

## EUCATEX Announces 1H09 Results: Gross Revenue of R\$ 390.3 million, EBITDA of R\$ 57.3 million, EBITDA Margin of 18.2%

**São Paulo, August 14, 2009.** 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 segments of paint and varnish, laminate flooring, partitions, profiles, doors and roofing, announces its results for the six months ended June 30, 2009 (1H09). Except where stated otherwise, the financial and operating information herein is audited and presented on a consolidated basis in Brazilian real (R\$), in accordance with Brazilian Corporate Law, and all comparisons refer to the six months ended June 30, 2008 (1H08).

### Highlights

- » **Gross Revenue of R\$ 390.3 million** in 1H09, down **6.8%** in relation to 1H08. In 2Q09, gross revenue was R\$ 200.9 million, a decrease of 2.5% in relation to 2Q08.
- » Domestic wood panel sales in 1H09 contracted by 8.4% versus 1H08, while **Export Revenue increased by over 70%** and the **Paints segment** grew by **14.0%**.
- » **Gross Margin** stood at **35.3%** in **1H09**, expanding by 1.9 p.p. from 1H08.
- » **EBITDA and EBITDA Margin** in 1H09 were **R\$ 57.3 million and 18.2%**, respectively, declining by 13.3% and 1.3 p.p. in relation to 1H08.

2Q09 Highlights (R\$ million)	2Q09	2Q08	Var. (%)	1H09	1H08	Var. (%)
Net Revenue	161.6	164.5	-1.7%	314.4	338.8	-7.2%
Gross Profit	52.8	55.2	-4.4%	111.0	113.0	-1.8%
Gross Margin (%)	32.7%	33.6%	-0.9 p.p.	35.3%	33.4%	1.9 p.p.
EBITDA	26.3	30.0	-12.2%	57.3	66.0	-13.3%
EBITDA Margin (%)	16.3%	18.2%	-1.9 p.p.	18.2%	19.5%	-1.3 p.p.
Net Income	8.7	11.8	-26.1%	17.0	30.7	-44.7%
Net Debt	82.4	72.2	14.3%	82.4	72.2	14.3%
Net Debt / EBITDA (LTM)	0.8	0.6	30.1%	0.7	0.5	31.7%

### Economic Scenario

The first six months of 2009 were marked by adjustments to the impacts of the severe global financial and economic crisis. Following the slowdown in economic activity that began in the fourth quarter of 2008, consumers and executives adopted a more cautious stance, which led to lower aggregate demand and intense adjustments in inventories, and, consequently, in turn lower industrial production. Despite fiscal and monetary stimulus measures, consumption growth maintained a moderate pace.

The serious crisis that hit the world economy also caused significant impacts for Brazil. However, unlike similar episodes in the past, the country proved resilient, responding to the crisis with monetary and fiscal stimulus measures, which would have been unthinkable in the past. This response was made possible by measures such as improvements in the external and public accounts, the building of international reserves, legally mandated fiscal responsibility, a solid financial system, transparent monetary policy and domestic economic growth through a greater offering of credit and higher income levels. In this scenario, domestic demand has been successful in sustaining a satisfactory pace of economic growth, following the most acute phase of the crisis from the end of 2008 through the first quarter of 2009.

The market is still working with a scenario of Brazilian GDP growth of near zero this year, with positive growth returning only in 2010. However, sectors related to construction should benefit from the government program to stimulate the construction of 1 million homes.

## Operating Performance

Operating Performance  
2005 - 100 base

Sales Volume	2Q09	2Q08	Var. (%)	1H09	1H08	Var. (%)
Hardboard (MI)	105	110	-4.5%	114	117	-2.5%
Hardboard (ME)	64	28	133.4%	59	36	64.8%
Laminate Flooring	147	116	26.3%	130	130	-0.5%
Paint	249	228	9.2%	262	258	1.8%

In 1H09, the wood panel sales registered a reduction of 2.5% in domestic sales volume in relation to 1H08.

MDP sales continued to present a favorable mix, with coated products accounting for 95% of 1H09 sales. The Lacca product accounted for 26.5% of total sales, reflecting the excellent acceptance in the market of this unique product in terms of technology and quality. Investments made in both the low pressure finishing (BP) segment and in finish foil (FF) products have helped the Company boost sales of these products. In the coming months, Eucatex plans to launch products in both the BP and FF lines, which should strengthen its leadership position in the coated products market.

Hardboard exports expanded by 64.8% in 1H09 over 1H08 and by 133.4% in 2Q09 over 2Q08, which is in line with the company's strategy to increase the share of the export market in its total sales.

