



2017 Public Meeting

Conference Call

March 23, 2017

OPERATOR – Ladies and gentlemen, thank you for waiting and welcome to Eucatex's conference call. We inform that participants will be in listen-only mode during the Company's presentation. Afterwards, we will begin the Question & Answer session, at which point further instructions will be given. Should any participant require assistance during the call, please press *0 to reach the operator.

I will now pass the call over to Mr. José Antônio. José Antônio, you may proceed.

JOSÉ ANTÔNIO GOULART DE CARVALHO - Good morning, everyone. First of all, thank you for joining us this morning in this on-site meeting. I would also like to thank everyone who is joining us via web, in this meeting where we will present Eucatex's results for 4Q16 and the twelve months of 2016. Around the same time last year, we did a similar presentation and I was taking a look at my notes and wondering whether or not it would be possible to have different expectations for 2017, which is beginning now, in relation to 2016, which was an extremely difficult year. Then, when we look at this exact time last year (March) and to all the indicators, the most tangible aspects such as demand for our products, family consumption, employment, etc., wouldn't allow us to be more positive for 2017 than we were for 2016. On the other hand, there are aspects I consider to be different and that, despite the weak indicators and tangible aspects, could lead to different expectations regarding 2017. The first aspect is the government itself. Over the course of 2016, we saw a process of removal of President Dilma, the whole impeachment process and establishment of a new government, so this year already began differently. Even if we don't have, let's say, the government we all dream of, at least we have an economic team of people who are prepared and whose speech is in line with good market practices, and who will certainly lead the country to a growth trajectory sometime. This economic stability has enabled not only a radical change in the aspect of trust, but also people and companies regaining confidence which, in my opinion, is key for us to think of any kind of improvement. Another aspect that gives us a more positive outlook for the year is inflation. We had a significant decrease in inflation, a fast reversal towards the target, and this has enabled a decrease in interest rates, which we know is very important for company financing. I think more than 90.0% of the companies have most of their loans linked to the CDI rate, which also influences the so-called debt service of families. This means that if we combine a more stable economic environment, an increase in confidence and the improved interest rates, it's safe to say that companies would start investing again and families would gradually start building again, allowing us to think of a turnaround, a better year in 2017 compared to 2016. Another aspect, which is non-recurring but not less important, is the issue of

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the unemployment fund, the withdrawal from inactive accounts. The calculations I had access to show that this could impact GDP by around 0.3% to 0.5%, which is significant.

In the case of Eucatex, as we will comment further on, we also did some important homework. We carried out a series of internal restructuring activities, revisions in service, changes in structure, and as a result we started the year as a much leaner, lighter and more competitive company, which we will be able to show over the course of our presentation. On the one hand we have an economy that seems to be improving, and on the other hand we have a company that is more prepared, more competitive and leaner. That allows for a more positive outlook for 2017 compared to 2016.

Well, let's begin our presentation. We normally begin by showing some highlights of the period. Today we are showing net revenue first. We had a small contraction in the last quarter and stability in the year. With regard to EBITDA, we had an increase of 1.9% in the last quarter, and a decrease of 5.5% considering the 12 months. The main reason for this decrease of 5.5% that I mentioned in the conference calls we had over the year was that in 2016 we decided to purchase more wood in the market. The idea was to let our forest grow and purchase older wood that was ready for consumption in the market. This ends up influencing EBITDA because normally the accounting procedure for when we use our own wood includes exhaustion, i.e. the cost incurred to develop the forests, in the EBITDA calculation. When we acquire market wood, evidently we don't have that return, so that is the main practical difference or the cause for this EBITDA decrease in the year. As for percentages, we had an EBITDA increase in the last quarter and a decrease in the year, due to the reasons I just mentioned. Our net income improved substantially both in the quarter and the year, with significant percentage growth. We continue to have good news. We continue to make significant efforts towards growth in exports, despite the significant contraction in exchange rate, having seen an expansion of 51.3% in the quarter and 17.6% in export revenue, which was also substantial. Looking ahead, the Brazilian panels scenario is one of oversupply and, more than ever, not only Eucatex but also our competitors invested significantly in exports, which helped us tremendously in regulating domestic supply.

