



**Local Conference Call
Springs Global
First Quarter 2020 Earnings Results
June 26th, 2020**

Operator: Ladies and gentlemen, thank you for standing by. Welcome to the conference call of Springs Global to discuss the results for the first quarter 2020.

At this time, all participants are in listen-only mode, and ensuing this, we will go on to the Question & Answer session when further instructions will be given. Should you require assistance during the call, please press the star key followed by zero to reach the operator.

You can download the earnings release, financial statement and webcast presentation at the Springs Global site: www.springs.com/ri. This presentation may contain forward-looking statements regarding Springs Global, including its business operations, strategy and condition. The statements include descriptions regarding the intent, belief or current expectations of Springs Global or its officers with respect to the results of operations and financial conditions, the company and its subsidiaries.

With us today we have Mr. Josué Gomes da Silva, the CEO of the company, who will remark on the results of the company. I would now like to give the floor to Josué.

Mr. Josué Gomes da Silva: Thank you very much. A good day to all of you. Here we have Roberto Cristofanilli and Alessandra Gadelha, our controller and financial area and investor relations officers, respectively.

I would like to begin by stating that I hope that all of you are well as well as your families and that you are safe because we are all truly convinced that the events of this pandemic will of course pass. What is important at present is to have health and to be well to be able to care for our families, our businesses and of course to surpass this diversity that is unprecedented. And albeit it's very difficult to forecast because this event is completely unprecedented, at least for our generation, we are moderately optimistic, optimistic because of some of the results that we have obtained and that will be discussed today, and these points to the ability that the company has of adapting.

One of the foundations of Springs Global the company throughout its history is that



nothing is permanent, there is always change. We have already faced a great deal of change: It was a company of fabrics that then went on to work with consumer products, after this it became a retail company and presently it is a company that invest a great deal on technology, a technology that is producing results as you will see.

I'm going to be extremely brief in the explanations of the results for the first quarter. I believe that what is more important is to relate to you how we have been acting in terms of management during this pandemic since mid-March up to present and what it is that we foresee, of course with difficulties, and all of the considerations that the ability to forecast is quite limited, but how we look upon the second semester and for the year 2021.

Now the results can be explained in 3 broad blocks: The first block, a loss of EBITDA due to a loss of invoicing. When the trade was closed on March 18 and onward, not only the stores that we operated and the franchisee stores, especially the stores of our clients, the entire trade was closed due to the decision of authorities and due to decision of retail companies. Evidently, the orders that we had in our March portfolio were suspended, some were canceled because truly our clients were completely unable to receive the merchandise. The first quarter was doing very well with a reasonable portfolio of orders that would enable us to attain our goals in first semester with reasonable growth vis-à-vis the first quarter of 2019, and suddenly this was interrupted.

This loss of invoicing in Brazil and Argentina in the retail sector explains the great drop that we had in EBITDA. We calculate at least R\$16 million for the quarter, the loss of invoicing represents the more relevant part of this. We also have the exchange rate variations on the legacy cost of the American operation, and of course this has increased the cost. As a whole, we estimate a minimum loss of EBITDA for the first quarter of approximately R\$16 million and with an impact on the results for this quarter. Now this is based on what we lost vis-à-vis the portfolio we had at that time and the orders that were either suspended or canceled.

The second block to explain the results for the quarter are the financial expenses that were higher than normal. Normally, they are very low, but this was due to an exchange rate variation and the exchange rate had an impact, the little exposure that the company still has, and this is a natural exposure, we work with several countries in South America and some countries in the USA and Europe, they are not significant volumes of exports, but this is a natural hedge for exchange rate variations. And also because of this operation of prepayment for exports that was undone completely in January leading to a reclassification because we had already paid for these exports without having them. We decided not to charge for



performance because this could decharacterize the act and we had to pay a significant amount of fines, but this is a nonrecurrent impact on cash.

So one is a non-cash effect, we have the exchange rate variation that eventually could come back at some time, and these are the ones that explain at least 50% of these financial expenses that we present for this quarter.

And the third broad block is a non-cash effect, nonrecurrent as well, with a significant impact on our stake at Keeco. As you follow up on the company, you know that the company has 17.5% stake in Keeco as a result of the sale operation that we carried out for our activities in the North American market, part of this we receive in cash, part of this in stock.

