least put some lines with a better average price in Wood, in particular. But anyway, we are happy with what was achieved. The crisis, of course, led to more pressure on cost, especially with a higher exchange rate to the dollar. So our exports -- there is some compensation that was relevant, but also there was a decrease in important commodity like copper. So the dollar cost dropped over 20%. So what we we're expecting in the second quarter is stable prices. I don't think there's room in quarter two for a price recovery that is significant. Maybe some isolated case.

For example, some lines that are totally important, then there was, of course, increases in -- because of the dollar. But we're not considering price reductions. This is not what we see for the near future or any significant movement in the increases either. So I think that we may have a price recovery at some point with an impact on the third quarter. But no discount is expected.

Now these negotiations are very interesting. We don't have time to give you all the details, but there was a whole strategy designed at Deca, and also in our Ceramic Tiles divisions and Wood. This -- at the beginning, people were really frightened and clients close down stores. So the first thing people came to us to discuss was, well, they would say, I was feeling that some -- what we did was we let them to pay later with major clients and some clients paid before the expected date, and that was very positive. But we did lengthen payment terms, we did grant this to clients.

The same thing happening on the supply side. Our suppliers also let us pay later. But these later payments are not that significant. It's just an increase of 30 days and in April, for instance, that was when everyone was -- in the eye of the storm. And with these later payment conditions, not only in Deca, but for all units, we've been working to -- again, have new clients. We are also making adjustments to our commercial policy. So we changed some late payments, exchanged that for new orders, for instance. This is something that we have done with no significant impact on prices anyway.



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Now with your second question. Throughout this period of crisis, let's say that at least in 2020 -- in a good part of 2020, we're not looking at MD now. Although we can, of course -- we have access to cash. And if there are opportunities, we may do this, but we have a good size in terms of Ceramic Tiles. We are among the top four. So mergers and acquisitions are not something that we're expecting to do. At least in the high end segment, we're among the top three.

So our focus is more on searching synergies rather than mergers and acquisitions. We're really optimistic about what we've been doing in Ceramic Tiles post Cecrisa's acquisition. But unfortunately, in such a crisis, we had this crisis, we were expecting to have great results. So we are overcoming our expectations, exceeding our expectations, but such drops or decrease in volumes offsets the other results. But we are excited about the process and in our CapEx reduction. We are expecting to modernize our Ceramic Tiles lines. So we're just waiting a little bit more for a few more months.

So with the decrease in demand, there was less pressure of course, to complete these processes faster. But we have a great focus on that. And so if we have new opportunities later on, we'll be always open to them. But right now with the acquisition of Cecrisa, we are on a good track. We're working hard on our portfolio, on design, with brand interaction. So we believe that we may have considerable productivity gains, as well as rich mix on our portfolios with better prices as well. So if there's interesting opportunities, we're always, of course, working on them. But we're happy right now with our current size and market position. So there's nothing to be done that's new right now in terms of acquisitions.

### Q - Caio Greiner

Okay. Thank you.

### Operator

The next question Thiago Lofiego of Bradesco BBI.

### Q - Thiago K. Lofiego {BIO 16359318 <GO>}

Thank you. Good morning, everyone. First, thank you, again, to Guilherme for his partnership. Those who know Guilherme, have worked with Guilherme, know how engaged he's always been, providing access and communication. Thank you, Guilherme. Very good. It was great to have you.

Now I have a couple of questions. First, I'd like to focus on the evolution of your demand recovery in Wood. When you consider the worst moment, which I think was at the end of March, beginning of April. So how much had your volume dropped, considering a normal level? Maybe 60%, 70%? Whatever the number. And then how is this figure now? How has it evolve throughout April? How do you see May? So this is one of the things I'd like to understand. How you see your recovery? I expect that your numbers are below normal, but better than late March. Now the second question is still about March. What's the competition like? Do you see other players reducing their capacity? How do you see the

behavior of your smaller competitors in the sector? And then are they using exports as a possibility?

Now my third question is about your dollar costs. Your exposure, of course, is lesser than - less than you had before. You have more exports, but when do -- when we have a depreciated exchange rate, what will happen in (inaudible) and Deca Metals and Deca as a whole? Thank you.

**A - Antonio Joaquim de Oliveira {BIO 15358831 <GO>}**

Well. Thiago, everyone is saying goodbye to Guilherme. But Guilherme is here with us. He's still working for us. Yes, yes, but he should be congratulated anyway on such a new challenge. Yes, it is a very interesting challenge. It's very good for Guilherme. He's really excited about what we are expecting, plan to do in terms of revenue management at Deca. That's a very interesting -- that's very interesting work. Well, the first part of your question, Thiago, about volumes. If I understood correctly, you want to know about volumes comparing what was normal in April, May, June. Was that your question? Yes, domestic market volumes in Wood, okay?

**Q - Thiago K. Lofiego {BIO 16359318 <GO>}**

Yes, you had a particular volume level. It has dropped. And what's going on now? What's the percentage? What was your normal levels before coronavirus?

**A - Antonio Joaquim de Oliveira {BIO 15358831 <GO>}**

Okay. Very good. So Wood, so what has happened? There was -- first, the quarter one figures. So we were in-line with the market. The market was having some trouble, but we did get very good results, with good margins. So when we report Wood as a whole, and we consider just wood panels we had a better mix. And we were rather excited. And when we consider Wood and compare that to the budget, Wood was the division that exceeded the budget in quarter one. Although of course in -- when you compare it to 2019, the growth was not that relevant.

