

EUCATEX announces 1H08 results: Gross Revenue is R\$ 418.7 million (13.5% over 1H07), EBITDA is R\$ 66.0 million (32.3% up), EBITDA margin is 19.5% (3.1 p.p. up) and Net Income is R\$ 30.7 million (48.4% over 1H07)

São Paulo, August 13, 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 first half of 2008 (1H08). 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 first half of 2007 (1H07).

Highlights

- » **Gross Revenue** totaled **R\$ 418.7 million** in the semester, a **13.5%** growth in relation to 1H07. Gross Revenue increase in the semester is mainly due to higher domestic sales volumes, notably the **34% growth** in **paints**, **15%** in **laminate flooring**, and **8%** in **wood panels**.
- » **EBITDA** and **EBITDA Margin** stood at **R\$ 66.0 million** and **19.5%**, respectively, in the 1H08, an increase of 32.3% and 3.1 p.p. over 1H07.
- » **Net income** was **R\$ 30.7 million** in the 1H08, which is **48.4%** higher than in the previous year.
- » **New T-HDF (Thin-High Density Fiberboard) Line project:** Work on the installation of the new T-HDF line, including the new wood yard, is according to schedule. The project is expected to be concluded in the first half of 2009.

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Conference Call 2Q08:

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Code: Eucatex
Webcast: www.eucatex.com.br/ir

2Q08 Highlights (R\$ MM)	2Q08	2Q07	Var. (%)	1HY08	1HY07	Var. (%)
Net Revenue	164.5	155.4	5.8%	338.8	305.0	11.1%
Gross Profit	55.2	49.9	10.7%	113.0	95.8	17.9%
Gross Margin (%)	33.6%	32.1%	+1.5 p.p.	33.4%	31.4%	+2.0 p.p.
EBITDA	30.0	23.7	26.6%	66.0	49.9	32.3%
EBITDA Margin (%)	18.2%	15.2%	+3.0 p.p.	19.5%	16.4%	+3.1 p.p.
Net Income	11.8	10.4	14.0%	30.7	20.7	48.4%
Net Debt	72.2	107.5	-32.8%	72.2	107.5	-32.8%
Net Debt / EBITDA (LTM)	0.5	1.1	-49.3%	0.5	1.1	-49.3%

Economic Scenario

The first half of 2008 was marked by the still volatile international scenario caused by the U.S. crisis and the threat of inflation in the world's leading economies. In the domestic scenario, the rise in the inflationary indexes, which reflected in the higher prices of the basic food basket and food items in general, and the raising of the basic interest (Selic) rate by the Brazilian Central Bank affected mainly the consumption levels of the C and D segments. However, the key indicators that influence the demand for our products remained high.

The growth prospects for Eucatex are in line with the plans for 2008. Studies show that demand furniture and construction materials, two of the Company's main markets, should remain high in the 3Q08. According to a study by the Retail Management Program (*Programa de Administração de Varejo - Provar*) of the Universidade de São Paulo (USP), 61.8% of the consumers plan to increase purchases between July and September. Among those interviewed, 6.8% plan to buy furniture in the next quarter and 5.4% should purchase construction materials.

Operating Performance

Operating Performance
2005 - 100 base

Sales Volume (Domestic Market)	2Q08	2Q07	Var. (%)	1HY08	1HY07	Var. (%)
Hardboard	110	107	2.5%	117	108	7.6%
Laminate Flooring	116	120	-2.9%	130	113	15.5%
Paint	228	183	24.5%	258	192	34.2%

Eucatex continued to record strong sales growth in 1H08 versus 1H07, especially in products directly related to the construction industry. Sales of paints and laminate flooring grew by 34.2% and 15.5%, respectively year on year.

The Paints segment has been growing strongly, supported by the Company's initiatives such as strengthening of the sales team around the country, creation of new product distribution centers, launch of new products and color standards, and increasing the usage of the Tintometric System, a computerized, automatic dosage system that provides the desired color for the client directly at the store. For 2008, the outlook is a 30% growth over 2007.

In the Laminate Flooring segment, the Company marked its presence in leading industry fairs, Revestir and Feicon, where it presented its new product lines – Prime, Rustic and Classic, thus consolidating its portfolio and offering higher value-added products. In the 1H08, the company registered a 15.5% growth, which was also the growth in the sales of laminated flooring in the period.