Well, for those of you who know the company, this information is relatively redundant, but for anyone who's with us for the first time today, here is some information about Eucatex: the company was founded in 1951, celebrating 66 years of operation this year. We operate in the furnishing industry and wood resale, which we can say ends up serving small woodworkers, the small furnishing industry. We operate in the civil construction industry and have a very important activity in exports. For our export activities, it's also very important that we have a subsidiary in Atlanta, USA, combined with the way we operate in the U.S. market, where we have various rented warehouses and we stock our products on American soil, so that we don't have exactly an importer-exporter relationship, but rather as a local supplier, allowing us substantial success in the U.S. market, since we offer very high quality services. We have 79 eucalyptus farms, all in the state of São Paulo, some of which we own and some of which we lease, but either way it's a significant number of forests. We ended the period with 2,486 employees. These are our plants, a total of 5,

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four of which are located in the state of São Paulo. Our Salto plant was the company's first plant. It produces a type of fiberboard that only we and Duratex have in Brazil. It's a very interesting board, despite being an old process, because some of you who are more familiar with the industry know the importance of resins for some types of panels, and it's very significant for us in terms of cost. The fiberboard does not use any resin, so despite being an old process, it's still highly competitive. There is also some information about our finishing capacity. Then we have the T-HDF and MDF plant, also in Salto, which is the Company's newest plant. It started operating around 2011 and has a finishing capacity of 275,000 m³ and a significant finishing capacity for lustrous products. In Botucatu we have our MDP plants with 430,000 m³ and our laminated flooring plants with 12 million m², as well as a significant finishing capacity of around 50 million meters. Outside this circuit of forestry companies we have two paint plants: the first and largest is located in Salto, with capacity of 36 million gallons, and about three years ago we opened a plant in the Northeast, which is smaller but equally important. At this plant we manufacture products with a higher water component and lower value added, representing an initiative in logistics that allows us to bring the manufacturing of lower value products more sensitive to transportation closer to the consuming market. Lastly, this is our nursery, where we produce all the seedlings we consume in the planting process. We also have a clone research and development sector there. Today, our entire forest is cloned, we're not planting any more seedlings.

Moving along, this is information on revenue. We already commented on this year's stability and this small decrease in the last quarter. On the left side of the slide we have a breakdown of revenue by product. Compared to previous years or periods, no big news. Our greater concentration is in the wood segment, with forestry, but the paint segment is also very important and has been accounting for 23% of earnings. On the right side we have a breakdown of revenue by segment. The novelty we would like to point out is that exports accounted for 15% of the Company's revenue in the period. We have a slide showing a contraction in export revenue from 2013 onwards. We noticed that the big leap in exports happened from 2014 to 2015 and from 2015 to 2016. It is not a coincidence that these were, or have been, the hardest years for the domestic market, and we have more than ever resorted to foreign markets to export our products. On the right side we have the share of exports in our revenue and the behavior is very similar. We went from around 8% to 15% at the end of the year. If you had the opportunity to follow us closely over the course of this year, you will see that we ended the year at a higher level. We expected something around 20%, but with the lower exchange rate we held back on some of the projects we had. 15% is very consistent and I think we can go higher than that. But growth was a little slower than we imagined or announced at the beginning of the year.

In the next slides we will provide some information about the market as whole, very simple information that will contextualize the situation of the markets where we operate. The first one, regarding construction material, is the index by the Brazilian Construction Materials Industry Association (ABRAMAT), which shows us that the scenario has been complicated since 2013 and 2014, with significant drops – 6% in 2014, almost 13% in 2015 and now almost 12% in 2016. That's a total 30% decrease in the index, which is extremely representative of the industry's struggle.



