



eucatex

3Q15 Earnings Release

São Paulo, November 11, 2015 - Eucatex (BM&FBovespa: 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 third quarter of 2015 (3Q15). The consolidated financial statements are presented in accordance with the 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.

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**Conference Call in Portuguese
with Simultaneous Translation**

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Highlights of the quarter

- » **Net Revenue of R\$311.0 million (+4.9%)**
- » **Recurring EBITDA of R\$ 53.3 million (-1.6%), with EBITDA margin of 17.1%**
- » **Recurring Net Income of R\$ 2.4 million (-70.5%)**
- » **Exports registered growth of 20.7% in Volume and 79.3% in Net Revenue**

Amounts in R\$ million	3Q15	3Q14	Var. (%)	9M15	9M14	Var. (%)
Net Revenue	311.0	296.6	4.9%	853.8	815.1	4.8%
Gross Income	94.3	88.7	6.4%	257.2	247.2	4.0%
Gross Margin (%)	30.3%	29.9%	0.4 p.p.	30.1%	30.3%	-0.2 p.p.
EBITDA adjusted by non-cash events	51.1	54.1	-5.5%	143.3	135.9	5.4%
EBITDA Margin (%)	16.4%	18.2%	-1.8 p.p.	16.8%	16.7%	0.1 p.p.
Net Income	0.2	7.9	-98.0%	9.8	22.7	-56.7%
Recurring Net Income	2.4	8.1	-70.5%	17.3	32.1	-46.0%
Net Debt	367.9	311.3	18.2%	367.9	311.3	18.2%
Net Debt / EBITDA (LTM)	1.7	1.4	20.2%	1.8	1.6	13.9%
Recurring Adjusted EBITDA	53.3	54.2	-1.6%	150.8	145.3	3.8%
Recurring Adjusted EBITDA Margin (%)	17.1%	18.3%	-1.1 p.p.	17.7%	17.8%	-0.2 p.p.

Management Comments

Economic indicators worsened once again, making the projected scenario even more adverse. The indicators reported this quarter were as follows:

- ✓ Increase in unemployment, which reached 7.6% in September 2015, up 2.7 p.p. year on year;
- ✓ real income fell 4.3%, eroded by inflation, which rose 9.93% in the last 12 months;
- ✓ decrease in wage levels, reflecting the higher rates of unemployment and lower bargaining power, which is preventing real wage increases;

- ✓ free credit to individuals, which is projected to decrease by about 9% this year, due to the restrictions imposed by the financial agents driven by fear of defaults and the hike in interest rates.

The political scenario, marked by news reports of the Operation Car Wash and the lack of governability, and the announcement of negative economic indicators, has contributed to consumer and business confidence indices remaining at the lowest historical levels.

All this has significantly affected economic activity in the Company's core business segments: furniture and construction. In the furniture industry, projections by the Economics Department of Bradesco (DEPEC) indicate a decline of about 8% in 2015, although also pointing out to economic recovery starting next year, driven by demand for consumer durables. In the construction industry, the Brazilian Construction Materials Industry Association (ABRAMAT) index declined 11.4% in 2015. The furniture and home appliances retail sector should end 2015 down 15.5%, according to the PMC-IBGE projections made by Tendências Consultoria.

The Company has taken efforts to increase exports, which have so far yielded positive results, with revenue growth of 79.3% between 3Q14 and 3Q15. This increase in sales combined with higher profitability has helped maintain the Company's activities at levels close to in 2014. In addition to exports, efforts are under way to reduce costs and investments in order to keep the Company going during this challenging moment.

Operating Performance and Results

Sales in the Wood segment, combining the domestic and export markets, decreased by 6.0% in 3Q15 compared to the same period the previous year, due to the drop in T-HDF/MDF and MDP sales. According to the Brazilian Tree Industry (IBA), the domestic panels market contracted by 15.9% in the same period, with MDF and MDP sales down by 11.3% and 24.4%, respectively.

Notable in this segment were the Company's exports, which are in line with its strategy, growing 20.7% in volume and 79.3% in net revenue, driven by higher sales of fiberboard (+15.9%) and T-HDF (+89.7%), whose exports were incipient in 2014 but now account for a bigger share of the export mix. Changes in the production process of this product are still underway and will further increase its share of exports in 2015. Exports by the sector grew 27.5%, according to the IBA.

The Company's Paint sales grew 2.4% in 3Q15 compared to 3Q14, while the Paints market contracted 3.4%, according to the Brazilian Paint Manufacturers Association (ABRAFATI). The Company's sales in 9M15 increased by 1.2% from the same period a year ago, while the market contracted by 3.3%, according to ABRAFATI.

