



## EUCATEX announces 3Q08 results: Gross revenue of R\$ 230.5 million (up 19.1% on 3Q07), EBITDA of R\$ 31.9 million (up 26.3%), EBITDA margin of 17.1% (up 0.7 p.p.)

**São Paulo, November 11, 2008.** Eucatex (Bovespa: EUCA3 and EUCA4; Bloomberg: EUCA3 BZ and EUCA4 BZ), one of the largest manufacturers of hardboard and medium density particleboard (MDP) in Brazil, with operations also in the paint and varnish, laminate flooring, partitions, mineral products and agricultural substrate sectors, announces its results for the third quarter of 2008 (3Q08). The financial and operating information presented herein, except where stated otherwise, is audited and presented on a consolidated basis in Brazilian real (R\$), pursuant to Brazilian corporate legislation, and all comparisons refer to the third quarter of 2007 (3Q07).

### Highlights

- » **Gross Revenue** came to **R\$ 230.5 million** in the quarter, a **19.1%** increase in relation to the 3Q07. The year-to-date total for gross revenue reached R\$ 649.1 million, showing growth of 15.4% compared to the same period in 2007. The growth in revenue for the quarter is mainly due to the increase in sales volume in the domestic market, notably a **22%** increase in **paints** and a **10%** increase in **laminate flooring**.
- » **EBITDA** and **EBITDA margin** came to **R\$ 31.9 million** and **17.1%**, respectively, in the 3Q08, up by 26.3% and 0.7 p.p. relative to the 3Q07. Year-to-date EBITDA stood at R\$ 98.0 million, showing 30.3% growth relative to the same period of 2007. EBITDA margin grew by 2.2 p.p., from 16.4% in 2007 to 18.6% in 2008.

3Q08 Highlights (R\$ MM)	3Q08	3Q07	Var. (%)	9M08	9M07	Var. (%)
Net Revenue	187.1	154.1	21.4%	525.9	459.1	14.6%
Gross Profit	55.5	47.9	15.7%	168.4	143.7	17.2%
Gross Margin (%)	29.6%	31.1%	-1,5 p.p.	32.0%	31.3%	+0,7 p.p.
EBITDA	31.9	25.3	26.3%	98.0	75.2	30.3%
EBITDA Margin (%)	17.1%	16.4%	+0,7 p.p.	18.6%	16.4%	+2,2 p.p.
Net Income	0.9	21.4	-95.7%	31.6	42.1	-24.9%
Net Debt	109.6	98.7	11.1%	109.6	98.7	11.1%
Net Debt / EBITDA (LTM)	0.6	0.7	-14.7%	0.6	0.7	-14.7%

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#### Conference Call 3Q08:

Portuguese: November 12, 2008  
Time: 08:00 a.m. (US ET)  
Phone: +55 (11) 2188-0188  
Code: Eucatex  
Webcast: [www.eucatex.com.br/ir](http://www.eucatex.com.br/ir)



## Economic Scenario

The economic scenario of the third quarter was characterized by great turbulence, especially in September. The financial systems in the United States and Europe suffered massive losses that eroded confidence and sparked concern over the risks that destroyed the liquidity of those markets. The crisis resulted in the consolidation and state takeover of banks, insurers, and real estate credit agencies, in addition to causing a credit crunch that led directly to slowdowns in the real economies around the world.

In Brazil, the effects of the crisis were felt as foreign investors fled the market and the Real lost its value. The dollar was quoted at R\$ 1.91 on September 30, 2008.

Despite this difficult climate, the Company remains on track with its plans for the year 2008, since studies indicate that the sale of furniture and construction materials, two of the main markets in which Eucatex operates, should continue at high levels during the fourth quarter. According to a survey by the University of São Paulo's PROVAR (Retail Management Program), 74% of consumers plan to make purchases between October and December.

## Operating Performance

Operating Performance  
2005 - 100 base

Sales Volume (Domestic Market)	3Q08	3Q07	Var. (%)	9M08	9M07	Var. (%)
Hardboard	123	131	-6.2%	119	115	2.8%
Laminate Flooring	148	134	10.1%	136	120	13.4%
Paint	255	209	22.0%	257	198	29.4%

Despite the turbulence seen in the markets in the third quarter of 2008, Eucatex's sales maintained their strong growth pace. The paints segment grew by 22% in the 3Q08 compared to the same period last year and laminated flooring was up by 10%. Year-to-date growth for paints and laminate flooring was 29.4% and 13.4%, respectively, relative to the first nine months of 2007.