Moving along, we will show you what's happening in the panels industry. This industry, like all others, is obviously facing difficulties in the economic scenario, and in addition to this struggle experienced by industries in general in the Brazilian economy, the wood industry has particularly faced a more complex situation, if that's even possible, because of the fact that capacity in the industry has been growing in the last five years at an average rate of 7.3%, that is, an addition of 7.3% new capacity every year, while production is growing at a pace of 2%. This has been leading to idleness. If we compare the ratios in green, the green bars mean capacity occupation, and we can see a significant idleness, especially in the last two years, posing an additional challenge for the industry specifically. Companies in this industry are designed to work 24 hours a day, 7 days a week, and it's very complex to manage such an occupation. So, this was just to give more context to the challenges, and then we will show you what happened with Eucatex in this complex scenario.

Starting with the wood segment, it comprises the products shown in the pie chart to the right, namely MDP panels, T-HDF panels and MDF. This 32% ratio includes doors and panels that we didn't highlight, but these products are made from T-HDF panels, including doors for civil construction and wall partitions, all considered in the revenue. We have fiberboards and laminated flooring as well. What's worth highlighting here is the growth of laminated flooring. In this same period last year, they accounted for around 16% of revenue, now increasing to 19%. This is due to the market share gain, which is important for the Eucafloor brand, a very strong one. As for T-HDF panels, last year they accounted for roughly 28% of revenue, and this year we reached 32% as a result of exports. On the left side we have a table with revenue information in the quarter and year, where we saw a decrease of 4.3% and 3.5%, respectively, and these drops are in line with the volume, shown below in the bar charts. The main explanation is, to the extent that revenue is in line with volume, we didn't have significant price variations in the wood segment. What explains mainly these volume drops is, first of all, that we decided to shut down one of the fiberboard production plants in Salto during weekends, establishing a different shift system and achieving greater quality. Today, technically speaking, we have a lower yield. I mean, on the one hand we decreased production a little bit, but we also gained in terms of quality. Another aspect that explains a little bit of this decrease was a longer maintenance shutdown at the MDP plant, and the relative increase in laminated flooring production at the Botucatu plant. The same press that makes MDP makes the substrate for the laminated flooring. When we make the laminated flooring we end up producing a lower volume in m³, but the laminated flooring cubic meter is around three times the MDP cubic meter. So, anything we lose in terms of production we gain significantly in terms of revenue.

Moving along, we have information about capacity utilization in various lines, and I have last year's figures with me. We had 74% for fiberboards versus 83% last year, and this had to do with the change in shift that I mentioned, as well as yield. The MDF plant operated similarly. At the MDP and laminated flooring plant we had 93% utilization last year, while this year it's at 90%. This is due to the stoppage I mentioned, and the laminated flooring line is at a similar level. Below we have information for the development of models, a breakdown of our costs.



This is for the paint segment. It was a difficult year for paints. The table on the right shows that it was difficult for us and the market, but we ended up outperforming the market. Because if we look at the first column of this table on the right, we can see that while the market is dropping 0.1% in the quarter we are growing 0.3% in volume. This data is from the Brazilian Association of Paint Manufacturers (ABRAFAT). In the year, while the market dropped 5.7%, we dropped only 3.7%. So just like we made an analogy to compare price and volume, now looking at the table on the left, and between price and revenue, we can see that the paint segment had a price increase as revenue grew, for example, 4.1% in the quarter versus a 0.3% growth in volume. In the year, it grew 2.5%, but our volume decreased 3.7%. There is a gain in paint prices that we will see a little bit further, and it helped us post better margins in the quarter. As for installed capacity, we're at 57%. If we compared it to the industry at 64% it could cause concern, but this paint plant is different from the wood plants, which were designed to operate 24 hours a day. This is a plant we can easily stop and resume operations without any difficulties or losses. So, even though the higher the occupied capacity the better, 57% is not worrying. On the left we also have a breakdown of costs, like we did with wood, to help develop any kind of model.

