



## INVESTOR RELATIONS

**José Antonio Goulart de Carvalho**

Executive Vice President and Investor  
Relations Officer

**Waneska Bandeira**

Investor Relations

**Telephone: +55 11 3049-2473**

**[ri@eucatex.com.br](mailto:ri@eucatex.com.br)**

**[ri.eucatex.com.br](http://ri.eucatex.com.br)**

### ***Conference call***

*(Portuguese only)*

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### **Dial-in**

**+55 11 2188-0155**

**+55 11 2188-0400 (Replay)**

### **Webcast**

**[ri.eucatex.com.br](http://ri.eucatex.com.br)**

***A free English translation of the  
conference call transcript will be made  
available in a timely manner***

## 2Q16 Earnings Release

São Paulo, August 10, 2016. 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 second quarter of 2016 (2Q16). 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.



## Highlights

### 2Q16

Net Revenue of R\$ 280.4 million (+5.9%)

Recurring EBITDA of R\$ 51.3 million (+3.2%), with margin of 18.3%

Recurring Net Income of R\$ 19.7 milhões (+83.7%)

Exports increased by 26.7% in Volume and 14.2% in Net Revenue

### 6M16

Net Revenue of R\$ 555.7 million (+2.4%)

Recurring EBITDA of R\$ 91.4 million (-6.2%), with margin of 16.5%

Recurring Net Income of R\$ 30.7 million (+105.4%)

Exports increased 40.1% in Volume and 30.6% in Net Revenue

Amounts in R\$ million	2Q16	2Q15	Var. (%)	6M16	6M15	Var. (%)
Net Revenue	280.4	264.8	5.9%	555.7	542.8	2.4%
Gross Income	81.4	77.4	5.1%	154.3	162.8	-5.2%
Gross Margin (%)	29.0%	29.2%	-0.2 p.p.	27.8%	30.0%	-2.2 p.p.
EBITDA adjusted by non-cash events	45.4	46.4	-2.3%	79.0	92.2	-14.3%
EBITDA Margin (%)	16.2%	17.5%	-1.4 p.p.	14.2%	17.0%	-2.8 p.p.
Net Income	13.8	7.5	84.1%	18.3	9.7	89.3%
<b>Recurring Net Income</b>	<b>19.7</b>	<b>10.7</b>	<b>83.7%</b>	<b>30.7</b>	<b>15.0</b>	<b>105.4%</b>
Net Debt	306.8	311.3	-1.4%	306.8	311.3	-1.4%
Net Debt / EBITDA (LTM)	1.5	1.6	-4.5%	1.7	1.6	7.1%
<b>Recurring Adjusted EBITDA</b>	<b>51.3</b>	<b>49.7</b>	<b>3.2%</b>	<b>91.4</b>	<b>97.5</b>	<b>-6.2%</b>
<b>Recurring Adjusted EBITDA Margin (%)</b>	<b>18.3%</b>	<b>18.8%</b>	<b>-0.5 p.p.</b>	<b>16.5%</b>	<b>18.0%</b>	<b>-1.5 p.p.</b>



## Management Comments

After a first quarter marked by turmoil and uncertainties, the second quarter of 2016 showed an improvement in economic prospects, which was reflected in the performance of the main indicators that affect the Company's operating segments:

- ✓ slowdown in inflation and expected cut in interest rates;
- ✓ Improvement in consumer and business confidence indices; and
- ✓ Improvement in mortgage financing terms - higher ceiling eligible for financing.

However, some indicators continued to perform poorly:

- ✓ job market – rising unemployment and declining wage levels;
- ✓ household consumption – reduction mitigated by rising confidence; and
- ✓ free credit to individuals – restrictions imposed by financial agents, despite the decrease in default rates.

The furniture and construction industries, the Company's main operating segments, showed some recovery in recent months though not enough to reverse the indicators of the year. Despite the improvement in relation to the first quarter, indicators in these sectors closed the first half of the year on a downward note. One example is the Brazilian Construction Materials Industry Association (ABRAMAT) index, which dropped to 14.3% from 17.3% in 1Q16.

In 2015, the Company prepared itself to increase exports by modernizing and adjusting its product lines to meet this market, which brought positive results in 6M16: 16% share of revenues and 30.6% growth in revenue compared to 6M15. This growth has enabled the Company to maintain its operations at levels close to those in 6M15. Efforts are also under way to reduce costs and investments in order to safeguard the Company during this challenging moment.

## Operating Performance and Results

Sales in the Company's Wood segment, combining domestic and export markets, grew 1.5% in 2Q16 compared to the same period last year, driven by higher exports. According to the Brazilian Tree Industry (IBA), Total Panels Market expanded by 8.7% in the period, with MDF and MDP sales increasing by 0.1% and by a substantial 24.8%, respectively.



