

EUCATEX Reports 1Q11 Results: Growth in Net Income of 19.5% and Gross Income of 11.4%, EBITDA of R\$42.2 million and EBITDA Margin of 21%

São Paulo, May 12, 2011. Eucatex (BM&FBovespa: EUCA3 and EUCA4; Bloomberg: EUCA3 BZ and EUCA4 BZ), one of the largest manufacturers of fiberboard in Brazil, with operations also in the segments of paint and varnish, laminate flooring, wall partitions and doors, announces its results for the first quarter of 2011 (1Q11). Unless stated otherwise, all financial and operating information herein is audited and presented on a consolidated basis in thousands of Brazilian reais (R\$ '000), in accordance with Brazilian Corporation Law and all comparisons refer to the first quarter of 2010 (1Q10).

The Company's consolidated financial statements are prepared and presented in accordance with International Financial Reporting Standards - IFRS and were prepared based on the pronouncements fully converged to the international accounting standards issued by the Accounting Pronouncement Committee (CPC) and approved by the Securities and Exchange Commission of Brazil (CVM).

We recommend that this material be considered together with Notes to the Financial Statements and Consolidated Annual Information.

Highlights

- » **Net Revenue** of **R\$203.9 million** in 1Q11, up **11.5%** from 1Q10;
- » **Gross Margin** of **30.4%** in 1Q11 (**32.6% excluding the T-HDF/MDF line**), a margin compression of 2.7 p.p. from the same period in 2010;
- » **EBITDA** of **R\$42.2 million** in 1Q11, versus R\$43.3 million in 1Q10, down 2.5%. **EBITDA Margin** of **20.7%** (**21.4% excluding the new T-HDF/MDF line**) in 1Q11, versus 23.7% in 1Q10, a margin compression of 3 p.p.;
- » **Installation of a new low pressure (LP) finishing line in Salto and acquisition for future installation, during 2011, of:** a.) a new paint line and a new door and wall partition board line for Salto unit; and b) a new flooring line for Botucatu unit.

Highlights (R\$ MM)	1Q11	1Q10	Var. (%)
Net Revenue	203.9	182.9	11.5%
Gross Profit	62.0	60.5	2.5%
Gross Margin (%)	30.4%	33.1%	-2,7 p.p.
EBITDA	42.2	43.3	-2.5%
EBITDA Margin (%)	20.7%	23.7%	-3 p.p.
Net Income	24.4	20.4	19.5%
Net Debt	138.3	138.3	0.0%
Net Debt / EBITDA (LTM)	0.7	0.8	-13.1%

Eucatex and the Market

The first quarter of 2011 was quite different from the same period of 2010. In the first quarter of 2010, the month of March coincided with the end of measures adopted by the federal government to combat the economic crisis, which included reducing the rate of IPI (federal VAT) on the sale of furniture and boards. This measure not only strengthened demand during 1Q10, but also led to the anticipation of the purchases that would be made in the following months, which benefitted the Company. In 2011, demand from final consumers has remained robust, despite the lower pace of growth. Nonetheless, a number of large furniture manufacturers and department stores sought to adjust their inventories during the period. This offers a partial explanation for the lower demand for wood boards (MDF+MDP), which contracted by 4% from 1Q10 and 8% from 4Q10. Despite this scenario, for 2011, the expectation is for growth of 15% over 2010.

Sales of furniture to households with income of up to 10 minimum monthly wages in 2010 totaled R\$26.2 billion, while sales to families with household income of more than 10 minimum monthly wages totaled R\$15.8 billion. The "C" income class has been an important driver of this growth. For 2011, growth of 15% is forecast (source: Popular Data Institute), supported by major indicators that affect the sector, with higher average salaries, credit and consumer confidence.

Eucatex's performance in the wood board sector was highly dependent on the market's performance and is explained by factors cited above. In addition to these aspects and given the weaker demand, the Company opted to anticipate preventative maintenance at its Fiberboard unit and build its MDP inventories, which should be realized at better conditions over the course of the year.

Although sales volume of the current board lines are down from 1Q10, this loss was partially offset by the start of sale of products from the new T-HDF/MDF line, which recorded gross revenue of R\$25 million in 1Q11.

In the first few months of production at the new T-HDF/MDF line, there were a series of the problems typically associated with the start-up phase, with higher than expected costs, but we consider the overall performance to be quite positive. In 2Q11, the Company will begin adjusting the production mix by increasing the share of thin boards, seeking to improve the line's profitability.

