



1Q18

Earnings

Release



1Q18 Earnings Release

Eucatex (B3: EUCA3 and EUCA4), one of the largest manufacturers of panels in Brazil, with operations also in the paint and varnish, laminated flooring, partitions and doors segments, announces today its results for the first quarter of 2018 (1Q18). The consolidated financial statements are presented in accordance with International Financial Reporting Standards (IFRS). Except where stated otherwise, the amounts are in millions of Brazilian real (R\$ million) and comparisons are with the same period the previous year.

Conference Call *(Portuguese only)*

May 9, 2018
9:00 a.m. (Brasília) / 8:00 a.m. (US EDT)

Telephones
+55 11 2188-0155
+55 11 2188-0400 (Replay)

Webcast
www.eucatex.com.br/ri

*After the conference call, the transcript
will be available in English*

IR Contacts

José Antonio Goulart de Carvalho
Executive Vice-President and
Investor Relations Officer

Waneska Bandeira
Investor Relations
+55 11 3049-2473
ri@eucatex.com.br
www.eucatex.com.br/ri



Highlights

1Q18

Net Revenue of R\$303.9 million (+7.3%)

Recurring EBITDA of R\$51.5 million (+13.9%), with Margin of 17.0%

Recurring net income of R\$5.2 million (-46.6%)

Material Fact - Exchange of Assets between Eucatex and Duratex – submitted to CADE for approval

Amounts in R\$ million	1Q18	1Q17	Var. (%)
Net Revenue	303.9	283.1	7.3%
Gross Income	75.7	72.2	5.0%
Gross Margin (%)	24.9%	25.5%	-0.6 p.p.
EBITDA adjusted by non-cash events	48.0	42.0	14.3%
EBITDA Margin (%)	15.8%	14.9%	1 p.p.
Net Income	1.7	6.5	-73.7%
Recurring Net Income	5.2	9.8	-46.6%
Net Debt	331.3	327.4	1.2%
Net Debt / EBITDA (LTM)	1.6	1.9	-17.0%
Recurring Adjusted EBITDA	51.5	45.3	13.9%
Recurring Adjusted EBITDA Margin (%)	17.0%	16.0%	1 p.p.



Management Comments

Still optimistic expectations marked the start of 2018. In 1Q18, the performance of the key indicators affecting the Company's business was positive, especially the decline in interest rates and inflation below the target, which positively influenced economic activity, which maintained its slight recovery trend. Household consumption, the decrease in debt levels and the recovery in lending continue on their positive trajectories.

The key indicators influencing the Company's business ended the quarter registering modest improvements, which signal growth in demand and, consequently, in industrial activity: increase in average real income, favorable conditions for credit at lower costs and higher amounts to individuals. The growth in the unemployment rate is within expectations, due to the period of seasonality. The stability in debt servicing percentage and low household debt levels favor fresh borrowings. Such a scenario leads to the start of a new cycle of economic growth.

One of the signs of improvement is the recovery in one of the main indices that measure the performance of the construction materials sector – the ABRAMAT (Brazilian Construction Materials Industry Association) Index, which rose 2.1% in 1Q18 and is expected to rise 1.5% in 2018.

In light of this scenario of improvement in unemployment rates, lower interest rates and expansion of credit, the Company believes and is confident in the new business environment, continuing the implementation of actions designed to increase sales in both the domestic and export markets, while also reducing expenses and streamlining processes.

The Company exchanged assets with Duratex in order to increase its fiberboard capacity, which was submitted to Brazil's antitrust authority CADE for approval.

Material Fact of January 31, 2018

EUCATEX S/A – INDÚSTRIA E COMÉRCIO, with registered office at Av. Presidente Juscelino Kubitschek, 1830 – Torre I – 11º andar – São Paulo/SP, informs the market that on January 31, 2018, the Eucatex Group made a binding proposal, accepted by Duratex S.A., involving the exchange of assets between the companies. The transaction amount is R\$60 million. The Eucatex Group will receive from Duratex facilities and equipment for the manufacture of thin fiberboard sheets (wet process), which are located in the city of Botucatu, São Paulo, where its MDP and Laminated Flooring unit and most of its forest assets are already located.

