Duratex: who we are

68 years of history

12 thousand employees

7 forestry units

16 manufacturing facilities in Brazil

Leader in the market for producing bathroom fittings

One of the market leaders in the country’s floor and wall coverings segment

Biggest producer of wood panels in Brazil

3 manufacturing facilities in Colombia

Our brands

duratex  
duraflow  
hydra  
deca  
ceusa  
PORTINARI

CERÂMICA
Corporate Governance

Shareholder structure

- Dividend policy requiring minimum distribution of 30% of adjusted net earnings
- Senior Board comprising 9 members, including 3 independents;
- Senior board members may not hold an executive position within the company;
- 6 executive committees;
- Risk Management, Compliance, Audit and Ombudsman Departments;
- Brokers who cover the Company: Bradesco BBI, BTG Pactual, Citybank, Goldman Sachs, Empiricus Research, HSBC, Merrill Lynch, Morgan Stanley, Nau Securities;

Grupo Ligna reunites the investments of Helio Seibel and Salo Davi Seibel. Both are entrepreneurs with over 40 years of experience in different sectors of the economy. Currently, Grupo Ligna invests in the retailing, industry, power generation, property, agriculture and financial sectors. Net Assets: R$1.0bn (Dec17)

Itaúsa centralizes strategic and financial decisions of a group of companies. Itaúsa operates in financial and industrial areas and also administers large business institutions. Itausa is controlled by Itaú Unibanco S.A and is Brazil’s largest private bank in terms of assets under management and market capitalization – Market Cap: R$101.6bn (Dec18)
Our manufacturing and forestry facilities
Our portfolio

**MDP**
Uncoated MDP, with applications in the furniture and civil construction sectors.

**Madeplac BP**
Coated MDP. Standard and Textured.

**MDF**
Uncoated MDF, with applications in the heavy-duty furniture sector.

**High Gloss BP**
Coated MDF, with different degrees of gloss finish.

**Madefibra BP**
Heavy-duty, coated MDF Standard and Textured.

**Durafloor**
Laminated wooden floor coverings and vinyl floor coverings made from 100% recyclable PVC.
The Panels Market

Main companies

- Duratex: 32%
- Arauco: 24%
- Berneck: 16%
- Fibraplac: 8%
- Others: 20%

*Capacity Share

Final Destination

- Domestic Market: 84%
- International Market: 16%

Main Indicators for the Sector:

- Brazilian GDP
- GDP – Civil Construction
- Consumer Confidence

Main Association:

- IBÁ (Brazilian Tree Institute)

Current Market Utilization

- Idle: 20%
- Utilized: 80%

* IBÁ data and Duratex estimates
Our operation

### 4 Manufacturing units
- Agudos (SP): MDF and Durafloor
- Itapetininga (SP): MDP and MDF
- Uberaba (MG): MDF
- Taquari (RS): MDP

### Capacity Share
- MDP: 39%
- MDF: 28%

### Product/Volume Mix
- UNCOATED: 60%
- COATED: 40%

### Strategy of the Division
- Dedicated Factories
- Cost efficiency
- Differentiation

### Sales Segmentation
- Resale: 42%
- Furniture Industry: 56%
- Civil Construction/Other: 2%

### Cost Segmentation
- Fixed Cost: 30%
- Variable Cost: 70%
  - Resin: 28%
  - Wood: 17%
  - Paper: 15%
  - Labor: 13%
  - Depreciation and amortization: 9%
  - Electricity: 7%
  - Fuel: 7%
Our Portfolio

Sink
Applications in commercial and residential kitchens and bathrooms (Inox Sink)

Sanitary Wares
Applications in commercial and residential bathrooms

Showers
Wide variety of electric and gas powered showers

Valves
Used in operating flushing mechanisms

Metals
Wide variety of taps for kitchens and bathrooms
The Construction Market

**Market Share Sanitary Wares**

- Deca: 40%
- Roca: 30%
- Others: 30%

**Market Share Metal Fittings**

- Deca: 40%
- Docol: 20%
- Others: 40%

**Market Share Showers**

- Lorenzetti: 65%
- Deca/Hydra: 20%
- Others: 15%

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*ASFAMAS data and Duratex estimates*

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**Main indicators for the sector:**

- Brazilian GDP
- GDP – Civil Construction
- Consumer Confidence
- New constructions

**Main Associations**

- ABRAMAT (Brazilian Association of Construction Materials)
- ASFAMAS (Brazilian Association of Sanitary-Ware Manufacturers)
Our operation