In the domestic wood panel segment, the 7.6% growth in the 1H08 over 1H07 was mainly driven by the furniture industry.

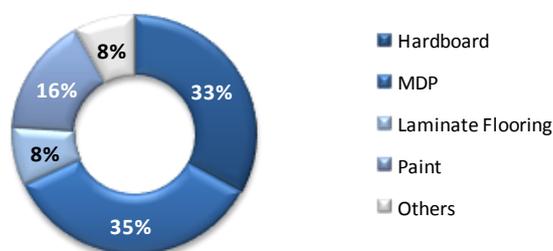
MDP sales in the 1H08 returned a better mix than in the 1H07, since 96% of MDP sales were in the form of coated products, which have a higher margin, whereas last year, this number was 83%. Investments made in both the low pressure finishing (BP) segment and the finish foil (FF) products have helped the Company to boost the sales of these products. Over the coming months, Eucatex plans to launch new products in both the BP and FF markets, which should strengthen its leadership position in the coated products market.

Financial Performance

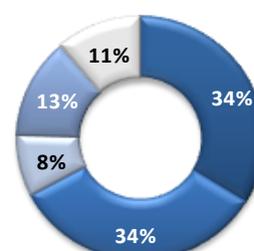
Gross Revenue

Gross Revenue Breakdown (R\$ MM)	2Q08	2Q07	Var. (%)	1HY08	1HY07	Var. (%)
Hardboard	70.1	62.5	12.1%	136.4	124.4	9.7%
MDP	72.4	63.4	14.2%	148.1	123.7	19.7%
Laminate Flooring	10.0	15.7	-36.1%	33.8	30.2	12.2%
<i>Wood Segment</i>	<i>152.5</i>	<i>141.6</i>	<i>7.7%</i>	<i>318.4</i>	<i>278.3</i>	<i>14.4%</i>
<i>Paint Segment</i>	<i>33.1</i>	<i>25.3</i>	<i>30.8%</i>	<i>68.1</i>	<i>49.4</i>	<i>37.8%</i>
Others	20.5	21.2	-3.5%	32.2	41.2	-21.8%
Gross Revenue	206.1	188.1	9.5%	418.7	368.9	13.5%

Gross Revenue Breakdown - 1S08



Gross Revenue Breakdown - 1S07



Gross revenue totaled R\$ 418.7 million in the 1H08, which is a 13.5% growth year on year, due mainly to the higher sales volumes, better sales mix and prices. In the Wood Panels segment the sales volume grew by 7.6% in the 1H08 and revenues increased by almost 15%.

In the past two years, the Paints division of Eucatex has been increasing its share of the revenue mix, and accounted for 16% of the revenues in 1H08. In 1H08, the Paints division continued its remarkable performance, recording the highest growth among all of the Company's divisions, growing by 37.8% in relation to the 1S07 and amounting to R\$ 68 million.

The "Others" segment, mainly composed of the Company's exports, declined basically due to the foreign exchange variation, which was 17% from June 2007 to June 2008.

Cost of Goods Sold (COGS)

The Company improved its profitability significantly in the 1H08 in comparison with the 1H07, as Net Revenue grew 11.1% in the period and Cost of Goods Sold (COGS) rose 8%. The increase in costs should have been lower, but the increase in the price of resin, which is the main raw material for the production of MDP panels and laminated flooring, drove up the costs.

Thanks to the investments made, the Company has gained economies of scale through higher production levels and constant efforts to improve the production process, all of which resulted in higher quality indicators and lower fixed costs. For the year 2008, investments planned in the Salto unit – construction of a new wood yard and automation of the exits I and II of the hardboard lines, should result in annual cost savings of R\$ 11.5 million.

Costs Composition (%) Participation	MDP		Hardboard		Laminate Flooring		Paint	
	2Q08	2Q07	2Q08	2Q07	2Q08	2Q07	2Q08	2Q07
Wood	20%	24%	17%	13%	7%	7%	-	-
Raw Material - Others	26%	26%	34%	31%	59%	63%	89%	89%
Resin	30%	24%	-	-	17%	11%	-	-
Labor	6%	7%	22%	25%	7%	8%	8%	9%
Electric Energy	5%	6%	10%	12%	3%	4%	1%	1%
Thermal Energy	2%	2%	8%	9%	2%	3%	0%	0%
Depreciation	11%	11%	9%	11%	4%	5%	2%	2%
Total	100%	100%	100%	100%	100%	100%	100%	100%

In addition to the increase in resin's share of the expenses with MDP panels and flooring, there was a reduction in labor in the generating fiberboard expenses, thanks to the reductions and gains of productivity arising from the automation of processes.