Well, this is a summary of our results and some data we already commented on. Net revenue, as mentioned, contracted slightly in the quarter and remained stable in the year. Gross margin improved in the last quarter, with an increase of 3.3 p.p. As seen in the paint segment, there was an improvement in prices. So, we have better prices and a more appropriate cost management leading to this margin increase. On the other hand, in the year we had a slight decrease of 1.0 p.p., but that's not an operating loss, but rather an accounting issue. We are obligated to do a so-called appraisal of the variation in our biological assets, our forest base, and that involves a series of variables like interest rates, forest growth etc., and we noticed that in 2015 this figure was R\$44 million compared to R\$30 million now, a significant difference. Like I said, this is an accounting figure with no cash effect, but it impacts gross margin. If we ignore this variation we will see that last year's and this year's results are the same from an operational standpoint. As for administrative expenses, we already talked about the sort of homework that we did. We all know that administrative expenses fluctuate significantly due to inflation, collective bargaining agreements, etc. Still, we saw a reduction of 6.2% in administrative expenses as a result of the restructuring initiatives we implemented. Selling expenses decreased, partially because of the slight contraction in revenue, of course, which is the variable portion of selling expenses, but also due to intervention, restructuring, changes in structure and simplification of our commercial areas. As for EBITDA, as mentioned in the beginning of our presentation, we saw growth in the quarter and a slight decrease in the year. This contraction, as I said, is linked to the purchase of wood and the fact that we had no return on exhaustion this year. Again, a significant improvement in results, in the Company's both accounting and recurring net income. Recurring income is higher, and if we look at the year's results we will see a non-recurring result of -R\$20 million last year, a little below 12%. This increase is mainly due to the adjustments to structure. The more we adjust our structure and headcount, the more severance pays we incur, expanding these costs.

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Net debt remained stable, at least in BRL, both from 2015, the one posted in September and this at the end of 2016. Equally stable was the net debt to EBITDA ratio, which last year was at 1.7 time and now is 1.8 times, but it's really just a decimal point thing. Treasury has been working hard to lengthen this debt, even though our leverage isn't high, especially when compared to other companies in the market. Our leverage is low, if we can call it that, at around 1.8 time, but it is concentrated in the short term, which is why we need to lengthen debt. Foreign currency is another issue worth discussing. The ratio is significant, but anyway, all of these operations are foreign trade operations, all in proportion or even significantly lower than our exports. We consider these operations to be naturally hedged, to the extent that the main product we export, over 80%, is fiberboard. Looking back, we would see that when we take a forest that was already planted, workforce, thermal power and electricity, we basically set the cost of fiberboards. This roughly means that whatever the exchange rate, whether it's at the current level of around R\$3.10 or at the level it was in 2015 of R\$4.00, we wouldn't have substantial differences in fiberboard production costs. So, from a hedging standpoint, this is comforting. Evidently it would have been much better to reach the R\$4.00 level, if it's ever going to, than R\$3.00. But, anyway, we're not worried because the cost of producing this board per m² is the same.

Regarding investments, I didn't bring the figures for this year, but we ended 2016 at around R\$90 million. This year we were even more focused on sustainability, that is, organizing our plants, doing the necessary maintenance and replacing our forests. So this year we believe we will invest around R\$78 million, which is less than last year, but in line with this scenario of optimizing the Company's resources.