In this segment, the highlights were the Company's exports, which are in line with its strategy. Volume increased 26.7%, while Net Revenue increased 14.2% in the quarterly comparison. This is due to the growth in sales of T-HDF/MDF (+240.9%) and MDP (+445.6%), whose exports were still incipient in 2014 and which have been accounting for an increasingly greater share of the export mix since 2015 and are continuing the pace of expansion this year. Exports from the sector grew 51.4% in 2Q16 compared to 2Q15, according to IBA. The substantial growth in exports helps regulate the domestic offering. In 2Q16, exports totaled 256,000 m<sup>3</sup>.

The Company's paint sales grew 4.4% in 2Q16 compared to 2Q15, while the Paints market contracted 7.2%, according to the Brazilian Paint Manufacturers Association (ABRAFATI).

Operating Performance  
base 100 - 2005

Physical Sales	2Q16	2Q15	Var. (%)	6M16	6M15	Var. (%)
Wood Panels (DM)	124	128	-2.6%	140	141	-0.8%
Wood Panels (EM)	147	116	26.7%	150	107	40.1%
Paints	346	331	4.4%	353	381	-7.2%

DM - Domestic Market / EM - Export Market

## Net revenue

Net Revenue Breakdown (R\$ million)	2Q16	2Q15	Var. (%)	6M16	6M15	Var. (%)
Wood Segment	207.8	206.4	0.7%	414.0	414.3	0.0%
Paint Segment	60.6	55.2	9.8%	118.0	118.1	-0.1%
Other	12.0	3.2	274.5%	23.6	10.5	126.0%
<b>Net Revenue</b>	<b>280.4</b>	<b>264.8</b>	<b>5.9%</b>	<b>555.7</b>	<b>542.8</b>	<b>2.4%</b>

Net revenue totaled R\$280.4 million (R\$264.8 million in 2Q15), for growth of 5.9%. In the Wood Segment, volume growth was not accompanied by revenue growth, due to the higher share of lower-value products in total sales. Export revenue increased 14.2% in 2Q16, reflecting the continued growth of this market.

The Paint Segment registered Net Revenue growth of 9.8%, driven by both higher volumes (+4.4%) and prices (+5.1%) in 2Q16 compared to 2Q15.



## Cost of Goods Sold (COGS)

Though the U.S. dollar weakened over the course of 2Q16 in relation to the closing exchange rate in 2015, it is still stronger than in 2Q15, which resulted in higher costs in a comparison of the periods. Apart from the exchange variation, the higher electricity bill also impacted COGS, which increased 1.5% in the quarter.

## Gross Income and Gross Margin

Gross income in 2Q16 was R\$81.4 million, compared to R\$77.4 million in 2Q15, for growth of 5.1%. Gross margin in the quarter reached 29.0%, remaining stable in relation to 2Q15.

## Operating Expenses

Breakdown of Expenses (R\$ million)	2Q16	2Q15	Var. (%)	6M16	6M15	Var. (%)
General and Administrative	(14.1)	(14.5)	-2.7%	(28.6)	(28.2)	1.3%
Selling	(43.1)	(39.9)	8.0%	(85.0)	(80.6)	5.5%
<b>Total Operating Expenses</b>	<b>(57.2)</b>	<b>(54.4)</b>	<b>5.2%</b>	<b>(113.6)</b>	<b>(108.8)</b>	<b>4.4%</b>
<b>% Net Revenue</b>	<b>-20.4%</b>	<b>-20.5%</b>	<b>-0.1 p.p.</b>	<b>-20.4%</b>	<b>-20.0%</b>	<b>0.4 p.p.</b>
Other Operating Income and Expenses	1.0	0.8	16.3%	(0.7)	0.8	-192.4%

Administrative expenses in 2Q16 fell 2.7% from the same period last year. This decrease reflects the initial results of the measures to review the services and the administrative structure of the Company.

The increase in selling expenses between 2Q15 and 2Q16 is primarily 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 totaled R\$51.3 million, up 3.2% from 2Q15. Recurring EBITDA margin reached 18.3%, compared to 18.8% in the same period last year.