Gross Profit and Gross Margin

As a result of sales growth and cost reduction, Gross Profit of Eucatex in the 1H08 was R\$ 113.0 million, a 17.9% increase year on year.

Gross margin rose by 2.0 p.p., from 31.4% in the 1H07 to 33.4% in the 1H08.

Operating Expenses

Operating Expenses Distribution (R\$ MM)	2Q08	2Q07	Var. (%)	1HY08	1HY07	Var. (%)
Sales	(23.5)	(23.1)	1.7%	(45.5)	(44.0)	3.5%
General and Administration	(11.2)	(10.4)	7.9%	(21.4)	(20.3)	5.8%
Others Operating Revenues and Expenses	(1.8)	(3.4)	-46.8%	(2.4)	(2.6)	-10.7%
Total Operating Expenses	(36.6)	(36.9)	-1.0%	(69.3)	(66.9)	3.6%
% Net Income	-22.2%	-23.8%	-1.6 p.p.	-20.5%	-21.9%	-1.4 p.p.

Selling, general and administrative expenses, which represented 21.9% of net revenue in the 1H07, fell to 20.5% in the 1H08, a reduction of 1.4 p.p. The nominal increase in selling expenses in relation to the 1H07 is due to the increase in the variable expenses, which rose in proportion to the Company's revenue in the period.

EBITDA and EBITDA Margin

EBITDA Reconciliation (R\$ MM)	2Q08	2Q07	Var. (%)	1HY08	1HY07	Var. (%)
Net income (Loss)	11.8	10.4	14.0%	30.7	20.7	48.4%
Deferred Income and Social Distribution Tax	2.8	-	n.m.	9.0	-	n.m.
Non Operational Results	0.0	(0.0)	n.m.	(7.5)	0.1	n.m.
Net Financial Income	4.0	2.6	55.0%	11.5	8.1	40.8%
Depreciation and Amortization	11.3	10.7	5.4%	22.3	21.0	6.6%
EBITDA	30.0	23.7	26.6%	66.0	49.9	32.3%
EBITDA Margin	18.2%	15.2%	+3,0 p.p.	19.5%	16.4%	+3,1 p.p.

Eucatex witnessed yet another semester in which operating results grew, with EBITDA amounting to R\$66.0 million in the 1H08, a 32.3% growth over the R\$ 49.9 million registered in 1H07, thanks to better operational management and a more favorable scenario in the markets in which the Company operates - construction and furniture.

EBITDA margin rose from 16.4% in the 1H07 to 19.5% in 1H08, an increase of 3.1 p.p.

Net Income

Net income in the 1H08 was R\$ 30.7 million, which is 48.4% higher than the R\$ 20.7 million in the 1H07.

Debt

The Company's debt at the end of 1H08 was less than 0.5x annualized EBITDA. Long-term debt will be repaid in the next nine years.

Debt (R\$ MM)	1HY08	1HY07	Var. (%)
Short Term Debt	17.3	35.7	-51.5%
Long Term Debt	62.3	75.0	-16.9%
Gross Debt	79.6	110.7	-28.1%
Cash and Cash Equivalents	7.5	3.3	124.8%
Net Debt	72.2	107.5	-32.8%
<i>% Short Term Debt</i>	<i>22%</i>	<i>32%</i>	<i>- 10 p.p.</i>
Net Cash (Debt)/EBITDA	0.5	1.1	-49.3%

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 1H08 investments are:

- Work on the installation of the T-HDF line had started and is according to 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;
- New impregnator – increased capacity and reduced costs;
- New fiberboard press to be installed at the Salto unit – 8.5 million square meters per year;
- Acquisition of equipment for the second generation of Lacca product;
- Reforestation of 2,500 hectares;
- Automation of the polishing and humidifying processes at the Salto plant's lines I and II.