Net revenue

Net Revenue Breakdown (R\$ million)	3Q15	3Q14	Var. (%)	9M15	9M14	Var. (%)
Wood Segment	227.6	222.0	2.5%	641.8	614.3	4.5%
Paint Segment	70.0	66.4	5.4%	188.0	179.7	4.6%
Other	13.5	8.3	63.4%	24.0	21.1	13.7%
Net Revenue	311.0	296.6	4.9%	853.8	815.1	4.8%

Net revenue totaled R\$311.0 million (R\$296.6 million in 3Q14), for growth of 4.9%. In the Wood Segment, the drop in volume in the domestic market was offset by the increase in exports. Total revenue from the segment grew 2.5% in 3Q15, reflecting the continued growth of exports (20.7%).

In the Paints Segment, net revenue increased 5.4%, reflecting the higher prices.

Cost of Goods Sold (COGS)

The 6.4% increase in COGS in the quarter is due to the increase in the prices of a few key inputs on account of exchange variation, and the increase in electricity tariffs. In 3Q15, the exchange variation of 28% in relation to the end of 2Q15 pressured the costs of all the products.

Gross Income and Gross Margin

Gross income stood at R\$94.3 million in 3Q15, compared to R\$88.7 million in 3Q14, up 6.4%. Gross margin in the quarter reached 30.3%, higher than in both 3Q14 and 2Q15.

Operating Expenses

Breakdown of Expenses (R\$ million)	3Q15	3Q14	Var. (%)	9M15	9M14	Var. (%)
General and Administrative	(13.5)	(13.2)	2.1%	(41.7)	(39.8)	4.7%
Selling	(44.1)	(40.8)	8.3%	(124.7)	(115.4)	8.1%
Total Operating Expenses	(57.6)	(53.9)	6.8%	(166.4)	(155.2)	7.2%
% Net Revenue	-18.5%	-18.2%	0.3 p.p.	-19.5%	-19.0%	0.4 p.p.
Other Operating Income and Expenses	0.0	(1.6)	100.4%	0.8	(6.1)	-112.7%

Administrative expenses in 3Q15 increased by 2.1% from 3Q14. In the year, these expenses basically reflect the adjustments in labor costs and restatement of contract amounts.

The variation in selling expenses, in both 3Q15 and 9M15 compared to the same periods in the previous year, is basically due to the growth of exports, which entail higher variable expenses, at the expense of domestic sales.

EBITDA and EBITDA Margin

As a result of the above, recurring EBITDA was R\$53.3 million, down 1.6% from 3Q14. Recurring EBITDA margin decreased by 1.1 p.p. to 17.1%, from 18.3% in the same period last year.

EBITDA Reconciliation (R\$ million)	3Q15	3Q14	Var. (%)	9M15	9M14	Var. (%)
Net Income	0.2	7.9	-98.0%	9.8	22.7	-56.7%
Income and Social Contribution Taxes	(18.7)	2.6	-831.1%	(23.6)	12.5	-289.1%
Net Financial Income (Loss)	53.1	22.5	135.6%	97.8	26.7	266.6%
EBIT	34.5	33.0	4.6%	84.0	61.9	35.8%
Depreciation and Amortization	32.5	31.7	2.6%	94.8	92.6	2.4%
EBITDA under CVM instr. 527/12	67.0	64.7	3.6%	178.8	154.4	15.8%
EBITDA Margin	21.5%	21.8%	-0.3 p.p.	20.9%	18.9%	2 p.p.
Non-cash adjustments						
Fair value variation in biological assets	(15.9)	(10.6)	49.9%	(35.5)	(33.2)	6.9%
EBITDA adjusted by non-cash events	51.1	54.1	-5.5%	143.3	121.2	18.2%
Non-recurring events ⁽¹⁾	2.2	0.1	1544.8%	7.5	24.1	-68.8%
Recurring adjusted EBITDA	53.3	54.2	-1.6%	150.8	145.3	3.8%
Adjusted recurring EBITDA Margin	17.1%	18.3%	-1.1 p.p.	17.7%	17.8%	-0.2 p.p.

Recurring Net Income

Recurring net income in 3Q15 was R\$ 2.4 million, down 70.5% from 3Q14.

Debt

The Company's net debt at the end of 9M15 was R\$367.9 million, equivalent to 1.7 times its annualized Recurring EBITDA, increasing by R\$56.6 million from at the close of 1H15, which basically corresponds to the exchange rate variation in the period.