EBITDA Reconciliation (R\$ million)	2Q16	2Q15	Var. (%)	6M16	6M15	Var. (%)
Net Income	13.8	7.5	84.1%	18.3	9.7	89.3%
Income and Social Contribution Taxes	3.6	3.3	9.7%	3.1	(4.9)	-162.9%
Net Financial Income (Loss)	1.7	9.8	-82.2%	6.2	44.7	-86.2%
<b>EBIT</b>	<b>19.2</b>	<b>20.6</b>	<b>-6.8%</b>	<b>27.5</b>	<b>49.5</b>	<b>-44.4%</b>
Depreciation and Amortization	33.1	31.4	5.5%	65.9	62.3	5.7%
<b>EBITDA under CVM instr. 527/12</b>	<b>52.3</b>	<b>51.9</b>	<b>0.7%</b>	<b>93.4</b>	<b>111.8</b>	<b>-16.5%</b>
<b>EBITDA Margin</b>	<b>18.6%</b>	<b>19.6%</b>	<b>-1 p.p.</b>	<b>16.8%</b>	<b>20.6%</b>	<b>-3.8 p.p.</b>
<b>Non-cash adjustments</b>						
Fair value variation in biological assets	(6.9)	(5.5)	25.6%	(14.4)	(19.6)	-26.6%
<b>EBITDA adjusted by non-cash events</b>	<b>45.4</b>	<b>46.4</b>	<b>-2.3%</b>	<b>79.0</b>	<b>92.2</b>	<b>-14.3%</b>
<b>Non-recurring events <sup>(1)</sup></b>	<b>5.9</b>	<b>3.2</b>	<b>82.7%</b>	<b>12.4</b>	<b>5.3</b>	<b>134.7%</b>
<b>Recurring adjusted EBITDA</b>	<b>51.3</b>	<b>49.7</b>	<b>3.2%</b>	<b>91.4</b>	<b>97.5</b>	<b>-6.2%</b>
<b>Adjusted recurring EBITDA Margin</b>	<b>18.3%</b>	<b>18.8%</b>	<b>-0.5 p.p.</b>	<b>16.5%</b>	<b>18.0%</b>	<b>-1.5 p.p.</b>

## Recurring Net Income

Recurring net income in 2Q16 totaled R\$ 19.7 million, growing 83.7% from 2Q15.

## Debt

The Company's net debt at the end of 2Q16 was R\$306.8 million and was equivalent to 1.7 times its annualized recurring EBITDA, decreasing by R\$27.1 million from the close of 2015.

Debt (R\$ Million)	6M16	2015	Var. (%)	6M15	Var. (%)
Short Term Debt	195.1	210.6	-7.4%	175.6	11.1%
Long Term Debt	137.3	140.9	-2.6%	159.5	-14.0%
<b>Gross Debt</b>	<b>332.4</b>	<b>351.5</b>	<b>-5.4%</b>	<b>335.1</b>	<b>-0.8%</b>
Cash and Cash Equivalents	25.6	17.6	45.6%	23.9	7.3%
<b>Net Debt</b>	<b>306.8</b>	<b>333.9</b>	<b>-8.1%</b>	<b>311.3</b>	<b>-1.4%</b>
% Short Term Debt	59%	60%	-1,2 p.p.	52%	12.0%
<b>Net Debt/EBITDA</b>	<b>1.7</b>	<b>1.7</b>	<b>-1.2%</b>	<b>1.6</b>	<b>7.1%</b>





## Capex

Capex totaled R\$20.4 million in 2Q16 and R\$45.9 million in 6M16, and was generally used in sustaining the Company's manufacturing and forest operations. In 2016, the Company plans to reduce investments by about 9.1% from 2015, at R\$80.0 million, with the focus on sustaining capex.

## Sustainability

Eucatex's forest sustainability is assured by 46,300 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 the 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 2Q16 quoted at R\$2.54. Eucatex's market capitalization at the end of the period stood at R\$235.3 million, around 20% of its book value.



## About Eucatex

Eucatex S.A. Indústria e Comércio completes 65 years in 2016 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 five modern plants in Botucatu and Salto (both in São Paulo) and Cabo de Santo Agostinho (Pernambuco), employing 2,455 people. Its products are exported to more than 37 countries. For more information, visit [ri.eucatex.com.br](http://ri.eucatex.com.br).