Sanitary Wares

4 Manufacturing Facilities
- Jundiaí (SP)
- Queimados (RJ)
- João Pessoa (PB)
- Cabo de Santo Agostinho (PE)

Metal Fittings

3 Manufacturing Facilities
- São Paulo (SP)
- Jacareí (SP)
- Jundiaí (SP)

Electric Showers

1 Manufacturing Facility
- Aracaju (SE)

Capacity Utilization
- Sanitary Wares: 74%
- Metal Fittings: 79%

Strategy of the Division
- Operational efficiency
- Asset Light
- Pricing

Sales Segmentation

Cost Segmentation

- Resale/Home Center: 20%
- Civil Construction: 15%
- Wholesale: 4%
- Others: 66%

- Other materials: 4%
- Metals: 8%
- Labor: 15%
- Electricity: 36%
- Depreciation and amortization: 15%
- Fuel: 32%

Fixed Cost: 32%
Variable Cost: 68%
Duratex

CERAMIC TILES DIVISION
Our Portfolio

Polished porcelain tiles
Applications in drier environments such as living rooms, corridors and bedrooms

Tiles
Wide range of applications for wet or dry environments

Special finishings
Wide range of applications with exclusive designs using 3D technology.
The Ceramic Tiles Market

Production Split

- 72% Dry Process
- 28% Wet Process

Market share (% Revenue)

- Portobello: 9%
- Ceusa/Portinari: 7%
- Eliane: 7%
- Roca/Incepa: 4%
- Elizabeth: 3%
- Others: 70%

Main indicators for the sector:

- Brazilian GDP
- GDP – Civil Construction
- Retail - Civil Construction
- Volume of ceramics
- Volume of cement
- Volume of steel

Main associations:

- ANFACER (National Association for Ceramic Tile Manufacturers)

Current Market Utilization

- 75% Utilized
- 25% Idle

*ANFACER data and Duratex estimates
Our operation

4 Manufacturing Facilities
- Urussanga/SC
- Criciúma/SC

Production Capacity
- 31 million m²/year*

Capacity Utilization
- Ceramic Tiles: 96%

Strategy of the Division
- Focus on high-end products
- Increased capacity (New line)
- Synergies Cecrisa + Ceusa

Product differentials
- Monotone
- Mono-caliber
- Dry joint fitting

Sales Segmentation

Cost Segmentation
- Raw material
- Labor
- Eletricity
- Depreciation and amortization
- Fuel

* Consider CEUSA expansion

Capacity Share
- 3%

Production Capacity
- 31 million m²/year*

Capacity Share
- 3%

Strategy of the Division
- Focus on high-end products
- Increased capacity (New line)
- Synergies Cecrisa + Ceusa

Sales Segmentation

Cost Segmentation
- Raw material
- Labor
- Eletricity
- Depreciation and amortization
- Fuel

* Consider CEUSA expansion

Production Capacity
- 31 million m²/year*

Capacity Share
- 3%
**Consolidated Results**

- **Improvement in the economic scenario with greater confidence and consumption**, boosting 4Q19 results

Net Income and Gross Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Income</th>
<th>Gross Margin</th>
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</thead>
<tbody>
<tr>
<td>2014</td>
<td>3,984.5</td>
<td>31%</td>
</tr>
<tr>
<td>2015</td>
<td>3,963.2</td>
<td>28%</td>
</tr>
<tr>
<td>2016</td>
<td>3,909.8</td>
<td>26%</td>
</tr>
<tr>
<td>2017</td>
<td>3,990.9</td>
<td>29%</td>
</tr>
<tr>
<td>2018</td>
<td>4,949.4</td>
<td>26%</td>
</tr>
<tr>
<td>2019</td>
<td>5,011.7</td>
<td>26%</td>
</tr>
</tbody>
</table>

Rec. EBITDA and EBITDA Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Rec. EBITDA</th>
<th>EBITDA Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>952.1</td>
<td>24%</td>
</tr>
<tr>
<td>2015</td>
<td>836.7</td>
<td>21%</td>
</tr>
<tr>
<td>2016</td>
<td>681.0</td>
<td>17%</td>
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<tr>
<td>2017</td>
<td>760.0</td>
<td>19%</td>
</tr>
<tr>
<td>2018</td>
<td>848.5</td>
<td>18%</td>
</tr>
<tr>
<td>2019</td>
<td>909.9</td>
<td>19%</td>
</tr>
</tbody>
</table>

- **EBITDA with significant improvement in the period**, mainly due to consolidation of Cecrisa and the evolution of Deca’s results

- **Strong cash generation:** improvement in working capital, EBITDA and management of CAPEX

Net profit rec.