Debt (R\$ Million)	9M15	1S15	Var. (%)
Short Term Debt	211.1	175.6	20.2%
Long Term Debt	175.7	159.5	10.1%
Gross Debt	386.8	335.1	15.4%
Cash and Cash Equivalents	18.9	23.9	-20.8%
Net Debt	367.9	311.3	18.2%
% Short Term Debt	55%	52%	2.2 p.p.
Net Debt/EBITDA	1.7	1.6	10.1%

Capex

Capex totaled R\$23.9 million in 3Q15 and was generally used in maintaining the Company's manufacturing and forest operations.

Sustainability

Eucatex's forest sustainability is assured by 46,100 hectares of forests, all located in the state of São Paulo.

Eucatex 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 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. The unit's total processing capacity is 240,000 metric tons/year, which is equivalent to approximately two million trees, 470,000 cubic meters 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 BM&FBovespa under the ticker EUCA4, closed 3Q15 at R\$2.58. Eucatex's market capitalization at the end of the period stood at R\$239.0 million, around 20% of its book value.

About Eucatex

Eucatex S.A. Indústria e Comércio completes 64 years in 2015 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 four modern plants in the cities of Botucatu and Salto, located in the inland region of São Paulo state, and employs 2,416 people. Its products are exported to more than 37 countries. For further information, visit www.eucatex.com.br/ir.

This release 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 3Q15, the Eucatex Group did not engage Grant Thornton Auditores Independentes in services other than audit.

Income Statement

Income Statement (R\$ million)	3Q15	3Q14	Var. (%)	9M15	9M14	Var. (%)
Gross Revenue	377.1	363.3	3.8%	1,036.1	998.8	3.7%
Sales taxes and Deductions	(69.0)	(66.7)	3.5%	(185.3)	(183.7)	0.8%
Net Revenue	311.0	296.6	4.9%	853.8	815.1	4.8%
Fair value variation in biological assets	15.9	10.6	49.9%	35.5	33.2	6.9%
Cost of Goods Sold	(232.6)	(218.6)	6.4%	(632.2)	(601.1)	5.2%
Gross Income	94.3	88.7	6.4%	257.2	247.2	4.0%
% Gross Margin	30.3%	29.9%	0.4 p.p.	30.1%	30.3%	-0.2 p.p.
Selling Expenses	(44.1)	(40.8)	8.3%	(124.7)	(115.4)	8.1%
General and Administrative Expenses	(11.1)	(11.6)	-3.7%	(34.9)	(33.8)	3.2%
Management Compensation	(2.3)	(1.6)	43.9%	(6.8)	(6.0)	13.0%
Other Operating Income / (Expenses)	0.0	(1.6)	100.4%	0.8	(6.1)	-112.7%
Operating Income (Expenses)	(57.6)	(55.5)	3.8%	(165.6)	(161.3)	2.7%
Net Income before Financial Result	36.7	33.2	10.8%	91.5	85.9	6.5%
Financial Income (Expense)	(53.1)	(22.5)	-135.6%	(97.8)	(41.3)	-136.6%
Non-recurring Income (Expense)	(2.2)	(0.1)	-1544.8%	(7.5)	(9.4)	20.2%
Net Income after Financial Result	(18.6)	10.5	-276.8%	(13.8)	35.2	-139.3%
Provision for Income and Soc. Contr. Taxes	18.7	(2.6)	-831.1%	23.6	(12.5)	-289.1%
Net Income (Loss) before Non-Controlling Interest	0.2	7.9	-98.0%	9.8	22.7	-56.7%
Non-controlling interest	0.0	-	0.0%	0.0	0.0	-23.5%
Net Income (Loss) for the Year	0.2	7.9	-98.0%	9.8	22.7	-56.7%
Net Margin	0.1%	2.7%	-2.6 p.p.	1.1%	2.8%	-1.6 p.p.