Duratex will receive from the Eucatex Group a farm called the "Fazenda Vitoria" located in the city of Capão Bonito, São Paulo. This farm is currently situated outside the ideal supply radius of its manufacturing units located in the cities of Salto and Botucatu in São Paulo.



Supply of wood to this new production unit will come from owned and third-party forests, including from Duratex, with which it will enter into a supply agreement for up to 7 years, which will enable the unit to operate at its full capacity of 200,000 m³/year if there is demand. Based on current legislation, the consummation of the transaction is subject to approval by Brazil's antitrust authority CADE (Conselho Administrativo de Defesa Econômica). While this approval is pending, the lines will remain under the management of Duratex S.A.

With the new thin fiberboard sheet unit (wet process), the Eucatex Group will serve clients in Brazil and abroad where its products are currently not marketed, further consolidating its position in an increasingly globalized market.

São Paulo, January 31, 2018.

José Antônio Goulart de Carvalho
Executive Vice President and Investor Relations Officer

Operating Performance and Results

Sales volume in the Company's Wood segment, considering both domestic and export markets, fell 2.5% in 1Q18 compared to the same period last year, affected by the sales performance in the domestic market, which declined 3.6%. In January, the T-HDF/MDF line was shut down for 18 days for some improvements and for preventive maintenance.

According to the Brazilian Tree Industry (IBÁ), the Total Panels Market expanded by 4.5% in 1Q18, with higher volumes of MDF (+0.7%) and MDP (+10.9%) and a decline in Fiberboard (-1.2%).

The Company's export volume in the segment increased by 14.1% in the quarter.

Paint sales grew 2.4% in 1Q18 compared to the same period in 2017. According to the Brazilian Paint Manufacturers Association (ABRAFATI), the market also contracted, by 2.6% in 1Q18.

Operating Performance
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Physical Sales	1Q18	1Q17	Var. (%)
Wood Panels (DM)	148	154	-3.6%
Wood Panels (EM)	139	122	14.1%
Paints	371	363	2.4%

DM - Domestic Market / EM - Export Market



Net sales

Net Revenue Breakdown (R\$ million)	1Q18	1Q17	Var. (%)
Wood Segment	222.9	204.7	8.9%
Paint Segment	60.9	59.4	2.6%
Other	20.1	19.0	5.7%
Net Revenue	303.9	283.1	7.3%

Net revenue totaled R\$303.9 million, compared to R\$283.1 million in 1Q17, for growth of 7.3%. In the Wood Segment, revenue grew 8.9% due mainly to the performance in the export market and the price increases in the month. The Paint segment registered a 2.6% growth in net revenue in 1Q18 compared to the same period in 2017, resulting from the higher sales volume.

Cost of Goods Sold (COGS)

COGS increased 5.6% in 1Q18 from 1Q17. The Company's main inputs, especially those related to commodities and oil, continued to rise, especially Resin and inputs for Paint production. **Gross**

Income and Gross Margin

Gross Income reached R\$75.7 million in 1Q18, compared to R\$72.2 million in 1Q17, up 5.0%, basically due to the margin recovery in the Wood Segment, where prices rose above increases in cost, despite the reduction in the variation in the fair value of biological assets, which was caused by the increase in capital costs calculated according to the valuation methodology adopted. Gross Margin in the quarter reached 24.9%, down 0.6 p.p. compared to 1Q17.

Operating Expenses

Breakdown of Expenses (R\$ million)	1Q18	1Q17	Var. (%)
General and Administrative	(14.5)	(14.0)	3.6%
Selling	(41.4)	(38.5)	7.6%
Total Operating Expenses	(55.9)	(52.5)	6.5%
% Net Revenue	18.4%	18.5%	-0.1 p.p.
Other Operating Income and Expenses	(0.7)	(0.5)	-35.4%

In 1Q18, operating expenses corresponded to 18.4% of Net Revenue, stable when compared to the same period last year.