We the effect of the pandemic on the Keeco business, Keeco has reviewed its planning, the planning for 2020 and ensuing years as a reflection of the impact of the year 2020. Of course, Keeco had to work with a more conservative planning because of its obligations with its stakeholders and those that finance the Keeco operations, and when we understood this new planning that represented a substantial drop of 2020 and subsequent years of the cash generation that had been foreseen and that was complied with in January and February quite comfortably, we had to recalculate the amount of the investment according to these new accounting rules, which represented an impairment and also with an impact on the carry-forward loss for the North American company.

We explained to you that the corporate structure that Keeco adopted is that of a pass-through Corporation where the partners pay for these taxes. Now obviously, all of this was accounted for by the accounting rules taking into account the outlook for the results that Keeco presented at that point and the decisions of the management. Now with a change in this outlook, we not only had to recalculate the amount of this asset with the impairment, we also had to recalculate the amount of the benefits representing an impact of approximately R\$120.8 million in the results of the company.

This is non-cash effect, it is nonrecurrent, and as you work with impairment, even if the Keeco business resume strongly, we cannot go back to the original value, which means the investment is not worth what it would truly be worth, it will be worth more and of course the value will be much greater than the accounting value. This was an accounting law that we had to adopt as soon as we got wind of this because we are counselors for Keeco for their new outlook. And the good news is that in the month of May, April... March, April and May, Keeco presented a performance that is higher than the projections that led us to recalculate the amount of investment and the impairment. Once again, we cannot do away with



the impairment, this is not allowed, but we do feel content that they are having a better performance.

These are the 3 broad blocks explaining the results of this quarter: The sudden stop in trade, the cancellation or suspension of orders; the exchange rate variation and the prepayment for exports – that in truth saved is a great deal of money because the exchange rate was much lower at that point, it was almost providential, but we did have to make the tax adjustments –; and the impact of the impairment and the Keeco results and the consequent doing away of this agreement.

Having said this, I would like to now explain to you what we have done in terms of managing the pandemic and the company in this unprecedented moment. Our concern of course was with people, our associates and our clients. On the week of March 8, at least 2 weeks before São Paulo had decreed a quarantine, we put our administrative units in home office, and this has been maintained this way since then.

At the plants, we adopted 2 measures: The first measures for social distancing, adequate measures and we haven't had a supervision, but we have had the visit of health authorities, federal and Ministry of Labor visits, all of which have praised us because of the protocols that we adopted in the company and that have been enhanced throughout these 2 and a half/3 months. But since the very first moment, these were the protocols that we adopted: Social distancing in transportation with a greater frequency of transportation of our employees so that they can ride on buses that are leased to take them from their homes to the plants with adequate distance; the use of protective masks; disinfection tunnels upon entry; we have a sanitation of the eating halls and we have a greater number of shifts in which we serve food; we take temperature at least twice a day for each of our employees; and we are aware of all of the people that are included in the risk group because of age or comorbidities. All of these measures that have become a basic protocol had already been adopted since the week of March 8.

Additionally to this, obviously with the intention of adjusting our production capacity to the new estimation of demand and realized demand, we put 2 of our units under a training system taking advantage of the law that we had since the financial crisis of 2008 in Brazil that guarantees the payment of employees that are away for training during a five-month period. We used this law of 2008 before the Provisional Measure 936 came into effect, which means that we were able to gain 3 months. We began to take these measures on the week of March 8 already.

These were the main measures regarding the care with people and the adjustment



of our projection structure and other areas of the company to the new reality of demand that we were going to witness of course. Now besides this, other measures were also taken, a reduction of fixed cost especially. I'm not going to mention all of these measures, but these were the broad measures adopted to reduce costs and to adjust the production capacity to this new reality.