This slide, like the others, is informative, we can't really draw many conclusions from it, but it's very important. We saw earlier that a significant portion of the Company's revenue originates from forestry. So it's important to take a look at these figures. As I said, we have 79 farms, totaling 46,000 hectares, all in the state of São Paulo. The table on the right shows the average supply radius for the plants. The forests are closer to Botucatu and farther from Salto, but Salto is closer to the big consumption hubs and the port, and a little farther from the forests. On the bottom left we have our planting program. This year we covered almost 6,000 hectares. We noticed that, in 2013, the bars that used to have only one color started having two colors. Part of this, the lighter part, is what we call forest management, which we started doing in 2014. And the darker part represents new planted forests. So, when we're cutting down a forest, we have two alternatives: we either let the eucalyptus sprout again, which we hadn't done since 2013, or we eliminate this stub and plant a new forest. We realized that depending on the area and the type of clone, there is an interesting link between occasional production losses and the cost of not having to plant a new forest. So, not only us but also many other forestry companies started to adopt this practice instead of replanting. On the right we have information about our recycling process. We have been growing significantly in this area. This is a collection of wood waste we did in the vicinity of the Salto plant, and we know thermal power is very important there. If we look at the cost breakdown, today we produce thermal power from recycled material, without purchasing wood chips from third parties or using any of our planted forests for this purpose.

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This is our last slide. This is the same slide we showed last year. We will conclude this presentation with this slide. This is what we committed to doing in 2016 as well, which is focusing completely on exports. We restructured our plants, adjusted our operations to increase exports, reduced our portfolio and worked on forest management, and what I said about reusing forests instead of replanting them means lower costs. We are completely focusing on maintenance and we revised our costs, services and structure, and we can see, especially in administrative expenses and cost itself, that the price increases were not too significant, but we managed to expand our margin. So, I would say that we achieved most of our goals for 2016, which helped us start 2017 as a lighter, leaner and more competitive company, and I sincerely believe we have the elements to believe that the scenario in 2017 will be more favorable – not spectacularly, but at least the curve is flat, talk is not as pessimistic. This year so far, I have information from the Brazilian Tree Industry, IBÁ. This year we had a positive variation of 11% compared to last year, considering January and February, so it's very interesting, especially when we consider that a lot of this variation comes from the domestic market. The domestic market this year is growing 8% when compared to last year, in this period from January to February. So even if the outlook is not spectacular, at least I can reasonably say it is better than the outlook for last year, and I believe that, as a company, we are more prepared.

So those were my comments. I remain available for any questions you may have. Thank you.

PAULO VALACI - CITIBANK – Good morning, everyone. José Antonio, thank you for the presentation. Could you comment a little bit about the competitive environment in the panels industry? We know there is a problem with oversupply, and I believe now, with the exchange rate closer to R\$3.00, it would be hard to maintain these export levels. You used to say that panels didn't travel, and the exchange rate settled that when it came close to R\$4.00, and now I'd like to understand what should sustain the current export levels, if the foreign market is more accepting of the Brazilian panel and if at R\$3.00 you can still export at better margins than in the local market. And in light of this scenario, the struggle in exports and the oversupply in the domestic market, what would be your expectation for panel prices in 2017?

JOSÉ ANTÔNIO GOULART DE CARVALHO – Without a doubt, the exchange rate at R\$4.00 definitely helped and allowed us to work with a number of products and markets. I can also make an analogy between what happened to us and our competitors. We were certain that we would have a more significant growth in exports. Once again, those of you who followed us over the course of the year know that I mentioned a couple of times how our expectation was to end the year with export revenue accounting for 20% of total revenue, and we ended up closing the year at 15%. What happens is that when the exchange rate reached R\$3.10, we had to suspend some of our projects. Some of the projects we had were feasible at R\$4.00, but no longer at R\$3.10. But anyway, not only us but our competitors have also remained stable, and I think it's hard for them