The paints segment kept up its strong growth trend due to the Company's efforts, including reinforcing the sales team, creating new product distribution centers, launching new products and color standards, increasing its involvement with the Tintometric System and participating in industry fairs and events. For 2008, the outlook is a 30% growth over 2007.

In the laminated flooring segment, the new product lines – Prime, Rustic, and Classic – that were launched at industry fairs were immediately well received by the market.

In the wood panel segment, year-to-date sales were up 2.8%. In the 3Q08, in both the Salto and Botucatu units, the company carried out preventive maintenance, which reduced supply.

MDP sales continued to return a favorable mix in which coated products accounted for 98% of 2008 sales, compared to 85% last year. The Lacca product performed particularly well, accounting for 24% of total sales, clear evidence of the market's enthusiasm for a differentiated product in terms of technology and quality. Investments made in both the low pressure finishing (BP) segment and the finish foil (FF) products have helped the Company to boost the sales of



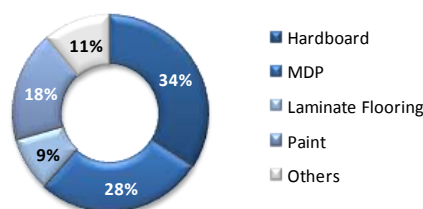
these products. Over the coming months, Eucatex plans to launch products in both the BP and FF markets, which should strengthen its leadership position in the coated products market.

## Financial Performance

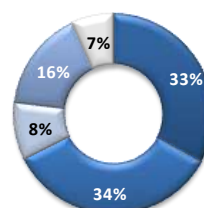
### Gross Revenue

Gross Revenue Breakdown (R\$ MM)	3Q08	3Q07	Var. (%)	9M08	9M07	Var. (%)
Hardboard	78.4	63.9	22.7%	214.8	188.3	14.1%
MDP	63.6	66.9	-4.9%	211.7	190.6	11.1%
Laminate Flooring	20.8	17.9	15.8%	54.6	48.1	13.5%
<i>Wood Segment</i>	162.8	148.7	9.5%	481.1	427.0	12.7%
Paint	42.1	31.7	33.0%	110.2	81.1	35.9%
Others	25.5	13.0	95.9%	57.8	54.3	6.5%
<b>Gross Revenue</b>	<b>230.5</b>	<b>193.4</b>	<b>19.1%</b>	<b>649.1</b>	<b>562.3</b>	<b>15.4%</b>

Gross Revenue Breakdown - 3Q08



Gross Revenue Breakdown - 3Q07



Compared to the same quarter last year, gross revenue grew by 19.1% in the 3Q08, totaling R\$ 230.5 million, or R\$ 649.1 million in the first nine months of this year, which represents a 15.4% increase compared to the 9M07. In addition to the increases in the sales volumes of the laminated flooring and paints segments and the improvement in the MDP / Hardboard mix, we made price adjustments during the quarter in anticipation of cost increases.

The 3Q08 growth in the laminate flooring line was 15.8% on the 3Q07. Gross revenue in the 9M08 was R\$ 54.6 million, 13.5% higher than the 3Q07 figure.

Consistent with the trend over the past few years, Eucatex's paints segment has been increasing its share in the Company's revenue breakdown, accounting for 18% of 3Q08 sales. As was the case in the previous quarter, the paints segment had the steepest growth among all of the Company's product lines, climbing 33% compared to the 3Q07, to total R\$ 42.1 million. Considering the first nine months of 2008, growth was even higher, up 35.9% relative to the same period of 2007, to reach R\$ 110.2 million.



### Costs of Goods Sold (COGS)

For the 9M08, costs were up by 13.4%. Despite gains from the reduction of fixed costs and other costs related to the maturation of projects, there were cost increases, especially in raw materials tied to commodities, most notably in the price of resin, the main raw material for the production of MDP panels and laminated flooring.