Now in Wood, we are a little more confident in faster recovery of volumes. In April, for instance, we had 46% of a normal volume level, about 46%. And this might mean 50%, up 2019. And we're expecting to grow in May and June. We're expecting this business to grow. In fact, we expect that we can maybe reach 60% or 70% or maybe even 80% at the end of June. The retail market in Wood -- wood boards is doing well. I mean, when I say, well, you know what I mean, right? Well, given the circumstances, in other words, better than expected. Who is suffering more in the Wood segment are the furniture companies.

The ones that buy MDP that -- which is more like a commodity. Because stores -- furniture stores like Casa Bella and Magazine Luiza, they're closed. So this recovery is based on retail sales. Retail stores are working in part, but they do well with online shopping. So wood restructuring in terms of volumes may be on the same level as the other divisions or maybe recover even faster than the other divisions.

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In terms of the competition, we see no exception. All our competitors are working on with lower volumes, rather really low volume. So we have two new competitors who aren't completely stopped with stores shutdown -- with plant shutdown. And the ones that are closer to us in terms of size, not as small, they're operating in very similar condition to ours or at lower volumes. The occupancy level is rather similar to Arauco and other competitors. Everyone has had to slash down their production levels and they are in under similar conditions. Some of them have announced vacation to take place in mid-May.

So in the first fortnight of April and mid-April, all our plans -- Wood plans were came to a hold. We gave them 15 days of vacation, used all the hours they had accumulated, because we we're committed to preserving jobs. So for us, it was important to provide this to our employees, and we're doing fine in this respect, but we are now back to work, and we're operating like one week, one line works, the other week, a second line. In other words, we have a partial operation that -- to meet the current needs. So in terms of Wood, there is no price movements.

Everyone knows that there is of course pressure on prices. And this means that there's no particular problem with prices. Like with Deca, for Wood, it's the same. In other words, there's no up or downside movement in prices. Prices remain stable. I don't know if I answered your question, Thiago. Do you have anything else to ask?

**Q - Thiago K. Lofiego** {BIO 16359318 <GO>}

No it's perfect. I just had the question about the dollar costs.

**A - Antonio Joaquim de Oliveira** {BIO 15358831 <GO>}

Okay. Dollar costs, what we've seen. As I said, we have our own resin plants. And we have very good negotiations with our suppliers as well. So we have no major pressure being put on us, although of course, we're -- well, there is this pressure of the dollar exchange rate, but then we don't have a -- such high-pressure in terms of inputs in the Wood sector. Deca, for instance, in the year-to-date, the price of commodities are absorbing the impact anyway.

**Q - Thiago K. Lofiego** {BIO 16359318 <GO>}

Okay. Thank you, Antonio.

**Operator**

(Operator Instructions) We now close our Q&A session. I'd now like to turn it over to Mr.Henrique Haddad for his final remarks. Mr.Haddad, you have the floor.

**A - Carlos Henrique Pinto Haddad** {BIO 17599460 <GO>}

I'd like again to thank you, everyone for attending. Do you have anything to say Antonio?

**A - Antonio Joaquim de Oliveira** {BIO 15358831 <GO>}

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Yes, I do Henrique. I'd like to point out that -- I'd like to stress to our market analysts and everyone who's been following us up. That as any company, we have been under the impact of the current crisis. But we're also very excited on the other hand, of course -- the results we've been achieving, considering the crisis. Our cost controls, our work on supplies, on HR. HR is doing a great job protecting our employees as well as our social activities, social responsibility, giving support to hospitals. We have focused on helping out hospitals in the regions where we're located. So I'm really excited in that we will go through this crisis. We didn't expect it to happen, of course, but I have to stress some important points.

A lot of what we've been learning now means that we will come back at a much better level. A clear example, about the meetings, we used to travel a lot. And we are now using productively and very intensively a conference call system, which will reduce our costs later in the future. There's also a huge focus on the atmosphere in our plants.

People are really positive and working in a very interesting way. That was one point. And in a crisis, of course, the entire top management, and I and everyone on the sales front and at the plants, everyone is positive and we're working hard. Working every day, including weekends, so we have now a separate team. There's a whole team dedicated to the operations. Then we chose a group of young talents, people who have roles that required less dedication to the operation front. So we have a new group now in which we call taking care of the future. In other words, how can Duratex resume its activities in a better way.

So we have a new project and I'm responsible for one of these groups. So we are considering all the points that cannot stop, that cannot wait. That also will provide new opportunities for us later on. So it's so interesting. We're working on marketing or also in our commercial front. So there's a transversal or cross-sectional project, including all segments. It's like we had a team or teams running at different speeds. One, looking at the market and the other team, considering our strategy, revisiting our strategy and considering the future -- our future actions.

So I feel extremely confident that we're doing a great job. We're working really well and that we will get out of the situation and when we resume our activity at a normal level, will be a much better company with a good focus. So thank you, everyone, who followed us up. Haddad you may close. Thank you.

#### **A - Carlos Henrique Pinto Haddad {BIO 17599460 <GO>}**

So we'll be in touch in our next meetings. And in the meantime, our Investors Relations team, Natasha and I will keep you informed. Thank you very much.

#### **Operator**

Duratex's conference call is now closed. Thank you everyone for attending. Have a great day. Thank you for using Chorus Call.

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