The laminate flooring segment expanded by 26.3% in 2Q09 in relation to the same period last year and in 1H09 remained stable in relation to 1H08.

The Paint business registered a recovery in sales, with growth of 9.2% in 2Q09 over 2Q08. In 1H09, this segment grew by 1.8% in relation to 1H08, effectively outpacing the market, which contracted by 4% in the same period.

The Company wound up its operations in the mineral segment in the first half of 2009. These operations accounted for only 3% of the Group's net revenue.

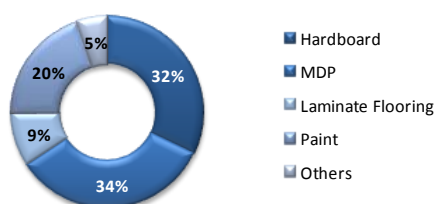
Note that in 1H08 the Company's wood panel sales came to R\$ 11 million, an event that did not repeat in 1H09.

## Financial Performance

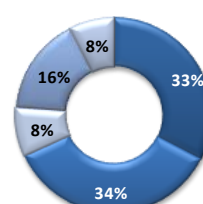
### Gross Revenue

Gross Revenue Breakdown (R\$ million)	2Q09	2Q08	Var. (%)	1H09	1H08	Var. (%)
Hardboard	61.5	70.1	-12.3%	125.2	136.4	-8.2%
MDP	64.1	72.7	-11.7%	131.4	148.6	-11.6%
Laminate Flooring	20.0	15.9	26.3%	35.6	33.9	5.0%
Wood Segment	145.6	158.6	-8.2%	292.2	319.0	-8.4%
Paint Segment	38.6	33.1	16.6%	77.7	68.1	14.0%
Others	16.7	14.4	15.9%	20.4	31.5	-35.2%
<b>Gross Revenue</b>	<b>200.9</b>	<b>206.1</b>	<b>-2.5%</b>	<b>390.3</b>	<b>418.7</b>	<b>-6.8%</b>

Gross Revenue Breakdown - 1H09



Gross Revenue Breakdown - 1H08



Gross revenue in 1H09 was R\$ 390.3 million, down 6.8% in relation to 1H08, and in 2Q09 was 2.5% lower than in 2Q08. Nevertheless, revenue from exports, laminate flooring and the paint segment registered positive growth, despite the weaker market in the period.

### Cost of Goods Sold (COGS)

COGS decreased by 9.9% in relation to 1H08, due to the drop in sales volume as well as to the lower prices of certain raw materials and the decline in fixed costs. The company maintained

the program to cut costs at all levels of the organization, which was implemented following the onset of the crisis and has generated positive results.

## Gross Profit and Gross Margin

Gross profit declined 7.2% in 1H09 and 1.7% in 2Q09 over the respective periods a year earlier. Gross Profit totaled R\$ 111.0 million in 1H09, down 1.8% year on year.

Gross Margin expanded by 1.9 p.p., from 33.4% in 1H08 to 35.3% in 1H09, driven primarily by the reductions in fixed and raw material costs.

## Operating Expenses

Operating Expenses Distribution (R\$ million)	2Q09	2Q08	Var. (%)	1H09	1H08	Var. (%)
Sales	(26.2)	(23.5)	11.2%	(48.8)	(45.5)	7.2%
General and Administration	(10.7)	(11.2)	-4.2%	(21.4)	(21.4)	-0.1%
Others Operating Revenues and Expenses	0.2	(1.8)	-110.6%	(4.7)	(2.4)	97.8%
<b>Total Operating Expenses</b>	<b>(36.7)</b>	<b>(36.6)</b>	<b>0.4%</b>	<b>(74.9)</b>	<b>(69.3)</b>	<b>8.1%</b>
<b>% Net Income</b>	<b>-22.7%</b>	<b>-22.2%</b>	<b>-0.5 p.p.</b>	<b>-23.8%</b>	<b>-20.5%</b>	<b>-3.4 p.p.</b>

Selling expenses increased by approximately 7.2% in relation to 1Q08, basically due to the growth in export and paint sales, which have higher variable expenses than those in the segments that registered contractions in sales.

Administrative expenses decreased by 0.1% versus 1Q08 and by 4.2% in relation to 2Q08, also due to the rationalization measures.

In the line other revenue and operating expenses, non-recurring income of R\$ 2.5 million was registered, which was related to tax credits.