<b>Costs Composition</b>	<b>MDP</b>		<b>Hardboard</b>		<b>Laminate Flooring</b>		<b>Paint</b>	
<b>% Participation</b>	<b>9M08</b>	<b>9M07</b>	<b>9M08</b>	<b>9M07</b>	<b>9M08</b>	<b>9M07</b>	<b>9M08</b>	<b>9M07</b>
Wood	16%	23%	19%	16%	6%	8%	-	-
Raw Material - Other	36%	28%	31%	30%	62%	61%	91%	90%
Resin	24%	23%	-	-	15%	13%	-	-
Labor	6%	6%	24%	25%	8%	8%	7%	8%
Electric Energy	5%	6%	10%	11%	3%	3%	1%	1%
Thermal Energy	2%	2%	7%	9%	2%	2%	0%	0%
Depreciation	12%	11%	9%	10%	3%	4%	1%	2%
Total	100%	100%	100%	100%	100%	100%	100%	100%

### Gross Profit and Gross Margin

Gross profit in the quarter totaled R\$ 55.5 million, an increase of 15.7% over the 3Q07 when it came to R\$ 47.9 million. Year-to-date gross profit came to R\$ 168.4 million, compared to the R\$ 143.7 million recorded in 2007, an increase of 17.2%.

Gross margin declined by 1.5 p.p., from 31.1% in the 3Q07 to 29.6% in the 3Q08. Year-to-date gross margin for 2008 came to 32.0% versus 31.3% in 2007, an increase of 0.7 p.p.

## Operating Expenses

Operating Expenses Distribution	3Q08	3Q07	Var. (%)	9M08	9M07	Var. (%)
Sales	(24.9)	(18.8)	32.1%	(70.4)	(62.8)	12.1%
General and Administration	(12.3)	(9.7)	26.0%	(33.7)	(30.0)	12.3%
Others Operating Revenues and Expense	2.4	(3.9)	-160.7%	0.0	(6.5)	-100.0%
<b>Total Operating Expenses</b>	<b>(34.8)</b>	<b>(32.5)</b>	<b>7.2%</b>	<b>(104.1)</b>	<b>(99.3)</b>	<b>4.8%</b>
<b>% Net Income</b>	<b>-18.6%</b>	<b>-21.1%</b>	<b>-2,5 p.p.</b>	<b>-19.8%</b>	<b>-21.6%</b>	<b>-1,8 p.p.</b>

Selling, general and administrative expenses, which accounted for 21.1% of net revenue in the 3Q07, fell to an 18.6% share in the 3Q08, a decline of 2.5 p.p. In the 9M08, these expenses were down a total of 1.8 p.p., falling from 21.6% in the 9M07 to 19.8%. The nominal increase in selling expenses in relation to the 3Q07 is due to the increase in variable expenses, which grew in proportion to the Company's revenue during the period and point-of-purchase and promotional investments.

## EBITDA and EBITDA Margin

EBITDA Reconciliation (R\$ Million)	3Q08	3Q07	Var. (%)	9M08	9M07	Var. (%)
Net income (Loss)	0.9	21.4	-95.7%	31.6	42.1	-24.9%
Deferred Income and Social Distribution Tax	(5.1)	-	n.m.	3.9	-	n.m.
Non Operational Results	(0.2)	(0.1)	337.6%	(7.7)	0.1	-11917.2%
Net Financial Income	25.0	(5.9)	-522.8%	36.5	2.2	1545.6%
Depreciation and Amortization	11.3	9.8	14.9%	33.6	30.8	9.2%
<b>EBITDA</b>	<b>31.9</b>	<b>25.3</b>	<b>26.3%</b>	<b>98.0</b>	<b>75.2</b>	<b>30.3%</b>
<b>EBITDA Margin</b>	<b>17.1%</b>	<b>16.4%</b>	<b>+0,7 p.p.</b>	<b>18.6%</b>	<b>16.4%</b>	<b>+2,2 p.p.</b>

Eucatex's 3Q08 EBITDA was R\$ 31.9 million, up 26.3% compared to the R\$ 25.3 million mark in the 3Q07. In the 9M08, EBITDA was R\$ 98.0 million, a 30.3% increase over the R\$ 75.2 million in the same period in 2007. These positive numbers reflect that in operational terms the Company is seeing the results it planned for, both in relation to sales growth targets and in terms of cost reduction.

EBITDA margin had a 0.7 p.p. increase, rising from 16.4% in the 3Q07 to 17.1% in the 3Q08, with the 9M08 also up to 18.6% over the 9M07 mark of 16.4%, a 2.2 p.p. increase.

## Net Income

Net income in the 9M08 came to R\$ 31.6 million, representing a 24.9% decline relative to the 9M07. Net income in this period was affected by the negative financial result, due mainly to the devaluation of the Brazilian Real and its impact on the Company's long-term debt.