We had 2 units that were closed without having scheduled this closing, and this because of the decision of local authorities. For a one-week period the unit in Blumenau remained closed at the end of March, since then it has gone back to normal operations and this due to the interpretation of local rules that had not been fully clarified and that let that margin of doubt, and because of this we decided to avoid operating at that point in time when we still had some doubts in terms of which were the criteria we should adopt. And the unit in Argentina that closed on the second week of March based on the decision of national authorities and remained closed until the end of the month of May, returned to partial operations in the month of June, and in July we expect to return to full operations. But today, once again the Argentine government has decreed a total lockdown of the federal capital and the province of Buenos Aires for at least 17 days, which means to say that perhaps it will not be possible to return to full operations in Argentina. The rest of the country will remain open, but it is very probable that we will not be able to fully resume our operations in the industrial unit in Argentina as scheduled.

Buenos Aires represents most of our consumption in Argentina, from 40 to 45%, and our invoicing in the month of June in Argentina – that had an excellent portfolio, that would attain a record invoicing – perhaps it will be somewhat hampered. The merchandise would leave from Santiago del Estero, go all the way to Buenos Aires and beginning on the 30th all of our clients will be closed and will be unable to receive this merchandise because of the very stringent lockdown with prohibition of public transportation in the region of Buenos Aires.

Simultaneously, we obviously tried to comply with our social responsibility, especially in the communities in our surroundings and with health professionals around Brazil. Because of this, we carried out a great number of donations of hospital products, of protective masks to the population of several cities and we had a significant participation with other national institutions that have helped and worked a great deal to help the public health sector in Brazil, and of course this is the responsibility of companies such as ours and we are complying with this work making donations to health professionals. And of course, we are extremely satisfied to be able to contribute at this point of time with those frontline professionals that are saving lives in terms of the COVID-19 pandemic.

Other very proactive activities that we have carried out – because we have that



culture that nothing is permanent except change – was to head straight into the segment for health protection. To give you an idea, on April 14, we launched our health protection products manufactured either as washable and reusable masks or TNT, surgical masks, procedural gowns, foot and head protectors and other disposable products for hospitals. We launched this line on April 14, we began to produce these at the end of April in a significant production ramp-up, and at present per day we are manufacturing 1 million protective items per day between surgical masks, fabric masks and protective gowns and other protective items.

This is a completely novel line in the company that did not exist before. Between April 14 up to present, we have sales orders of more than 100 million items for health protection, and these have begun to be delivered, they began to be delivered in May, June, and will continue to be delivered throughout July and August, and obviously we will continue to sell these products and to increase our product and order portfolio for these products. As mentioned, we produce 1 million units of this protective care per month. We can sell a great deal of these products.

Now the estimated profit of these 100 million items already sold – not delivered, but sold – basically will be able to replace or offset approximately 55 to 60% of the loss of invoicing in the bed, tabletop and bath products and intermediate products that we recorded in the month of March, April, May and June.

Now we estimate that beginning in July the sales of bed, tabletop and bath and intermediate products will return to normalcy, but we are going to continue to sell more products from this completely novel line that we did not have before, which is our protection products. And somewhat abashed, I acknowledge that we should have been present in this segment, which is such a worthy segment that we discovered during the pandemic, and we now know how vulnerable we were as a nation, as society; we depended on the imports of these items and they can be produced in Brazil in a fully competitive way when you do the right investment, you set up a good capacity, and when you are competitive.

Now the second point is that the investments that we were making in technology and the team along with the strength of our brands led to a phenomenon that was general, but that for us was ever stronger, which is that digitation. This made it possible for us to replace the sales of the retail market, the estimated sales for brick-and-mortar stores and Internet in the second quarter with sales on Internet.

In this second quarter, we are going to have more Internet sales that are 20% higher than the Internet sales for the entire year of 2019, a very strong growth that thank goodness was possible to the strength of our brands, but also thanks to be the spectacular work in the development of proprietary technology and a very



competent team that is working despite the fact that they are in home office, they are working extremely well with the introduction of new product lines, for example, a pet line that has had fantastic success, and a line of mattresses and other brands of ours will also make available mattresses and other products that we are selling to thus enrichen our bed, bath and traditional tabletop products.

With all of this, in the second quarter we have a retail area that did not lose very much despite COVID, despite the lockdown. Our network of stores is operating with less than 70% of the stores open with a great deal of uncertainty, some regions have reopened, they have now had to close down again, but we have offered full support to our franchisees, we have maintained them with a sound financial health, availability of revenues based on our Internet sales taking advantage of the labor force at the stores so that they could use their contacts with clients through WhatsApp and other apps enabling them to sell and making commissions, not only for the salespeople, but also for the store that they are connected to, and all of this to ensure that we could tighten the relationship with our franchisees.