Operating Performance 2005 - 100 base			
Sales Volume	1Q11	1Q10	Var. (%)
Hardboard (DM)	138	121	14.8%
Hardboard (FM)	26	28	-5.9%
Laminate Flooring	201	185	9.0%
Paint	400	393	1.8%

DM - Domestic Market / FM - Foreign Market

In the Wood Board sector in the domestic market, the Company posted growth of 14.8% in sales volume, despite the adverse scenario in the industry. Excluding the new T-HDF/MDF line, wood board sales contracted by 5.8%. This reduction is explained by the destocking trend throughout the production chain in 2011 and the strong sales in 1Q10 due to lower IPI tax rate.

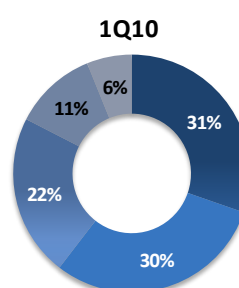
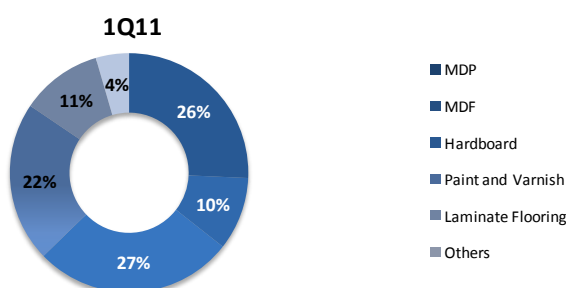
Laminate Flooring sales remained strong and already in the first quarter registered growth of 9%, despite the tough comparison base in 1Q10, which enjoyed a more favorable scenario.

Paint sales grew by 1.8% in the quarter. Although only slight, this growth rate is within the Company's expectations, which is readjusting its positioning and seeking higher profitability from its products.

Products targeting the construction industry will benefit from the sector's expansion, and Eucatex is taking advantage of this opportunity by launching unique products and further strengthening its relationship with customers.

Financial Performance

Gross Revenue Breakdown (R\$ MM)	1Q11	1Q10	Var. (%)
Hardboard	68.7	68.6	0.2%
MDP	65.3	69.2	-5.7%
MDF	25.2	-	0.0%
Laminate Flooring	28.0	25.8	8.5%
<i>Wood Segment</i>	<i>187.3</i>	<i>163.6</i>	<i>14.5%</i>
<i>Paint Segment</i>	<i>55.4</i>	<i>50.6</i>	<i>9.5%</i>
Others	11.4	14.0	-18.4%
Gross Revenue	254.0	228.2	11.3%



Gross Revenue in 1Q11 grew by 11.3% from 1Q10 to reach R\$254 million. The wood segment posted gross revenue growth of 14.5%, with an important part of this growth associated with the revenue from the new T-HDF/MDF product line. Excluding the new line's results, wood segment gross revenue would have contracted by 1%. The Laminate Flooring line posted gross revenue growth of 8.5%.

Gross Revenue from Paint increased by 9.5%, while this segment's sales volume grew 1.8%, Costs registered increases during the period, were offset by the increase in prices.

Cost of Goods Sold (COGS)

COGS increased by 15.9% in 1Q11 from 1Q10. The variation in COGS, which was greater than the increase in revenue, is partially associated with the start-up of the new T-HDF/MDF line, which is still in the ramp-up phase, during which fixed costs have yet to be diluted to optimum levels. Excluding the new T-HDF/MDF line, COGS increased by 1.2%.

Gross Income and Gross Margin

The lower gross margin in the period is explained by the 5% drop in MDP board prices between 1Q10 and 1Q11. There were also cost pressures in the paint segment, which were passed through to sale prices.

Although the T-HDF/MDF line made a positive contribution to results, it also had a negative effect on the Company's Gross Income, since variable costs were higher than expected and fixed costs have yet to be diluted to optimum levels, which should occur over the next few quarters, when production capacity is ramped up to nominal levels.

Excluding the effects from the new line, Gross Income was 32.7%, practically in line with the 33.1% in 1Q10.

Operating Expenses

Operating Expenses Distribution	1Q11	1Q10	Var. (%)
Sales	(30.7)	(25.9)	18.7%
General and Administration	(10.9)	(10.2)	7.0%
Total Operating Expenses	(41.6)	(36.1)	15.4%
% Net Income	-20.4%	-19.7%	0,7 p.p.
Others Operating Revenues and Expenses	9.7	11.2	-13.3%

Operating expenses rose 18.7% in 1Q11 in relation to 1Q10. The Company opted to take part in two important industry trade fairs held every two years and costs associated, which included the assembly of booths, shipping of prototypes, promotional materials, etc., had an important impact on 1Q11 expenses. Moreover, Eucatex also incurred costs with the creation of promotional materials for the new line of T-HDF/MDF and for the other products launched in 1Q11. These two events combined generated costs in 1Q11 that were approximately R\$2.5 million higher than in 1Q10. In addition to these impacts, there were also costs in the period with personnel resulting from the wage increases granted under the collective bargaining agreements and higher variable expenses that accompanied the growth in sales.