EBITDA & EBITDA Margin

As a result of the above, recurring EBITDA totaled R\$51.5 million, up 13.9% from 1Q17. Recurring EBITDA margin reached 17.0%, compared to 16.0% in the same period last year.

EBITDA Reconciliation (R\$ million)	1Q18	1Q17	Var. (%)
Net Income	1.7	6.5	-73.7%
Income and Social Contribution Taxes	2.6	1.3	109.7%
Net Financial Income (Loss)	11.3	8.3	36.6%
EBIT	15.7	16.1	-2.5%
Depreciation and Amortization	31.7	30.4	4.1%
EBITDA under CVM instr. 527/12	47.4	46.5	1.9%
EBITDA Margin	15.6%	16.4%	-0.8 p.p.
Non-cash adjustments			
Fair value variation in biological assets	0.6	(4.5)	-114.2%
EBITDA adjusted by non-cash events	48.0	42.0	14.3%
Non-recurring events	3.5	3.2	8.3%
Recurring adjusted EBITDA	51.5	45.3	13.9%
Adjusted recurring EBITDA Margin	17.0%	16.0%	1 p.p.

Recurring Net Income

Recurring net income in 1Q18 amounted to R\$ 5.2 million, down 46.6% from 1Q17.

Debt

At the end of 2017, the Company's net debt totaled R\$331.3 million and was equivalent to 1.6 times its recurring EBITDA, remaining stable in relation to the net debt at the end of 2017.



Debt (R\$ Million)	1Q18	2017	Var. (%)
Short Term Debt	251.9	245.2	2.7%
Long Term Debt	101.1	106.1	-4.7%
Gross Debt	353.0	351.3	0.5%
Cash and Cash Equivalents	21.7	20.3	6.7%
Net Debt	331.3	331.0	0.1%
% Short Term Debt	71%	70%	1 p.p.
Net Debt/EBITDA	1.6	1.6	2.7%

Capex

Capex in 1Q18 totaled R\$27.2 million and was allocated to maintaining the Company's industrial and forest operations. In 2018, the Company plans to reduce capex by about 8.8% in relation to 2017 (R\$95.5 million), with the focus being on forestry capex.

Sustainability

Eucatex's forest sustainability is assured by 45,800 hectares of forests, all located in the state of São Paulo.

The Company is widely recognized for its sustainable development practices and was the first company in the industry to obtain ISO 9001 certification, in 2000. It also holds the ISO 14001 certification and the Green Seal awarded by the *Forest Stewardship Council (FSC)*, which certifies that its forests are managed in accordance with rigorous environmental, social and economic standards. In another pioneering initiative, Eucatex became the first in the industry in South America to build a woodchip recycling line on an industrial scale. Its state-of-the-art equipment enables materials obtained within a radius of approximately 120 kilometers from the Salto (São Paulo) unit to be used as raw material for producing panels and as biomass for firing its boilers. Its total processing capacity is 240,000 metric tons/year, which is equivalent to approximately two million trees, 470,000 m³ of standing timber or 1,500 hectares of planted forests. The investment in land and planting to maintain this volume of wood, considering a seven-year cycle, would amount to around R\$200 million. Not only does it generate cost benefits, but recycling woodchips also prevents this material from being deposited in local landfills.



Capital Markets

Eucatex's preferred stock, listed on the B3 under the ticker EUCA4, closed 1Q18 quoted at R\$5.78. The Company's market capitalization at the end of the period was R\$535.3 million, around 43% of its book value.

About Eucatex

Eucatex S.A. Indústria e Comércio completes 67 years in 2018 and is one of Brazil's largest manufacturers of laminated flooring, wall partitions, doors, MDP/MDF/T-HDF panels, fiberboard, and paints and varnishes. It operates five modern plants in Botucatu and Salto (both in São Paulo) and Cabo de Santo Agostinho (Pernambuco), employing 2,467 people. Its products are exported to more than 37 countries. For further information, visit www.eucatex.com.br/ri.