Sustainability

Eucatex Forest sustainability, including the new T-HDF line project, is guaranteed by 40,000 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\$ 6.04 at the end of 1H08. The market value, considering the share price at the end of the semester, was R\$ 492 million, representing 3.8x of annualized EBITDA.

Human Resources

Personnel expenses in 1H08 totaled R\$ 49.9 million, of which R\$24.9 million are wages, R\$ 16.0 million are payroll overheads and around R\$ 9.0 million were spent on medical and dental plans, transport, meals, training, and occupational health and safety for the Company's 2,316 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 is responsible for auditing Eucatex financial statements, substituting Boucinhas & Campos and Soteconti 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 56 years of operations in 2007, is one of Brazil's largest manufacturers of flooring, partitions, ceilings, roof tiles, MDP, hardboard, agricultural substrate, mineral products, paints and varnishes. With 2,316 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

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

Income Statement (R\$ MM)	2Q08	2Q07	Var. (%)	1HY08	1HY07	Var. (%)
Gross Revenue	206.1	188.1	9.5%	418.7	368.9	13.5%
Sales taxes and Deductions	(41.6)	(32.7)	-27.0%	(79.9)	(63.9)	25.0%
Net Revenues	164.5	155.4	5.8%	338.8	305.0	11.1%
Cost of Goods Sold	(109.2)	(105.5)	3.5%	(225.8)	(209.1)	8.0%
Gross Profit	55.2	49.9	10.7%	113.0	95.8	17.9%
Operating Expenses						
Sales	(23.5)	(23.1)	1.7%	(45.5)	(44.0)	3.5%
General and Administration	(11.2)	(10.4)	7.9%	(21.4)	(20.3)	5.8%
Other Operational Costs	(1.8)	(3.4)	-46.8%	(2.4)	(2.6)	-10.7%
Operational (loss) Income	(36.6)	(36.9)	-1.0%	(69.3)	(66.9)	3.6%
Operational Result	18.7	13.0	44.2%	43.7	29.0	50.9%
Financial (Expense) Income	(4.0)	(2.6)	55.0%	(11.5)	(8.1)	40.8%
Non Operating Income	(0.0)	0.0	n.m.	7.5	(0.1)	n.m.
Taxes	(2.8)	-	n.m.	(9.0)	-	n.m.
Net (Loss) Income	11.8	10.4	14.0%	30.7	20.7	48.4%
Net Margin	7.2%	6.7%	+ 0.5 p.p.	9.1%	6.8%	+ 2.3 p.p.

Balance Sheet

Balance Sheet (R\$ MM)	1H08	1H07	Var. (%)
ASSETS			
Cash and Cash Equivalents	7.5	3.3	127.7%
Financial Investments	118.9	113.4	4.9%
Inventory	78.7	66.6	18.2%
Others	65.8	57.6	14.1%
Non- Current Assets	270.9	241.0	12.4%
Long- Term Assets	29.0	37.3	-22.3%
Investments	0.9	0.9	0.0%
Property, Plant and Equipment	781.7	734.8	6.4%
Deferred Income	4.3	7.0	-38.3%
Permanent Assets	787.0	742.8	6.0%
Total Assets	1,086.9	1,021.0	6.5%
LIABILITIES			
Loans and Financing	17.3	35.7	-51.5%
Convertible Debt	-	0.2	n.m.
Accounts Payable to Suppliers	39.0	67.9	-42.5%
Tax, Accrued Expenses and Payroll	20.2	13.7	47.2%
Salaries	14.4	14.5	-0.4%
Provision for Contingencies and Others	24.1	13.8	74.2%
Current Liabilities	115.0	145.8	-21.1%
Other Loans and Financing	62.3	75.0	-16.9%
Income Payable	324.0	323.4	0.2%
Debt Amortization (PAEX)	79.5	49.6	60.3%
Others	-	-	n.m.
Non- Current Liabilities	465.8	448.0	4.0%
Capital	488.2	487.4	0.2%
Capital Reserve	272.7	289.5	-5.8%
Accumulated Losses	(254.8)	(349.9)	-27.2%
Shareholder's Equity	506.0	427.0	18.5%
Non Controlling Stockholders	0.0	0.3	n.m.
Total Liabilities	1,086.9	1,021.0	6.5%