Despite the nominal increase of 15.4% in 1Q11, the sum of administrative and selling expenses corresponded to 20.4% of revenue in the quarter, versus 19.7% in the same period last year.

EBITDA and EBITDA Margin

EBITDA Reconciliation (R\$ MM)	1Q11	1Q10	Var. (%)
Net income (Loss)	24.4	20.4	19%
Deferred Income and Social Distribution Taxes	2.3	6.6	-65%
Net Financial Income	3.4	8.7	-60%
Depreciation and Amortization	23.3	18.4	27%
Fair value variation related to biologic assets	(11.2)	(10.7)	4%
EBITDA	42.2	43.3	-2%
EBITDA Margin	20.7%	23.7%	-3 p.p.

In 1Q11, the Company posted EBITDA of R\$42.2 million, down 2% from 1Q10, which basically reflects the lower gross income in the period.

Net Income

Net income in 1Q11 was R\$ 24.4 million, versus R\$ 20.4 million in 1Q10, a growth of almost 20%, mainly due to the lower financial expenses and income taxes in the period.

Debt

The Company's debt at the end of 1Q11 represented 0.7 times its annualized EBITDA.

Debt (R\$ Million)	1Q11	4Q10
Short Term Debt	104.0	100.7
Long Term Debt	68.8	60.4
Gross Debt	172.7	161.2
Cash and Cash Equivalents	34.4	5.5
Net Debt	138.3	155.7
% Short Term Debt	60%	62%
Net Debt/ EBITDA	0.7	1.0

CAPEX

The investments to be made in 2011 include:

- Installation of a low pressure (LP) finishing line that will expand finishing capacity for this product to 7.2 million m² per year;
- Construction of stocking areas and new warehouses that will be used for the new finishing lines;
- New door and wall partition line at the Salto unit;
- New Paint line with annual capacity of 36 million m²
- New laminate flooring line at Botucatu with annual capacity of 6 million;
- Investments in the planting of forests, with a goal of 4,800 hectares for 2011.

Sustainability

Eucatex's forest sustainability, including the operations of its new T-HDF/MDF line, is assured by 45,900 hectares of forests, all of which in São Paulo state.

Eucatex is widely recognized for its sustainable development initiatives, being the first company in the industry to obtain ISO 9001 certification, in 2000. The Company also holds ISO 14001 certification and the Green Seal awarded by the Forest Stewardship Council (FSC), which certifies that its forests are managed according to rigorous environmental, social and economic standards.

Eucatex also pioneered the implementation of the first woodchip recycling line on an industrial scale in South America. Its state-of-the-art equipment enables materials obtained within a 120-kilometer radius from the Salto unit in São Paulo to be used as the raw material for the production of boards and also as biomass for firing its boilers. Total processing capacity is 240,000 metric tons/year, equivalent to approximately 470,000 cubic meters of standing timber or 1,500 hectares of forest. Investments in land and planting in order to maintain this volume of wood, considering a 7-year cycle, would amount to around R\$200 million. This wood recycling process, in addition to aiding with costs, prevents all the materials from being deposited in local landfills.

Capital Markets

Eucatex PN stock (EUCA4) listed on the São Paulo Stock Exchange (BM&FBOVESPA) ended 1Q11 quoted at R\$8.96. Based on the 1Q11 closing price, Eucatex's market capitalization stood at R\$830 million, equivalent to 4.9x annualized EBITDA and approximately 86% of book value.

On July 1, 2010, Eucatex adhered to the corporate governance standards of the BM&FBOVESPA's Level 1 listing segment.

The Company recently announced a stock buyback program authorized to acquire 10% of all outstanding preferred shares.

Human Resources

Personnel expenses in 1Q11 totaled R\$31.5 million, of which R\$14.9 million were wages, R\$10.5 million were payroll charges and around R\$6.1 million were spent on medical and dental plans, transport, meals, training, and occupational health and safety actions for the Company's 2,372 employees and their dependents.

Relationship with Independent Auditors

As approved by the Company's Board of Directors meeting held on April 26, 2011, Grant Thornton Auditores Independentes is responsible for providing audit services to Eucatex.