## EBITDA and EBITDA Margin

EBITDA Reconciliation (R\$ million)	2Q09	2Q08	Var. (%)	1H09	1H08	Var. (%)
Net income (Loss)	8.7	11.8	-26.1%	17.0	30.7	-44.7%
Deferred Income and Social Distribution Taxes	1.8	2.8	-34.4%	3.6	9.0	-60.4%
Net Financial Income	6.4	4.0	58.1%	16.4	11.5	43%
Depreciation and Amortization	10.2	11.3	-9.6%	21.2	22.3	-5%
Non-recurring Results	(0.9)	-	0.0%	(0.8)	(7.5)	-88.8%
<b>EBITDA</b>	<b>26.3</b>	<b>30.0</b>	<b>-12.2%</b>	<b>57.3</b>	<b>66.0</b>	<b>-13.3%</b>
<b>EBITDA Margin</b>	<b>16.3%</b>	<b>18.2%</b>	<b>-1.9 p.p.</b>	<b>18.2%</b>	<b>19.5%</b>	<b>-1.3 p.p.</b>

EBITDA was R\$ 57.3 million year to date, 13.3% lower than in 1H08. The decline in EBITDA reflects the lower revenue, the higher selling expenses and the non-recurring tax credit.

EBITDA margin decreased by 1.3 p.p. in relation to 1Q08 to 18.2% in 1H09.

### Net Income

Net income was R\$ 17.0 million in 1H09, 44.7% lower year on year, due to the following events: a) the proceeds from the sale of a farm in 1H08, which did not recur in 1H09; b) the higher financial expenses; c) the lower operating income.

### Debt

The Company's debt at the end of 1H09 was equivalent to 0.7 times EBITDA in the six-month period, and the repayment period for the company's long-term debt is nine years.

Debt (R\$ million)	1H09	1H08	Var. (%)
Short Term Debt	33.5	17.3	93.2%
Long Term Debt	50.8	62.3	-18.5%
<b>Gross Debt</b>	<b>84.3</b>	<b>79.6</b>	<b>5.8%</b>
Cash and Cash Equivalents	1.8	7.5	-75.7%
<b>Net Debt</b>	<b>82.4</b>	<b>72.2</b>	<b>14.3%</b>
% Short Term Debt	40%	22%	18 p.p.
Net Cash (Debt)/EBITDA	0.7	0.5	31.7%

### CAPEX

The Company's investments in 1H09 included:

- the new T-HDF/MDF line, with operational startup expected in 2010. When it reaches full capacity, the line could expand the company's operations by R\$ 250 million in gross revenue and R\$ 90 million in cash flow, based on current prices and costs;
- the new saturation machine, which will enable cost reductions in the entire flooring and accessories line, as well as in products for the furniture industry;
- the expansion in capacity and the debottlenecking of the MDP line; and
- the planting of 1,100 hectares of forests.

### Sustainability

Eucatex's forest sustainability, including the operations of its new T-HDF line project, is assured by 44,000 hectares of forests, all located 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 wood recycling line on an industrial scale in South America. Its state-of-the-art equipment enables materials obtained within a 150 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. When the line reaches its full processing capacity of 20,000 metric tons per month (which otherwise would have ended up in city landfills), the Company will achieve annual savings equivalent to R\$ 20 million from the acquisition of land properties alone.

### **Stock Performance**

Eucatex preferred stock (EUCA4) listed on the São Paulo Stock Exchange (BOVESPA) closed 1H09 quoted at R\$ 3.25. Based on the 1H09 closing price, Eucatex's market value was R\$ 257.2 million, equivalent to 2.3 times annualized EBITDA

### **Human Resources**

Personnel expenses in 1H09 totaled R\$ 50.7 million, of which R\$ 25.2 million were wages, R\$ 15.7 million were payroll charges and around R\$ 9.8 million were spent on medical and dental plans, transport, meals, training and occupational health and safety actions for the Company's 2,061 employees and their dependents.

### **Relationship with Independent Auditors**

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

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 professional independence principles, which provide that an auditor should not examine its own work, perform managerial functions or practice law on behalf of clients.

In 1H09, the Eucatex Group did not contract any other services other than the auditing services of Terco Grant Thornton Auditores Independentes.