Now, the sales in wholesale had a significant impact in the month of April, they began to recover in the month of May, and of course in June the growth of wholesale of May compared to April is 50% and more than 50% between June and May. The drop in April and May was significant, but it shows us very clearly that this sudden initial stop was strong, it's natural that it would be, but that economic activity will be resumed, perhaps at lower levels, but will resume at a more reasonable level going forward.

We have a project that is more than a project, it's reality; it's called Pix business-to-business (Pix-pro) that was launched with an expansion of our distribution capillarity in the wholesale market. We did this very speedily and scalable and low-cost system, and we believe that as this Pix-pro evolves quickly it is highly scalable, we will suffer less. It uses proprietary technology that were developed without the risk of credit, this was done with a Fintech through special work and the receivables are being open to clients, they are being sold as a resource to the Fintech, therefore, we have no risk of credit, we are not offering credit to the clients, and we believe that the evolution of Pix-pro without a doubt will attenuate the loss of volume that will be natural in the second semester. Well, there will be a return to activities, but of course not at the levels that we had and that we had foreseen before the effects of this pandemic.

Finally, I would like to say that we have had a great deal of calmness and received a great deal of support from all of the financial institutions that give us support without any problems, we are quite calm in terms of liquidity. The worst moment of



liquidity was during the month of May and June because several of the bills sent to the clients had been issued and postponed. Once this period is over, I am convinced that because of the renegotiation that we had during the second quarter, the postponement of payment for other years with several relevant financial institutions and allies and especially the sales of our retail market and the protective items, we now have a shorter financial cycle. That culture of paying in the long-term is not the same as the textile sector with its receivables, therefore, we are quite calm when it comes to our liquidity, and without a doubt we will be able to go through this unprecedented moment and come out stronger with this new segment that is truly marvelous.

To be very honest, we should have thought about this way before. We did enter the segment, we did it well, we did it quickly, with very competitive and good products, and thanks to this phenomenon of digitization that was already underway in several companies, those that were better prepared, those that had invested in their digitation processes took advantage of this phenomenon.

Let us recall that when we began our project, our strong digitation process at the beginning of 2017, we had closed digital sales that if we annualize them, the e-commerce sales for the second quarter of 2020 represent more than 42 fold compared to what we have attained in 2016. As I said, in this quarter a growth of more than 20% if compared to the year of 2019 in only one quarter. And during this quarter we will be very close to what we had estimated for digital sales for the entire year of 2020, which was already a growth of 50% vis-à-vis the year 2019.

So the truth is that this phenomenon is not unique to us, but it was very strong in the company. The company was ready, and the company has singular, unique brands that are very strong.

This is what I wanted to share with you, and of course, I am at your entire disposal for any questions that you may have. Thank you.

Question and Answer Session

Operator: We will now go on to the question-and-answer session only for analysts and investors. Should you wish to pose a question, please press start 1. The questions will be answered in the order they are received. If at any point you would like to withdraw your question from the queue, please press star 2.

Our first question is from Pedro Zaniolo, from Condor Insider.

Mr. Zaniolo: Good morning and thank you for taking my question. I have 2 very



short doubts. The first, regarding your debt, you mentioned that your debt increased of course because of the exchange variation. But I would like to know if you have foreseen something to reduce the cost of the debt, a rollover or perhaps resorting to the capital market, something in that sense.

Secondly, if you could give us a better vision of your Capex for the rest of the year. Thank you.

Mr. da Silva: Thank you for the questions. I'm going to begin with the second one, it's shorter. The Capex has been interrupted. Presently, we have no forecast of having additional Capex until the end of the year except for minor things that are necessary and important, but nothing relevant.

When it comes to the debt in this quarter, we settled a (CRA - Agribusiness receivables certificates) debt that we had, and as we are broad consumers of agricultural raw material, we have spoken about this, we settled our debt for the quarter. And as I mentioned during the presentation, our capital structure is still one that is leveraged, but we are quite calm in terms of the liquidity of the company because of our partnership with several financial institutions with which we have negotiated the maturities throughout the entire year and going forward. So we are quite calm at this respect.