The Eucatex Group's policy for the services of independent auditors that are not related to the external auditing of its financial statements is based on the principles of professional independence, which state that an auditor should not examine its own work, perform managerial functions or practice law on behalf of clients. In 1Q11, the Eucatex Group did not contract any services from Grant Thornton Auditores Independentes other than the audit services.

Eucatex Group - 60 years combining solidity, technology and innovation

Eucatex celebrates its 60th anniversary in 2011, The Company's long history has been built upon the solid pillars that have made it one of the largest companies in Brazil.

The Eucatex Group is a complex of four plants that offer a wide range of products for the furniture (T-HDF board, fiberboard, MDP, MDF and Tamburato) and construction industries (laminated flooring, doors, wall partitions, paint and varnish).

The Board and Paint and Varnish units are located in Salto, São Paulo and the Fiberboard and Flooring units are located in Botucatu, São Paulo. The company also has a Forestry Unit with a tree seedling nursery in Bofete, São Paulo.

Since it was founded, the Eucatex Group has been recognized for its quality, cutting-edge technology and concern with the environment. Its plants use 100% reforested eucalyptus wood and its forests cover more than 46,000 hectares, of which one-third is allocated to natural reserve areas.

As a result, today Eucatex is a solidly recognized brand, supported by its seriousness, its growing investments in sustainability and technology and its offering of high-quality products.

Eucatex, a brand that has been part of the lives of thousands of Brazilians for 60 years.



About Eucatex

Eucatex S.A. Ind. e Com. (BM&FBovespa: EUCA3 and EUCA4), which will complete 60 years of operations this year, is one of Brazil's largest manufacturers of flooring, partitions, doors, MDP/MDF/T-HDF boards, fiberboard and paints and varnishes. With 2,372 employees, Eucatex exports to more than 37 countries and has four modern plants located in the cities of Botucatu and Salto in the inland region of São Paulo state. For more information go to www.eucatex.com.br/ri.

This release contains forward-looking statements relating 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 changes in market conditions, the performance of the Brazilian and international economies and the industry and therefore are subject to change without prior notice.

Statement of Income

(R\$ '000)	1Q11	1Q10	Var. (%)
Gross Revenue	254.0	228.2	11.4%
Sales taxes and Deductions	(50.2)	(45.2)	10.8%
Net Revenues	203.9	182.9	11.5%
Cost of Goods Sold	(141.9)	(122.4)	15.9%
Gross Profit	62.0	60.5	2.5%
Gross Margin	30.4%	33.1%	-2,7 p.p.
Sales	(30.7)	(25.9)	18.7%
General and Administration	(9.4)	(8.8)	7.1%
Management Remuneration	(1.5)	(1.4)	6.6%
Other Operational Costs	9.7	11.2	-13.3%
Operational (loss) Income	(31.9)	(24.8)	28.3%
Operational Result	30.1	35.6	-15.5%
Financial (Expense) Income	(3.4)	(8.7)	60.4%
Operational Result	26.7	27.0	-1.1%
Taxes	(2.3)	(6.6)	64.8%
Net (Loss) Income	24.4	20.4	19.5%
Net Margin	11.9%	11.1%	0,8 p.p.