## About Eucatex

Eucatex S.A. Ind. e Com. (Bovespa: EUCA3 and EUCA4), which completed 57 years of operations in 2008, is one of Brazil's largest manufacturers of flooring, partitions, profiles, doors, roofing, MDP, hardboard and paints and varnishes. With **2,061** employees, the Company exports to more than 30 countries and has four modern plants located in the cities of Botucatu and Salto in the inland region of São Paulo state. In September 2007, the Company successfully concluded a reorganization of its ownership structure, 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. These 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, as well as the risks stated in Eucatex's disclosure documents, and therefore are subject to change without prior notice.*



## Income Statement

(R\$ million)	2Q09	2Q08	Var. (%)	1H09	1H08	Var. (%)
<b>Gross Revenue</b>	<b>200.9</b>	<b>206.1</b>	<b>-2.5%</b>	<b>390.3</b>	<b>418.7</b>	<b>-6.8%</b>
Sales taxes and Deductions	(39.3)	(41.6)	-5.6%	(75.9)	(79.9)	-5.0%
<b>Net Revenues</b>	<b>161.64</b>	<b>164.47</b>	<b>-1.7%</b>	<b>314.44</b>	<b>338.76</b>	<b>-7.2%</b>
Cost of Goods Sold	(108.8)	(109.2)	-0.4%	(203.5)	(225.8)	-9.9%
<b>Gross Profit</b>	<b>52.8</b>	<b>55.2</b>	<b>-4.4%</b>	<b>111.0</b>	<b>113.0</b>	<b>-1.8%</b>
<b>Operating Expenses</b>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sales	(26.2)	(23.5)	11.2%	(48.8)	(45.5)	7.2%
General and Administration	(10.7)	(11.2)	-4.2%	(21.4)	(21.4)	-0.1%
Other Operational Costs	0.2	(1.8)	110.6%	(4.7)	(2.4)	-97.8%
<b>Operational (loss) Income</b>	<b>(36.7)</b>	<b>(36.6)</b>	<b>0.4%</b>	<b>(74.9)</b>	<b>(69.3)</b>	<b>8.1%</b>
<b>Income before Financial Result</b>	<b>16.1</b>	<b>18.7</b>	<b>-13.8%</b>	<b>36.1</b>	<b>43.7</b>	<b>-17.4%</b>
Net Financial Result	(6.4)	(4.0)	-58.1%	(16.4)	(11.5)	-42.8%
Non-Recurring Income	0.9	-	0.0%	0.8	7.5	-88.8%
<b>Income after Financial Result</b>	<b>10.6</b>	<b>14.6</b>	<b>-27.7%</b>	<b>20.5</b>	<b>39.7</b>	<b>-48.3%</b>
Provision for Income and Social Contribution Taxes	(1.8)	(2.8)	34.4%	(3.6)	(9.0)	60.4%
<b>Net (Loss) Income</b>	<b>8.7</b>	<b>11.8</b>	<b>-26.1%</b>	<b>17.0</b>	<b>30.7</b>	<b>-44.7%</b>
<b>Net Margin</b>	<b>5.4%</b>	<b>7.2%</b>	<b>-1.8 p.p.</b>	<b>5.4%</b>	<b>9.1%</b>	<b>-3.7 p.p.</b>



Balance Sheet (R\$ million)	1H09	1H08	Var. (%)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	1.8	7.5	-75.7%
Clients	129.1	118.9	8.6%
Inventories	81.9	78.7	4.1%
Taxes Recoverable	18.4	11.3	62.7%
Other Credits	3.4	52.9	-93.6%
Deferred Expenses	1.5	1.5	2.5%
<b>Total Current Assets</b>	<b>236.2</b>	<b>270.9</b>	<b>-12.8%</b>
<b>Non-current Assets</b>			
<b>Long- Term Assets</b>			
Clients	1.5	-	0.0%
Assets for Sale	10.7	2.0	438.6%
Taxes Recoverable	8.2	4.1	99.2%
Judicial Deposits	5.9	5.6	5.0%
Other Credits	16.7	17.2	-2.9%
	<b>43.1</b>	<b>29.0</b>	<b>48.8%</b>
<b>Investments</b>			
Investments in Subsidiaries	(0.0)	(0.0)	164.7%
Other Investments	0.9	0.9	0.0%
Fixed Assets	892.0	781.7	14.1%
Intangible	1.0	4.3	-76.9%
	<b>893.9</b>	<b>787.0</b>	<b>13.6%</b>
<b>Permanent Assets</b>	<b>937.0</b>	<b>816.0</b>	<b>14.8%</b>
<b>Total Assets</b>	<b>1,173.2</b>	<b>1,086.9</b>	<b>7.9%</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Loans and Financing	33.5	17.3	93.2%
Accounts Payable to Suppliers	45.0	39.0	15.5%
Salaries	14.8	14.4	2.6%
Tax, Accrued Expenses and Payroll	18.9	9.9	91.8%
Tax Installments	11.3	10.1	11.8%
Deferred Taxes	1.0	2.4	-59.7%
Loans from Related Persons	0.0	-	0.0%
Provision for Unsecured Liabilities	0.0	-	0.0%
Advances from Clients	2.9	-	0.0%
Accounts Payable	11.5	11.7	-1.6%
<b>Current Liabilities</b>	<b>138.9</b>	<b>104.9</b>	<b>32.5%</b>
<b>Non- Current Liabilities</b>			
<b>Non- Current Liabilities</b>			
Loans and Financings	50.8	62.3	-18.5%
Tax Installments	77.6	79.5	-2.4%
Deferred Taxes	20.8	23.4	-11.2%
Accounts Payable	28.6	-	0.0%
Provisions for Contingencies	308.3	310.7	-0.8%
<b>Non- Current Liabilities</b>	<b>486.1</b>	<b>475.9</b>	<b>2.1%</b>
<b>Non Controlling Stockholders</b>	<b>-</b>	<b>0.0</b>	<b>-100.0%</b>
<b>Shareholder's Equity</b>			
Capital	488.2	488.2	0.0%
Treasury Stock	(0.8)	(0.8)	0.0%
Capital Reserve	270.1	273.5	-1.2%
Accumulated Losses	(209.3)	(254.8)	-17.9%
	<b>548.1</b>	<b>506.0</b>	<b>8.3%</b>
<b>Total Liabilities</b>	<b>1,173.2</b>	<b>1,086.9</b>	<b>7.9%</b>