Now, we are a very significant consumer of raw material and a line of financing for raw material (the CRI) would be something completely natural for us. Thank you for your question.

We have a question in the webcast regarding this new line of products, the protective items. As I mentioned, we began the production of these protection items at the end of April with a very strong impulse, and at the end of June we had a daily production of 1,000,000 (one million) pieces or items, and when we began the protection we also began the sales, and throughout these 2 and a half months we have sold more than 100 million items of protection, surgical masks, protection robes, as well as fabric masks, (with mooring straps) that are much more durable for harsher working environment, and also with elastic for the population at large that prefers having an elastic support for the masks although the elastic has a problem as you wash them as they lose their elasticity, but we have carried out tests in the best research institutes of Brazil, and our masks go beyond the minimum protection that was recommended by the ABNT (the standards committee of Brazil) for washable, reusable masks.

The recommendation of ABNT for these reusable masks is of 70. And what is this



BFE? Bacterial filtration effectiveness. Ours reaches 85% before washing the masks and after washing the mask. This is important, there is a great deal of fabric masks being sold in the market, before washing them they have a good BFE, but after being washed they lose their filtering capacity. And what is more important is the possibility of breathing through the mask and the indicator is the lower the better, it is less than half of the index recommended by the ABNT (the Brazilian standards institution).

The surgical mask is a technical mask, it has a universal standard and that mask stringently follows the specifications, international specifications for protection for breathability against water (water column protection). Now, the fabric mask doesn't have a very rigorous specification, but ABNT following European and American recommendation, has adopted this pattern: BFE of 70% and the breathability index below 0.6. Ours has 85 and 0.26 in terms of the breathability index. I'm not sure if this is the exact index. Now, this was tested in a laboratory, so our brands have excellent quality, but the main item is for surgical masks that allow these masks truly protect health professionals.

Total sales, as mentioned, attains more than 100 million units enabling us to recover more than 50% of the sales loss in the traditional lines in the wholesale market. Now, in the retail sector, let's remember, we did not lose sales, we lost a sales growth perhaps, it's our wholesale unit that lost on sales. And as we deliver these 100 million items, we will recover 55% of the invoice loss between May and June, 130 million (in Brazilian Reais), and this will not happen this quarter.

Part of this took place in April and May, this will continue in June and going forward, and this is a line that is now here to stay. We entered this segment, we did it well and we have become significant suppliers not only for Brazil. When exports are released once again, we are going to export to other countries. And what we expect in terms of invoicing during this period is 55% with a greater margin because they have a somewhat higher margin that are normal line of bed, tabletop and bath.

In terms of margin, what we are expecting is (to recover) 60% of the margin's loss during this period. What is important is that it is a product line that is here to stay with that production volume of 1 (one) million items per day, and here we include the brands made of fabric that I think will be less permanent. Hopefully, with the development of vaccines, this pandemic will be through and the population will no longer have to wear these fabric masks. And as you see in the Oriental societies, they will use a disposable mask, which is the surgical mask that we will continue to produce permanently. We continue to produce the fabric mask, but we believe that this production will have to stop.



Now, protection for health professionals, this is a definite line, a very beautiful line that has left us highly satisfied and we are happy to be able to help the frontline professionals in Brazil, and this is a significant opportunity for entering this segment.

Operator: We have another question from Heloísa Cruz.

Ms. Cruz: Good morning and thank you for taking my question. And congratulations for the creation of this new line. I have 2 lines (questions). The first, regarding Keeco, we didn't read anything in the results since last year, we have seen that the results have been negative. I would like to have more visibility in terms of this.

And the second question refers to the sales of bed, tabletop and bath. Which are the brands that are standing out, others that are more restrained? If you could give us that information, I would appreciate it.

Mr. da Silva: Excellent questions. Now, Keeco is a company that before the pandemic had a forecast attaining very strong results with a cash generation of more than US\$75 million, giving it an excellent profitability, it has significant financial expenses, but they represent less than US\$25 million.