Balance Sheet (R\$ '000)	1Q11	1Q10	Var. (%)
ASSETS			
Current Assets			
Cash and Equivalents	4.3	1.8	133.1%
Securities	30.1	10.0	201.6%
Clients	160.4	137.1	16.9%
Related parties	-	-	0.0%
Inventories	86.1	68.5	25.6%
Taxes Recoverable	28.3	21.4	32.1%
Other Credits	3.5	4.5	-22.1%
Unrealized losses	-	-	0.0%
Anticipated expenses	0.3	0.2	42.9%
Total Current Assets	312.9	243.6	28.5%
Non-Current Assets			
Long- Term Assets			
Clients	0.3	2.0	-83.8%
Available-for-sale	0.9	5.2	-83.5%
Investment properties	30.2	-	0.0%
Related parties	-	-	0.0%
Taxes Recoverable	10.4	9.4	10.0%
Deferred income tax and social contribution	7.3	4.9	48.9%
Judicial Deposits	7.6	7.7	-1.5%
Other Credits	20.8	17.8	16.7%
Total Long- Term Assets	77.4	47.0	64.4%
Permanent Assets			
Investments	-	0.9	-100.0%
Fixed Assets	1,000.2	948.0	5.5%
Biologic assets	229.6	203.1	13.1%
Intangible	0.7	0.9	-26.5%
Total Permanent Assets	1,230.5	1,152.9	-107.9%
Total Non-Current Assets	1,307.9	1,200.0	9.0%
Total Assets	1,620.8	1,443.6	12.3%
LIABILITIES			
Loans and Financing	104.0	60.3	72.4%
Suppliers	100.5	71.7	40.2%
Salaries	16.8	14.1	19.0%
Tax, Accrued Expenses and Payroll	14.4	13.9	3.6%
Debentures	-	-	0.0%
Tax Installments	9.6	9.6	0.6%
Deferred Taxes	-	-	0.0%
Related parties	-	-	0.0%
Provision for uncovered liabilities	-	-	0.0%
Advances for Future Capital Increase	-	-	0.0%
Advances from Clients	1.5	3.4	-56.5%
Dividends payable	21.3	-	0.0%
Unrealized income	-	-	0.0%
Accounts Payable	27.5	14.2	93.1%
Period Provision	-	-	0.0%
Total Current Liabilities	295.6	187.2	57.9%
Non- Current Liabilities			
Loans and Financings	68.8	89.8	-23.5%
Tax Installments	123.0	120.4	2.2%
Income tax and social contribution	72.5	69.8	3.8%
Provision for judicial demands	99.8	93.6	6.7%
Accounts Payable	-	20.3	-100.0%
Treasury Debentures	-	-	0.0%
Total Long-Term Liabilities	364.1	393.9	-7.6%
Shareholder's Equity			
Capital	488.2	488.2	0.0%
Treasury Stocks	(0.8)	(0.8)	0.0%
Revaluation Reserves	238.5	261.1	0.0%
Adjustment of asset evaluation	106.0	107.8	0.0%
Profit Reserve	104.6	-	0.0%
Other Results	(0.1)	-	0.0%
Retained Earnings	24.8	6.2	301.3%
Total Shareholder's Equity	961.2	862.4	11.4%
Total Liabilities and Shareholder's Equity	1,620.8	1,443.6	12.3%

<i>Cash Flow (R\$ 000)</i>	1Q11	1Q10
<i>Net Income before Income Tax and Social Contribution Tax</i>	26.6	27.0
<i>Adjustments to Reconcile Net Income and Operating Cash Flow</i>		
Depreciation and Amortizations	10.9	7.8
Exhaustion of biologic assets	12.6	10.7
Residual Value of Fixed Assets Sold	0.2	(0.1)
Equity Results	-	-
Investments write-off	-	-
Previous period adjustments	-	-
Fair value variation related to biologic assets	(11.2)	(10.7)
Result from Affiliated Companies	-	-
Interest, Monetary and Exchange Variations on Loans	5.0	10.7
Provision for Inventory Losses	-	-
Income and Social Contribution Taxes	(2.0)	(6.6)
Deferred income tax and social contribution	-	-
Provision for obligations and others	(1.4)	1.0
Provision for obligations with shareholders	-	(2.0)
<i>Changes in operating assets and liabilities</i>		
Securities	(27.8)	(7.2)
Clients	(8.6)	(4.3)
Related Parties	-	-
Inventories	(5.1)	(2.2)
Recoverable taxes	4.2	(3.2)
Deferred income tax and social contribution	-	0.2
Next period expenses	0.4	0.3
Judicial deposits	0.0	(0.4)
Other Credits	55.3	0.4
Suppliers	(12.2)	12.8
Labor and Tax Liabilities	(3.0)	1.8
Tax Installments	0.6	0.3
Advances from Clients	(2.9)	(2.0)
Other Liabilities	(17.6)	(1.8)
<i>Net Cash Flow from Operating Activities</i>	24.2	32.6
<i>Cash Flow from Investing Activities</i>		
Capital transfer to subsidiaries	-	-
Capital reduction on subsidiaries	-	-
Addition to fixed assets	(29.9)	(49.4)
Addition to biological assets	(7.4)	(5.5)
<i>Net Cash Flow from Investing Activities</i>	(37.3)	(54.9)
<i>Cash Flow from Financing Activities</i>		
Amortization of Loans	(31.1)	(12.2)
Inflow of Loans	43.1	32.1
Intercompany loans	0.0	0.0
<i>Net Cash Flow from Financing Activities</i>	12.0	20.0
<i>Increase (Reduction) in Net Cash and Cash Equivalents</i>	(1.2)	(2.4)
<i>Cash and Cash Equivalents</i>		
Beginning of period	5.5	4.2
End of period	4.3	1.8
<i>Supplemental Information:</i>		
<i>Income Tax and Social Contribution Paid</i>	(2.8)	(2.1)
<i>Interest paid</i>	-	-