Cash Flow (R\$ million)	1H09	1H08
<b>Net Income before Income Tax and Social Contribution Tax</b>	<b>20.5</b>	<b>39.7</b>
<b>Adjustments to Reconcile Net Income and Operating Cash Flow</b>		
Depreciation and Amortizations	21.2	22.3
Residual Value of Fixed Assets Sold	1.6	19.1
Provisions for / reversals of PDA	(0.1)	-
Interest, Monetary and Exchange Variations on Loans	(11.6)	(5.5)
Foreign Exchange Variation – Clients	4.1	(2.0)
Foreign Exchange Variation – Imports	5.4	3.0
Monetary Restatement of Taxes	17.3	14.4
Provision for Inventory Losses	(0.7)	-
Provision for Profit Share Program	1.7	1.7
Income and Social Contribution Taxes	(3.6)	(9.0)
Provisions/(reversal) for Tax Contingencies	-	(2.2)
Provisions/(Reversals) of Shareholder Contingencies	0.6	-
Adjustment to present value – tax recoverable	(0.4)	-
Other Provisions/ (Reversals) with no impact on Cash	(1.0)	(9.0)
<b>Decrease (Increase) in Current and Non-Current Assets</b>		
Accounts Receivable from Clients	(11.3)	(3.7)
Inventories	(0.2)	(9.7)
Taxes Recoverable	(3.0)	9.3
Following year's expenses	(1.0)	0.4
Judicial Deposits	(0.5)	4.9
Other Credits	12.0	(53.1)
<b>(Decrease) Increase in Liabilities and Non-Current Assets</b>		
Suppliers	(9.6)	2.6
Labor and Tax Liabilities	6.7	12.7
Tax Installments	1.5	(2.5)
Advances from Clients	(0.6)	-
Provision for Contingencies	5.2	24.2
Other Liabilities	(0.4)	(3.9)
<b>Net Cash Flow from Operating Activities</b>	<b>53.8</b>	<b>53.7</b>
Income Tax and Social Contribution Tax Paid	(2.1)	(6.9)
<b>Net Cash Flow from (Used in) Operations</b>	<b>51.7</b>	<b>46.8</b>
<b>Cash Flow from Investing Activities</b>		
Increase in Fixed Assets	(63.2)	(47.1)
<b>Net Cash Flow from Investing Activities</b>	<b>(63.2)</b>	<b>(47.1)</b>
<b>Cash Flow from Financing Activities</b>		
Amortization of Loans	(25.3)	(31.0)
Inflow of Loans	27.7	27.8
Subsidiaries	(0.0)	-
<b>Net Cash Flow from Financing Activities</b>	<b>2.4</b>	<b>(3.2)</b>
<b>Increase (Reduction) in Net Cash and Cash Equivalents</b>	<b>(9.2)</b>	<b>(3.5)</b>
<b>Cash and Cash Equivalents</b>		
Beginning of period	11.0	11.0
End of period	1.8	7.5
	<b>(9.2)</b>	<b>(3.5)</b>