This document contains forward-looking statements related to the business prospects, estimates of operating and financial results, and those related to the growth prospects of Eucatex. These are merely projections and as such are based exclusively on the expectations of Eucatex management concerning the future of the business. These forward-looking statements substantially depend on market conditions, the performance of the Brazilian economy, the sector and the international markets and therefore are subject to change without prior notice.

Audit

The policy of the Eucatex Group regarding services provided by its independent auditors that are not related to the external audit of its financial statements is based on the principles of professional independence. These principles are based on the premise that the auditor must not examine his own work, perform managerial functions or practice law on behalf of clients. In 1Q18, the Eucatex Group did not engage BDO RCS Auditores Independentes S.S. for services other than audit.



Income Statement

Income Statement (R\$ million)	1Q18	1Q17	Var. (%)
Gross Revenue	361.9	338.7	6.9%
Sales taxes and Deductions	(58.1)	(55.6)	4.3%
Net Revenue	303.9	283.1	7.3%
Fair value variation in biological assets	(0.6)	4.5	-114.2%
Cost of Goods Sold	(227.5)	(215.4)	5.6%
Gross Income	75.7	72.2	5.0%
% Gross Margin	24.9%	25.5%	-0.6 p.p.
Selling Expenses	(41.4)	(38.5)	7.6%
General and Administrative Expenses	(12.7)	(12.4)	2.2%
Management Compensation	(1.8)	(1.6)	15.0%
Other Operating Income / (Expenses)	(0.7)	(0.5)	-35.4%
Operating Income (Expenses)	(56.6)	(52.9)	7.0%
Net Income before Financial Result	19.2	19.3	-0.6%
Financial Income (Expense)	(11.3)	(8.3)	-36.6%
Non-recurring Income (Expense)	(3.5)	(3.2)	-8.3%
Net Income after Financial Result	4.4	7.8	-44.0%
Provision for Income and Soc. Contr. Taxes	(2.6)	(1.3)	109.7%
Net Income (Loss) before Non-Controlling Interest	1.7	6.5	-73.6%
Non-controlling interest	(0.0)	0.0	156.3%
Net Income in the Period	1.7	6.5	-73.7%
Net Margin	0.6%	2.3%	-1.8 p.p.

* Values of items: Cost of Goods Sold, Selling Expenses, General and Administrative Expenses, and Other Operating Expenses /Income are net of non-recurring expenses.