to drop at this rate. What I think will happen is we will lose some speed. If we look at the growth, the industry was not a traditional exporter and we have always been. So, we had a significant growth, but it was lower than the growth seen in the industry. If I remember correctly, the industry had an increase of around 60% in exports which, at this pace, will definitely drop. This pace cannot be sustained at this rate. But I think this export volume, which coincidentally accounts for 14% to 15% of Brazilian production, will continue. I don't think this will return to the domestic market. And that's very important, because we're talking about roughly one month of production. If it has to return to the domestic market, which I repeat I don't believe will happen, it would definitely lead to price instability, very strict competition, and a consequent drop. In this specific price scenario, which I ended up not commenting on even though I wrote it down, we have a price increase program in March, increasing the prices of some of our panels, and in April we will conclude this cycle with some panels that will not be adjusted in March. This movement can be seen in the market as a whole, and evidently each company does that on its own account. So, I don't know how much longer it can be sustained, but we should see an impact in 2Q, not 1Q, since we're in late March already, but we will be working with better prices than 1Q, and the market will as well.

SANDRA PERES – COINVALORES – Good morning. Regarding your restructuring initiative, should we expect even more reductions in costs and expenses?

JOSÉ ANTÔNIO GOULART DE CARVALHO – Thank you for your question. Yes. We can say most of it was achieved in 2016, and the remainder is happening now, at the beginning of 2017. This is the third month of reduction. In a way, from the point of view of the environment, maybe it would've been best to do this at once, but like I said, there is a cost implication. In reality, this has a cost and we have to be conservative, from a cash standpoint, and do it gradually. This continued in the first two, three months of the year and will continue until the end of the first half, at least, when we expect to have concluded the restructuring. With regard to margin, we will have no more changes. When we look at the margin, there aren't great changes. There was some variation at the Salto plant, but nothing significant. We may have a greater impact on administrative and selling expenses.

LUCAS FERREIRA – JP MORGAN – Good morning. How do you evaluate the beginning of 2017? How have sales performed since the beginning of the year? Did you start the year with more optimism? What have you been hearing from clients? If you could tell us by channel: industry, resale... How is everyone's mood for 2017? As for prices, is this actually a recovery from price losses at the end of last year? Do you already see potential to increase price and maybe gain margin in 1H?



JOSÉ ANTÔNIO GOULART DE CARVALHO – Like I said, we didn't have any spectacular change. We are definitely more optimistic at the beginning of this year, not just us but also the industries where we operate. This is very obvious in the panels industry, I even have some figures from IBÁ here. Looking back, we can see that the industry didn't have a significant contraction in production, when we look closely we can see that we didn't lose too much production, because we started exporting, but the domestic market was sinking. It's only two months, but when we look at these two first months of the year, we can see that we are also growing in the domestic market now as well. So, there's a more optimistic expectation now. As an association, we have a contract with a company that scans the entire panels, furnishing and resale segment. So, it starts by looking at our inventories and production, then it examines the furnishing industry as a whole, looking at its inventory, production, sale, resale, and then stores. Over the course of 2016, the industry significantly reduced inventory levels. We ended 2016 with very lean inventories in retail, resale and furnishing. Since we have this expectation of improvement, and I don't think it's only us but the market as a whole, at least in these first months of the year we should rebuild inventories. Whether or not this kind of growth will continue is something that will depend a little bit on the economy's dynamics. I'd say supply and operating inventory levels have been low, so companies were purchasing to rebuild, expecting better days. If these better days don't come, we may have a significant drop in the middle of the year. You also asked me about price. Prices: I think we can believe we will have better prices. We're far from going back to previous margins. It will help us reduce some of the profitability losses we had in the period, especially from 2013 onwards. In the other segment we operate in, the paint segment, there isn't much of a difference. This segment is, let's say, walking sideways, as opposed to panels. The beginning of the year wasn't very different, but it has been positive. Laminated Flooring segment: we had significant growth last year, I think it was 11% in the last quarter. We will continue to grow in laminated flooring. We have a well-renowned brand, we are gaining market share, and our expectation is to keep growing.

LUCAS FERREIRA – JP MORGAN – Another question. You managed to increase the margin last year, which was an excellent gain, but what is your outlook for this year? When you do the budget for 2017, do you expect to gain even more margin this year? Do you think there will be a gradual margin increase over the course of 2017?