## Debt

The Company's debt at the end of 3Q08 was less than 0.6x annualized EBITDA. Long-term debt will be repaid over the next nine years.

<b>Debt (R\$ Million)</b>	<b>3Q08</b>	<b>3Q07</b>	<b>Var. (%)</b>
Short Term Debt	38.7	31.4	23.0%
Long Term Debt	75.3	71.5	5.3%
<b>Gross Debt</b>	<b>114.0</b>	<b>103.0</b>	<b>10.7%</b>
Cash and Cash Equivalents	4.4	4.5	-1.0%
<b>Net Debt</b>	<b>109.6</b>	<b>98.5</b>	<b>11.2%</b>
<i>% Short Term Debt</i>	<i>34%</i>	<i>31%</i>	<i>+3,0 p.p.</i>
Net Cash (Debt)/EBITDA	0.6	0.7	-14.6%

The judicial recovery plan approved last year envisages a 40% reduction in the Company's long-term debt, provided that all the amortization payments are made according to schedule, and the 28 quarterly installments are paid after a grace period of three years for the principal and interest, starting from October 2007.

## CAPEX

Notable among the Company's 2008 investments are:

- Work on the installation of the T-HDF line has proceeded uninterrupted and is on schedule. When the production line reaches its full capacity, it will increase gross revenue by R\$ 250 million and cash flow by R\$ 90 million;
- Automation of the polishing and humidifying processes at the Salto plant's lines I and II.
- Reforestation of 3,000 hectares.

## Sustainability

Eucatex Forest sustainability, including the new T-HDF line project, is guaranteed by 44,000 hectares of forests, with approximately 30,000 hectares under cultivation, all located in São Paulo State.

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

The Company was the first in South America to implement a wood recycling line on industrial scale. Thanks to the latest generation equipment, all the material acquired within a 150 kilometer radius of the Salto unit is used as input in the production of boards and also as biomass fuel for its boilers. When the line reaches its total processing capacity of 20,000 tonnes per month, which would be destined to the land waste sites of cities, the Company will save the equivalent of R\$ 20 million per annum from land acquisition alone.



## Capital Markets

Eucatex's PN shares (EUCA4) listed on the São Paulo Stock Exchange (BOVESPA) were traded at R\$ 3.09 at the end of 3Q08. The market value, considering the share price at the end of the 3Q08, was R\$ 286 million, representing 2.5x of annualized EBITDA.

## Human Resources

Personnel expenses in 3Q08 totaled R\$ 27.6 million, of which R\$14.0 million are wages, R\$ 8.9 million are payroll overheads and around R\$ 4.7 million were spent on medical and dental plans, transport, meals, training, and occupational health and safety for the Company's 2,287 employees and their dependents. During the 9M08, personnel expenses came to R\$ 77.0 million, allocated as follows: R\$ 39.6 million on wages, R\$ 23.9 million on payroll overheads, and R\$ 13.5 million on employee and dependent benefits previously mentioned.

## Relationship with Independent Auditors

As approved by the Company's Board of Directors, since May 12, 2008, Terco Grant Thornton Auditores is responsible for auditing Eucatex's financial statements, substituting Boucinhas & Campos e Soteci Auditores Independentes S/C, in compliance with article 13 of CVM Instruction 308/99, which stipulates that an independent auditor cannot provide audit services to the same client for more than five consecutive years.

## About Eucatex

Eucatex S.A. (Bovespa: EUCA3 and EUCA4), which completed 57 years of operations in 2008, is one of Brazil's largest manufacturers of flooring, partitions, ceilings, roof tiles, MDP, hardboard, agricultural substrate, mineral products, paints and varnishes. With **2,287** employees, the Company exports to more than 30 countries and has four modern plants located in Botucatu, Salto and Paulínia in São Paulo state, and is now poised to begin a new cycle of growth. For more information, please visit the website [www.eucatex.com.br/ir](http://www.eucatex.com.br/ir)

*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. Such forward-looking statements substantially depend on changes in market conditions, competitive pressures, the performance of the Brazilian and international economies and the industry, among other factors and risks disclosed in Eucatex's disclosure documents and are, therefore, subject to change without prior notice.*