Now the scenario has changed considerably. First of all, the spreads there have increased, it's not only in Brazil, this is a phenomenon that took place throughout the world and the loss of sales when the gross profit margin is high, as you lose sales you lose a great deal in terms of EBITDA. This is a fixed-cost company with high fixed costs, and of course, it is positive when you grow your sales quickly, but it can have a significant impact when there is a drop in sales, especially like the present moment when several of the clients have closed down.

So this year we expect Keeco to reach a breakeven position. This is the post-COVID budget that we expect. As I mentioned, they performed better than the post-COVID budget, and I do hope that they will continue to move forward. They are extremely competent and professional managers and all of the shareholders of the company (except for ourselves), are executives in the company, they are fully aligned with the company results naturally, and they are very competent, and I think they will recover very rapidly.

The initial results were somewhat frightening, even the distribution center was closed down, this began in California, and 2 or 3 of their distribution centers are in California, where there was a lockdown. Now it's positive that the review their plan



in a more conservative fashion. I think it's better to be conservative than optimistic at present, and I do hope that they will recover, but it's not very probable that this year we will have, from Keeco, margins that will in fact allow us to have a positive equity.

Of course, the greatest impact was on accounting impact, the impairment, but we do foresee the possibility of having positive equity evolution during the year, but this is not very probable. I think we will (no longer) have a greater negative value coming from here.

Well, (The results from the Springs Global in the United States), there is a part of Keeco, and we have the legacy cost from the United States that we are still working with, so we have the overlay of these 2 aspects. And this, well, if Keeco continues to present good results, it will more than offset the legacy cost, but perhaps not all of them. So we will still have net expenses coming from the American operation. Once again, the result of the Keeco equity and the legacy costs.

Now, on the other hand, they do have important clients that have had good performance. You yourselves follow-up on the financial market when Walmart reported their results. Walmart is one of their clients, so there is a certain asymmetry among clients; some have closed it down, others have not, some were work in essential activities, and you have to at times catch up on your production to sell to these clients that continue to sell beyond the normal levels.

Now, I think they will go better than their planning, and hopefully, we will see that the impairment, which was a technical measure, will show us that reality will show completely different results.

Did you miss out on my explanation? Somebody mentioned that my sound was off.

Ms. Cruz: I heard until the point where you said that the impairment will be lesser than the real impairment

Mr. da Silva: and of course, we are rooting for this, and this is something we hope for. But you did hear the explanation, and we do hope that they have worked with a very conservative projection and we also worked with a distress test for the company with much more conservative actions that ended up happening in April, May and June, and it's natural to be more conservative. And once again, this impairment was technically well calculated with the forecast that we had in hand at that time, and that's what the company management has presented, and we hope



the impairment was conservative. Impairment is simply an accounting record without a cash effect.

Now, regarding the brands, all of the brands are performing very well. All of the brands have had strong growth: Santista, (Artex), MMartan and Moysés. And Santista, as (our last brand) to (start) sell(ing) directly to the consumer, has grown. It's natural that this should happen. The products that are champions, well, people that are staying at home have realized that pillows have such low cost, but they improved the quality of your sleep, and this product is worthwhile buying, it's worth investing in it.

All of the countries worldwide, once their trade reopens, had lower sales losses in products for home, for homecare. Of course, people are going to spend more time at home, they are spending more time at home, and because of this, they will invest more in home products, and one of the reasons why our Internet sales was so strong is because of this: We have people buying products to have greater comfort, more health and greater hygiene at home.

It's difficult to believe that there will be a drop, and of course there will be a drop in GDP, our product is associated to GDP, but perhaps this drop will be lower than that of other categories because of this trend of having people stay more at home and wanting to have more comfort and health at home.

All of the lines are champions, but perhaps the pillows have sold the most. Another item that has sold a great deal are blackout curtains. People are attempting to sleep better, and speaking about sleeping, I strongly recommend, and I am going to ask Alessandra to put this on our site and in the IR site a link for a webinar that was fostered by Coteminas this week on Tuesday, it is recorded and it is available with several authorities speaking about sleep and a silent pandemic and perhaps this is one of the most serious health problems worldwide; people sleeping poorly and how this an impact on their health, on their productivity and on their well-being.

This is a very rich and very interesting webinar, with highly qualified professionals, and you will see a truly spectacular initiative of Coteminas attempt to help people to sleep better, and with this to have a better quality of life by sleeping better.