Balance Sheet

Balance Sheet (R\$ '000)	1Q18	2017	Var. (%)
ASSETS			
Current Assets			
Cash and Cash Equivalents	6.9	7.0	-1.7%
Marketable Securities	14.8	13.3	11.2%
Trade Accounts Receivable	262.5	253.4	3.6%
Inventories	160.8	175.4	-8.4%
Taxes Recoverable	16.8	17.8	-5.5%
Prepaid Expenses	2.7	4.5	-39.7%
Other receivables	1.3	3.7	-65.7%
Total Current Assets	465.7	475.1	-2.0%
Non-Current Assets			
Long-Term Assets			
Trade Accounts Receivable	25.3	28.2	-10.3%
Taxes Recoverable	2.0	2.0	0.2%
Deferred income and soc. contr. taxes	57.4	57.0	0.7%
Goods held for sale	31.3	0.3	10443.7%
Investment properties	25.5	25.5	0.1%
Judicial Deposits	7.8	7.8	-0.3%
Other receivables	11.1	11.1	0.0%
Total Long-Term Assets	160.5	132.0	21.6%
Investments	-	-	0.0%
Biological Assets	420.1	423.8	-0.9%
Fixed Assets	975.8	1,008.6	-3.3%
Intangible Assets	0.2	0.2	-1.6%
Total Permanent Assets	1,396.1	1,432.7	-5.8%
Total Non-Current Assets	1,556.6	1,564.7	-0.5%
Total Assets	2,022.3	2,039.8	-0.9%
LIABILITIES			
Current liabilities			
Trade Accounts Payable	118.5	140.4	-15.5%
Loans and Financing	251.9	245.2	2.7%
Labor Liabilities	25.5	24.5	4.3%
Tax Liabilities	15.1	12.7	19.4%
Tax Installments	17.1	23.0	-25.9%
Advances from Clients	14.1	12.9	9.4%
Dividends and interest on equity payable	69.6	69.6	0.0%
Debentures payable	0.0	-	0.0%
Accounts Payable	25.5	26.1	-2.2%
Total Current Liabilities	537.3	554.3	-3.1%
Non-Current Liabilities			
Loans and Financing	101.1	106.1	-4.7%
Tax Installments	13.6	13.9	-2.0%
Deferred Income and Soc. Contr. Taxes	99.3	97.5	1.8%
Provision for Contingencies	31.9	30.7	3.9%
Total Long-Term Liabilities	245.9	248.2	-0.9%
Shareholder's Equity			
Capital	488.2	488.2	0.0%
Revaluation Reserves	201.9	201.9	0.0%
Profit Reserve	459.5	459.5	0.0%
Asset Valuation Adjustment	89.8	89.8	0.0%
Other Comprehensive Income	0.9	0.9	3.9%
Treasury Stock	(2.9)	(2.9)	0.0%
Retained Earnings	1.7	-	0.0%
Total Shareholder's Equity	1,239.1	1,237.3	0.1%
Non-controlling interest	(0.0)	(0.0)	4.5%
Total Shareholder's Equity & Non-controlling Interest	1,239.1	1,237.3	0.1%
Total Liabilities and Shareholder's Equity	2,022.3	2,039.8	-0.9%



Cash Flow

Cash Flow (R\$ 000)	1Q18	1Q17
Net Income before Income and Social Contribution Taxes	4.4	7.7
Adjustments to Reconcile Net Income and Operating Cash Flow		
Depreciation and Amortizations	15.7	15.1
Exhaustion of biological assets	16.0	15.3
Residual Value of Fixed Assets Sold	0.4	0.0
Write-off of investments	0.0	(0.1)
Fair value variation in biological assets	0.6	(4.5)
Interest, Monetary and Exchange Variations, net	6.5	10.7
Income tax and social contribution	-	(1.9)
Provision (reversal) for liabilities and others	2.2	(1.2)
Changes in operating assets and liabilities		
Marketable Securities	(1.5)	(0.7)
Trade accounts receivable	(6.3)	(7.1)
Inventories	14.7	8.6
Recoverable taxes	(0.3)	2.8
Deferred expenses	1.8	(3.1)
Judicial deposits	0.0	(0.1)
Other receivables	2.4	0.6
Trade accounts payable	(21.8)	(13.6)
Labor and Tax Liabilities	2.7	0.2
Tax Installments	(6.5)	(0.4)
Advances from Clients	1.2	3.4
Accounts payable	(0.6)	(0.7)
Net Cash Flow from Operating Activities	31.6	31.2
Cash Flow from Investing Activities		
Capital reduction in subsidiaries - translation adjustment	0.1	(0.1)
Addition to fixed assets	(14.3)	(10.3)
Addition to biological assets	(12.9)	(7.7)
Net Cash Flow from Investing Activities	(27.1)	(18.0)
Cash Flow from Financing Activities		
Amortization of loans and debentures	(59.8)	(49.7)
Loans	55.2	38.7
Net cash provided by (used in) financing activities	(4.6)	(11.0)
Increase (Reduction) in Net Cash and Cash Equivalents	(0.1)	2.2
Cash and Cash Equivalents		
Opening balance of cash and cash equivalents	7.0	13.9
Closing balance of cash and cash equivalents	6.9	16.1
Increase (Reduction) in Net Cash and Cash Equivalents	(0.1)	2.2