JOSÉ ANTÔNIO GOULART DE CARVALHO – That's kind of how we developed our budget. I don't have a precise percentage, but the last line, EBITDA, shows an expectation of higher EBITDA than in 2016, in BRL and percentage terms. We do expect a gradual improvement in the scenario over the course of 2017, allowing for better results - nothing spectacular, but better over the year.

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SANDRA PERES – COINVALORES – Hi, it's me again. I was thinking about exports. Would it be interesting to acquire a company or establish a joint venture or something like that, in the foreign market?

JOSÉ ANTÔNIO GOULART DE CARVALHO – Well, that's something that depends on the strategy of each company. From the point of view of finding a solution for our local activity, I don't think it makes a difference. This may be a growth strategy for the company as an organization, but sometimes you make an acquisition in a specific market, or of a specific company, that creates new synergy to your current business. I can't think of an acquisition in our industry abroad that could make such a difference for us locally. The fact that you don't have a lot of information to work on in this regard is because we don't really talk about this topic, I mean, it's not something on our radar.

LUCAS FERREIRA – JP MORGAN – Another question. I think investors are interested in this industry of durable goods or construction materials, so, looking ahead to 2018, 2019, since this year everyone is very aligned, gradually increasing volumes, we're all trying to understand what's the new normal that this industry can achieve. I know it's like foreseeing the future, it depends on many factors, but if we look at supply and demand in the panels segment, we can imagine a more positive scenario of demand growth and stronger GDP in 2018, 2019. My concern is that there is still a lot of idle capacity to fill, there are even new projects expected to enter the market, so we don't exactly know which ones will come and when, but anyway, there should be around three new projects and some plants with operations suspended last year. I'd like to understand what you think of the supply and demand scenario, how you believe the market would behave in a stronger scenario. Could some of the production that was interrupted resume operations in a scenario of improved demand? Do you think it's possible for you to have more competition from new players and new plants in the next, say, 2 to 3 years?

JOSÉ ANTÔNIO GOULART DE CARVALHO – In terms of the plants that are shut down and ready, the most significant ones are Duratex and Itapetininga. They're very good plants, new ones in shutdown, a very significant volume. It's hard to have any idea of what their strategy is. There are some new plants to come, one MDF plant in Mato Grosso, it's a reality, and this group already has a planted forest, so start-up should be around 2018. The plant has roughly 40,000 m³. We also heard of an MDF plant in the North region, Floraplaç, which is already operational. It's new and has approximately the same size. This market is a little bit more isolated from the big consumer markets in the center-south region. So, we still have a concerning supply scenario. Some are more optimistic, others not so much, but it's hard to imagine a scenario of demand growth that could absorb this volume, especially from Duratex, which is deactivated. I think what happens is, on the

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one hand, maybe slowly, we continue to increase our exports, and on the other hand the market has been creating mechanisms to work in this challenging scenario of oversupply, understanding that it's no use to put all of our production in the market, because prices would end up decreasing significantly. This market is not elastic, unfortunately. The automotive market is quite elastic, for example. If you cut car prices by 15% or 20%, I think they will start selling a lot more. But if you cut 15% out of panel prices, at the customer's end there won't be much of a difference, it won't change the market, but for the company's results, 15% is a disaster. I think this is very well understood by all companies in the industry, after so many years of struggle. So, even in a scenario of weak demand, I don't expect deterioration in prices, even in adverse scenarios.

If we don't have any questions online, I think we can wrap up.

OPERATOR – Remember: to ask any questions just press *1.

JOSÉ ANTÔNIO GOULART DE CARVALHO – So, no further questions. Thank you all once again for your presence. Thank you. And thanks to everyone who watched us online. At the end of the presentation you can find the names of our IR team. We remain available to settle any doubts or answer additional questions. Thank you and have a good day.