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>359.0</td>
</tr>
<tr>
<td>2015</td>
<td>221.9</td>
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<tr>
<td>2016</td>
<td>(13)</td>
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<tr>
<td>2017</td>
<td>180.7</td>
</tr>
<tr>
<td>2018</td>
<td>271.2</td>
</tr>
<tr>
<td>2019</td>
<td>275.0</td>
</tr>
</tbody>
</table>
**Financial Indicators**

- **Significant reduction in the leverage level**, due to the higher generation of operating cash and sale of forest assets.

**Net Debt and Net Debt/EBITDA**

- **Long-term debt** representing over 70% of gross debt.

- **Extending the average debt term from 2.1 years to 3.7 years**, as a result of the successful liability management strategy.

**Amortization Timeline**

**Debt Profile**
The Company turnaround...
Strategy Development
A leaner and more productive Duratex, with stronger shareholder returns

Growth Cycle
- Boom in demand
- Increase in market share
- Geographical and product diversification
- Consolidation of Corporate Governance

Economy Expanding 2007 to 2014

Cultural Transformation
- Strategic review of the Duratex culture
- Rejuvenated culture ready to face new challenges
- High performance teams
- Active and engaged leadership

2015

Management Excellence
- Duratex Management System
- Identification of gaps and priorities
- Zero Based Budgeting
- Operational Efficiency
- EVA as a performance metric

Economic Crisis 2016

The New Proposal Duratex
- Solutions for Better Living
  - Duratex 2025
  - Client at center of strategy
  - Digital innovation
  - Welcome: Ceusa and Viva Decora

2017

Asset Management
- Sale of land and forestry assets
- Sale of the Hardboard business
- Closure of the unit at Botucatu and reopening of the unit at Itapetininga
- Joint Venture in dissolving wood pulp with the Austrian company Lenzing
- Unification of shower operations with the closure of the operations in Tubarão/SC
- Ceusa Expansion Project

2018

Economic Recovery
2019

Launch of inox cubes

License granted for construction of the Dissolving Wood Pulp factory

SYNERGIES
Closure of the ceramic tiles unit in Santa Luzia/MG

Closure of the Sanitary Ware unit in São Leopoldo

Acquisition of CECRISA

Closure of the wood panels unit in Botucatu/SP

And still more...
The New Duratex

A company focused on...

...GENERATING CASH AND MAXIMIZING SHAREHOLDER VALUE
Executive remuneration based on cash generation and EVA

...SUSTAINABLE GROWTH
Organic and inorganic growth within our way of working and being

...INNOVATION & DIGITALIZATION
As a way of simplifying our processes and leveraging our sales channels

...STRATEGIC ASSETS
Optimization of the current assets and productive management with partners

...CLIENT SOLUTIONS
One-stop-shop, complete in-situ experiences

WAY OF BEING AND DOING
Strategic pillars

PEOPLE
The people are our strength

RESULTS
Sustainable high performance

PROCESSES
Job well done, simply and safely

CLIENT
We are the best choice
Sustainability

80% of renewable sources in our energy grid

Around 10 Thousand employees have already completed an educational program in sustainability

55% of the energy grid composed of biomass

Our forests are inhabited by more than 2 thousand native species of fauna and flora, with 30 of them at risk of extinction, according to the IUCN red list

24% of water re-use in our in-house production processes

11 biodiversity projects developed in 2018

Our numbers and Strategy

People

Developing People and Creating Value in the Chain

Aspirations

Working Conditions and Employee Development

Client and Consumer Engagement

Relationship with Communities and Local Development

Themes

Processes

Growing the socio-environmental positive impact from point to point

Products & Services

Innovating with sustainable solutions

Sustainable materials and solutions

New business models

Generating new business that supports sustainability

Generating new business that supports sustainability

Generating new business that supports sustainability

Generating new business that supports sustainability
Four Business Units

Solutions for Better Living

Strong Brands
synonym of excellence

Portfolio of products
as a design benchmark

Innovation
as a directional of processes

Solid Management System (SGD)
with focus in generating value

CERÂMICA PORTINARI
ceusa

hydra
deca
durafloor
duratex

Dissolving Wood Pulp
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