It's worthwhile watching this one and a half hour webinar, it is recorded, you can watch it in parts, but it is worthwhile listening to this entire webinar, and it is a significant initiative of Coteminas. And new products will come based on technology, based on this specific goal of helping people to enhance their quality of life, their longevity and health by sleeping better.



Ms. Cruz: Very nice. Are there more questions?

Mr. da Silva: You can ask one more question, Heloísa.

Ms. Cruz: Referring to your real estate in Natal, if you had to sell off these assets.

Mr. da Silva: They were open the entire time, the street trade was preserved and traffic for our leases has increased, but during this quarter, this second quarter, we did have to make some concessions, once again because of this generalized impact on retailers, not only those in our real estate, but for the market in general. We did make some concessions, and what happened is that we have held back the outlet. This is going to be postponed, we can't sell this at present, it's almost impossible although one of the areas that will probably grow in trade – and there is a great deal of discussion regarding real estate – are outlets. We are going to go back to the selling in outlets, but for the time, this has been interrupted.

Now, the power center, which is the first building, is doing very well, but we had (also received) some concessions in terms of the rent. And Heloísa, we also made concessions in terms of the lease of rents. And I have to be fair, the large shopping mall operators in Brazil had to acknowledge that store owners would not be able to pay the normal leases in shopping malls that were closed, and they tried to avoid suits. We haven't had any suit and the negotiation was reasonable. Of course, we wanted more, but everything was based on common sense for those who lease real estate in Brazil.

Ms. Cruz: Thank you, thank you very much.

Mr. da Silva: Thank you, Heloísa.

There is a question referring to the protection product line and which is the invoicing that we are estimating. To give you an idea, very approximate idea, I will speak about the sales that we have at present with these 100-million items. I could speak about more than 100 million, 150 million, but it's not the case, it's somewhat more than 100 million. The invoicing represents R\$130 million approximately. The average invoicing is R\$1 per unit, and the production capacity I have already mentioned; we have orders and we are going to deliver these orders until mid-September. In the first week of September we will have delivered that entire portfolio of 100 million.

Now, we continue to receive orders and to sell, and God willing, this is a line that can offer us an invoicing between 20 and 30 million (Brazilian Reais) every month,



and this if we can continue with 100% of our production capacity. And also these include reusable fabric masks, and I do believe this will have a shorter lifespan, we are referring to approximately 30% of (this production capacity is related to) masks that are reusable, but the other masks, a nonwoven fabric mask, are permanent, we will continue to manufacture them and we will manufacture them for Brazil and other countries in the world. These are universal products and we have entered this segment with a great deal of competitiveness.

Now, the work on the outlet, the question is if the work is still continuing for the outlet in Natal. We have interrupted this. Everything that is attached to Capex was interrupted, so we will have a significant drop in Capex in the ensuing quarters. We interrupted the commercialization, the sales as well, that is why we have this interruption of investment.

Operator: A new question from Heloísa Cruz.

Ms. Cruz: Thank you for taking another question. I have 2, simply to measure the use of capacity: Which is the percentage of plant employees that are still working? And the product lines that you have in Argentina, are they winter products? Because there is a difference with Brazil. And would this be an opportunity to bring some of those products to Brazil? Is this an idea or would it not be possible?

And you spoke about the blackout curtains and new decoration products, which is your relationship with stores? Is it still a good relationship? Has everything stopped completely?

Mr. da Silva: Heloísa, the lines from Argentina are also some of the lines that we produce here, and they are winter lines, they continue on with a normal production, and of course they come to Brazil. Now, Argentina has very similar products to those of Brazil (, such as bed and bath products,) to service their domestic market, and the plant was closed down by the authorities, the plant stopped from mid-March to May, it returned partially in June. The idea was to resume fully in July, but today we heard about the lockdown in Buenos Aires and we will have to make some adjustments and perhaps maintain a lower production.

Santiago del Estero has not stopped. The problem is with Buenos Aires as of June 30.