## Income Statement

(R\$ '000)	3Q08	3Q07	Var. (%)	9M08	9M07	Var. (%)
<b>Gross Revenue</b>	<b>230.5</b>	<b>193.4</b>	<b>19.1%</b>	<b>649.1</b>	<b>562.3</b>	<b>15.4%</b>
Sales taxes and Deductions	(43.3)	(39.3)	10.2%	(123.2)	(103.2)	19.4%
<b>Net Revenues</b>	<b>187.1</b>	<b>154.1</b>	<b>21.4%</b>	<b>525.9</b>	<b>459.1</b>	<b>14.6%</b>
Cost of Goods Sold	(131.7)	(106.2)	24.0%	(357.4)	(315.3)	13.4%
<b>Gross Profit</b>	<b>55.5</b>	<b>47.9</b>	<b>15.7%</b>	<b>168.4</b>	<b>143.7</b>	<b>17.2%</b>
<b>Operating Expenses</b>						
Sales	(24.9)	(18.8)	32.1%	(70.4)	(62.8)	12.1%
General and Administration	(12.3)	(9.7)	26.0%	(33.7)	(30.0)	12.3%
Other Operational Costs	2.4	(3.9)	160.7%	0.0	(6.5)	-100.0%
<b>Operational (loss) Income</b>	<b>(34.8)</b>	<b>(32.5)</b>	<b>7.2%</b>	<b>(104.1)</b>	<b>(99.3)</b>	<b>4.8%</b>
<b>Operational Result</b>	<b>20.7</b>	<b>15.5</b>	<b>33.6%</b>	<b>64.4</b>	<b>44.4</b>	<b>44.9%</b>
Financial (Expense) Income	(25.0)	5.9	-522.8%	(36.5)	(2.2)	1545.6%
Non Operating Income	0.2	0.1	337.6%	7.7	(0.1)	11917.2%
Taxes	5.1	-	n.m.	(3.9)	-	n.m.
<b>Net (Loss) Income</b>	<b>0.9</b>	<b>21.4</b>	<b>-95.7%</b>	<b>31.6</b>	<b>42.1</b>	<b>-24.9%</b>
<b>Net Margin</b>	<b>0.5%</b>	<b>13.9%</b>	<b>-13,4 p.p.</b>	<b>6.0%</b>	<b>9.2%</b>	<b>- 3,2 p.p.</b>



## Balance Sheet

Balance Sheet (R\$ '000)	3Q08	3Q07	Var. (%)
<b>ASSETS</b>			
Cash and Cash Equivalents	4.4	4.5	-1.0%
Financial Investments	133.1	124.3	7.1%
Inventory	78.6	59.8	31.3%
Others	43.4	47.7	-9.0%
<b>Non- Current Assets</b>	<b>259.5</b>	<b>236.3</b>	<b>9.8%</b>
<b>Long- Term Assets</b>	<b>30.6</b>	<b>33.8</b>	<b>-9.6%</b>
Investments	0.9	0.9	0.0%
Property, Plant and Equipment	845.2	761.1	11.1%
Deferred Income	3.8	6.5	-41.6%
<b>Permanent Assets</b>	<b>849.9</b>	<b>768.5</b>	<b>10.6%</b>
<b>Total Assets</b>	<b>1,140.0</b>	<b>1,038.6</b>	<b>9.8%</b>
<b>LIABILITIES</b>			
Loans and Financing	38.7	31.4	23.0%
Convertible Debt	-	0.2	-100.0%
Accounts Payable to Suppliers	55.7	65.6	-15.2%
Tax, Accrued Expenses and Payroll	18.4	18.0	2.7%
Salaries	17.6	16.3	7.9%
Provision for Contingencies and Others	12.4	13.6	-8.3%
<b>Current Liabilities</b>	<b>142.9</b>	<b>145.1</b>	<b>-1.5%</b>
Other Loans and Financing	75.3	71.5	5.3%
Income Payable	336.1	292.3	15.0%
Debt Amortization (PAEX)	79.5	81.1	-2.0%
Others	-	-	0.0%
<b>Non- Current Liabilities</b>	<b>490.9</b>	<b>444.9</b>	<b>10.3%</b>
Capital	488.2	488.2	0.0%
Capital Reserve	269.8	288.4	-6.4%
Accumulated Losses	(251.7)	(328.2)	-23.3%
<b>Shareholder's Equity</b>	<b>506.2</b>	<b>448.4</b>	<b>12.9%</b>
<b>Non Controlling Stockholders</b>	<b>0.0</b>	<b>0.3</b>	<b>-100.0%</b>
<b>Total Liabilities</b>	<b>1,140.0</b>	<b>1,038.6</b>	<b>9.8%</b>