Balance Sheet

Balance Sheet (R\$ '000)	9M15	2014	Var. (%)
ASSETS			
Current Assets			
Cash and Cash Equivalents	7.6	7.5	1.3%
Marketable Securities	11.3	13.6	-16.7%
Trade Accounts Receivable	256.3	239.0	7.2%
Inventories	-	-	0.0%
Inventories	197.7	154.1	28.3%
Taxes Recoverable	12.4	18.2	-31.9%
Prepaid Expenses	1.6	1.6	-2.0%
Unrealized losses	-	-	0.0%
Other receivables	5.0	3.1	60.3%
Total Current Assets	491.9	437.1	12.5%
Non-Current Assets			
Long-Term Assets			
Trade Accounts Receivable	26.0	21.6	20.4%
Taxes Recoverable	3.7	3.4	8.6%
Deferred income and soc. contr. taxes	36.2	-	0.0%
Goods held for sale	0.5	0.6	-17.3%
Investment properties	25.1	26.0	-3.5%
Judicial Deposits	13.5	11.0	22.0%
Other receivables	15.5	15.5	0.0%
Total Long-Term Assets	120.4	78.1	54.2%
Permanent Assets			
Investments	-	-	0.0%
Biological Assets	383.3	363.4	5.5%
Fixed Assets	1,050.1	1,061.4	-1.1%
Intangible Assets	0.3	0.3	-4.6%
Total Permanent Assets	1,433.7	1,425.1	-0.1%
Total Non-Current Assets	1,554.1	1,503.2	3.4%
Total Assets	2,046.0	1,940.3	5.4%
LIABILITIES			
Current liabilities			
Trade Accounts Payable	122.9	114.2	7.6%
Loans and Financing	183.6	115.8	58.6%
Labor Liabilities	35.5	30.4	16.7%
Tax Liabilities	14.9	13.5	10.3%
Inventories	0.0	0.0	0.0%
Tax Installments	42.3	39.5	7.0%
Advances from Clients	18.5	13.8	34.4%
Dividends and interest on equity payable	60.4	60.4	0.0%
Unrealized profits	12.5	2.5	398.8%
Debentures payable	27.5	25.4	8.3%
Accounts Payable	26.2	29.8	-12.1%
Total Current Liabilities	544.2	445.2	22.2%
Non-Current Liabilities			
Loans and Financing	151.0	135.9	11.1%
Trade Accounts Payable	0.8	1.2	-31.3%
Tax Installments	41.0	56.1	-26.9%
Deferred Income and Soc. Contr. Taxes	86.5	82.1	5.3%
Provision for Contingencies	24.3	20.3	19.9%
Debentures payable	24.8	37.0	-33.1%
Total Long-Term Liabilities	328.3	332.6	-1.3%
Shareholder's Equity			
Capital	488.2	488.2	0.0%
Revaluation Reserves	202.0	205.5	-1.7%
Profit Reserve	393.2	377.4	4.2%
Asset Valuation Adjustment	91.2	93.7	-2.7%
Other Comprehensive Income	1.8	0.6	181.0%
Treasury Stock	(2.9)	(2.9)	0.0%
Total Shareholder's Equity	1,173.4	1,162.5	0.9%
Non-controlling interest	(0.0)	(0.0)	97.1%
Total Shareholder's Equity & Non-controlling Interest	1,173.4	1,162.5	0.9%
Total Liabilities and Shareholder's Equity	2,046.0	1,940.3	5.4%

Cash Flow

Cash Flow (R\$ 000)	9M15	2014
Net Income before Income and Social Contribution Taxes	(13.8)	35.2
Adjustments to Reconcile Net Income and Operating Cash Flow		
Depreciation and Amortizations	46.3	48.0
Exhaustion of biological assets	48.5	44.6
Residual Value of Fixed Assets Sold	0.0	0.0
Fair value variation in biological assets	(35.5)	(33.2)
Interest, Monetary and Exchange Variations, net	102.0	30.7
Write-off of investments	1.0	0.2
Provision for inventory losses	0.0	0.6
Income and social contribution taxes in the period	(8.3)	(8.4)
Deferred income and social contribution taxes	31.9	(4.0)
Provision (reversal) for liabilities and others	11.4	8.8
Changes in operating assets and liabilities		
Trade accounts receivable	(22.2)	(0.6)
Receivables from related parties	(0.0)	-
Inventories	(43.7)	(5.7)
Recoverable taxes	4.3	9.9
Deferred income and soc. Contr. Taxes - 11,638/07	(31.9)	-
Deferred expenses	0.0	(0.5)
Judicial deposits	(2.4)	(1.1)
Other receivables	(1.9)	2.4
Trade accounts payable	8.4	(4.6)
Labor and Tax Liabilities	0.9	(3.5)
Tax Installments	(21.1)	(20.3)
Advances from Clients	4.7	(1.1)
Accounts payable	6.4	0.3
Income and social contribution taxes paid	0.0	(0.0)
Net Cash Flow from Operating Activities	85.2	97.3
Cash Flow from Investing Activities		
Capital transfer to subsidiaries	-	-
Capital reduction on subsidiaries	1.1	0.2
Addition to fixed assets	(35.1)	(44.7)
Addition to biological assets	(32.9)	(31.9)
Marketable Securities	2.3	(24.6)
Net Cash Flow from Investing Activities	(64.5)	(100.9)
Cash Flow from Financing Activities		
Amortization of loans and debentures	(119.3)	(110.5)
Loans	98.7	106.6
Debentures	-	-
Net Cash Flow from Financing Activities	(20.5)	(3.9)
Increase (Reduction) in Net Cash and Cash Equivalents	0.1	(7.5)
Cash and Cash Equivalents		
Beginning of period	7.5	11.6
End of period	7.6	4.1