Regarding your other question, the plants that were put under a training process are the plants in João Pessoa, that manufactures towels, and the same product is manufactured in Blumenau, where the plant remained opened, except for a week in March, and the plant of Macaíba that produces sheets, that are also



manufactured in another plant (Montes Claros). We closed down these 2 units for logistic reasons and because obviously they're very important plants for us, but there is a backup unit producing the same product, and it was important for them to go into this adjustment process because of the new demand.

We have until the beginning of September to reassess this, as we based ourselves on the old legislation before the Provisional Measure 936, we have 5 months. We began that training period in the beginning of April, which means we have until mid-September. And now in July, we are going to assess which is the new demand expectation and see what we will do and how we will work with a resumption.

It is important to say, Heloísa, being extremely honest, that when we put our employees under training, we did not expect the e-commerce sales volume that basically maintained the sales projection, it has been constant and has had some growth. This is not something that we expected. So we began to have some inventory problems in one line or another, and we're reinforcing production in the units that are operating because we do have an inventory problem in some (product) lines because of this highly positive surprise of direct sales to consumers.

But once again, we have to see what to do beginning in July so that we can schedule ourselves for the resumption of these units in September and see how we can adapt to the possible sales reality as of September at normal levels perhaps. We do think our category will have a drop, but not such a deep drop as other categories, fortunately.

Ms. Cruz: So if you could give us greater granularity in the coming quarter so that we can have greater certainty, a great deal will change of course, and we would like to have a better vision of the results.

Mr. da Silva: We have a question from the webcast on exports. I have no doubts whatsoever that once Brazil is able to export items for the health sector, this product line, that is a universal product line with universal standards, we came into this being very competitive and with a large scale, and I have no doubts that this line will be exported partially. Without a doubt, the company exports will increase, especially in this line and with a focus in the health segment.

And of course, the health segment also demands textile products, and this can enable us to also grow our exports for the health market. We are very convinced at present that we will dedicate part of our production capacity of this new line that came up in 2 or 3 months and that we will develop this line for exports.

Operator: We would like to remind you that should you wish to pose a question,



please press start 1. Please wait while we poll our questions.

As we have no further questions, we would like to end the question-and-answer session. I return the floor to Mr. Josué for his final remarks.

Mr. da Silva: Once again, I would like to thank all of you who participated in this conference call for the first quarter. Very soon we will be together to speak about the results for the second quarter. And because of this unprecedented situation, it's very difficult to work with forecasts, but we are moderately optimistic because of some of the positive results we have been able to achieve.

The direct sales to consumers, of course, is something that has gained a new level, this is important for the company, it reinforces our brands and helps us to sell our brands to multibrand clients. Now, our entrance into this product line of protection not only helps health professionals to become more protected, this will be a permanent product line that we entered very strongly, and I have to thank China for this; there was a warning that I heard from some Chinese friends in January and February that allowed us to enter this production. We imported some machinery from China before Brazil was under the initial impact of COVID.

Somebody told me: "I think you should enter this product line because all of the industries in China have been forced to manufacture this. This will also extend to Brazil; we will help you select and set up the equipment". We paid airfreight so that the equipment could reach us in a timely moment, and this thanks to the help of a friend who is Chinese, he is a national citizen in China, and he gave us help and this was a segment that we did not know formerly or we were overlooking, we were overlooking this very important segment, important to avoid working with foreign supply chains because it involves the security of countries, and as China is one of the great suppliers of this protection equipment for the rest of the world and as their economy will change, this is one of the reasons why we believe we will have room for exports.

Thanks to our brands and thanks to our technology that enables us to have growth and B2B, we will be able to increase the capillarity of distribution of our products in the wholesale market. And thanks to the highly-structured entry into this segment of protection products for the health market, we have that moderate optimism. Optimism regarding the company not only in the second quarter as in coming quarters.

We are calm, we are of course concerned with the health of our employees and associates and our clients, but very convinced that with the appropriate measures we will all overcome this and we will come out better, we will come out more



adapted. And it's not always the strongest that survives, Darwin explained this; it's the one that is more flexible, more adaptable. And I think our company has that culture, that DNA of rapidly adapting to the change in circumstance.

Once again, I would like to thank you for your presence. Please, remain safe with your families and we will meet again in a few weeks with the results for the second quarter. Thank you very much and have a good day.

Operator: With this, we would like to end the conference call for Springs Global. We thank you all for your participation, have a good day.