*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 2Q16, the Eucatex Group did not engage BDO RCS Auditores Independentes for services other than audit.*





## Income Statement

Income Statement (R\$ million)	2Q16	2Q15	Var. (%)	6M16	6M15	Var. (%)
<b>Gross Revenue</b>	<b>336.0</b>	<b>321.4</b>	<b>4.5%</b>	<b>663.0</b>	<b>659.0</b>	<b>0.6%</b>
Sales taxes and Deductions	(55.5)	(56.6)	-1.8%	(107.4)	(116.2)	-7.6%
<b>Net Revenue</b>	<b>280.4</b>	<b>264.8</b>	<b>5.9%</b>	<b>555.7</b>	<b>542.8</b>	<b>2.4%</b>
Fair value variation in biological assets	6.9	5.5	25.7%	14.4	19.6	-26.6%
Cost of Goods Sold	(206.0)	(192.9)	6.8%	(415.7)	(399.5)	4.1%
<b>Gross Income</b>	<b>81.4</b>	<b>77.4</b>	<b>5.1%</b>	<b>154.3</b>	<b>162.8</b>	<b>-5.2%</b>
<b>% Gross Margin</b>	<b>29.0%</b>	<b>29.2%</b>	<b>-0,2 p.p.</b>	<b>27.8%</b>	<b>30.0%</b>	<b>-2,2 p.p.</b>
Selling Expenses	(43.1)	(39.9)	8.0%	(85.0)	(80.6)	5.5%
General and Administrative Expenses	(12.1)	(12.2)	-1.2%	(24.1)	(23.8)	1.3%
Management Compensation	(2.0)	(2.2)	-10.8%	(4.5)	(4.4)	1.4%
Other Operating Income / (Expenses)	1.0	0.8	16.3%	(0.7)	0.8	192.4%
<b>Operating Income (Expenses)</b>	<b>(56.3)</b>	<b>(53.6)</b>	<b>5.0%</b>	<b>(114.3)</b>	<b>(108.0)</b>	<b>5.8%</b>
<b>Net Income before Financial Result</b>	<b>25.1</b>	<b>23.8</b>	<b>5.4%</b>	<b>39.9</b>	<b>54.8</b>	<b>-27.1%</b>
Financial Income (Expense)	(1.7)	(9.8)	82.2%	(6.2)	(44.7)	86.2%
Non-recurring Income (Expense)	(5.9)	(3.2)	-82.7%	(12.4)	(5.3)	-134.7%
<b>Net Income after Financial Result</b>	<b>17.4</b>	<b>10.8</b>	<b>61.4%</b>	<b>21.4</b>	<b>4.7</b>	<b>350.1%</b>
Provision for Income and Soc. Contr. Taxes	(3.6)	(3.3)	9.7%	(3.1)	4.9	162.9%
<b>Net Income (Loss) before Non-Controlling Interest</b>	<b>13.8</b>	<b>7.5</b>	<b>84.1%</b>	<b>18.3</b>	<b>9.6</b>	<b>89.3%</b>
Non-controlling interest	0.0	0.0	8.0%	0.0	0.0	21.7%
<b>Net income in the year</b>	<b>13.8</b>	<b>7.5</b>	<b>84.1%</b>	<b>18.3</b>	<b>9.7</b>	<b>89.3%</b>
<b>Net Margin</b>	<b>4.9%</b>	<b>2.8%</b>	<b>2.2 p.p.</b>	<b>3.3%</b>	<b>1.8%</b>	<b>1.5 p.p.</b>



## Balance Sheet

Balance Sheet (R\$ '000)	6M16	2015	Var. (%)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	14.3	3.9	266.9%
Marketable Securities	11.3	13.7	-17.5%
Trade Accounts Receivable	193.8	212.6	-8.8%
Inventories	209.1	215.5	-3.0%
Taxes Recoverable	21.9	15.7	39.2%
Prepaid Expenses	1.4	1.9	-26.2%
Unrealized losses	-	-	0.0%
Other receivables	3.9	3.8	2.3%
<b>Total Current Assets</b>	<b>455.8</b>	<b>467.2</b>	<b>-2.5%</b>
<b>Non-Current Assets</b>			
<b>Long-Term Assets</b>			
Trade Accounts Receivable	23.9	25.6	-6.5%
Taxes Recoverable	2.8	3.4	-17.5%
Deferred income and soc. contr. taxes	41.5	38.5	8.0%
Goods held for sale	0.5	0.5	-1.8%
Investment properties	25.3	25.1	0.7%
Judicial Deposits	13.1	14.4	-9.0%
Other receivables	15.5	15.5	0.0%
<b>Total Long-Term Assets</b>	<b>122.7</b>	<b>123.0</b>	<b>-0.3%</b>
<b>Permanent Assets</b>			
Investments	-	-	0.0%
Biological Assets	384.3	383.8	0.1%
Fixed Assets	1,038.0	1,044.1	-0.6%
Intangible Assets	0.3	0.3	-3.0%
<b>Total Permanent Assets</b>	<b>1,422.6</b>	<b>1,428.2</b>	<b>-3.5%</b>
<b>Total Non-Current Assets</b>	<b>1,545.2</b>	<b>1,551.2</b>	<b>-0.4%</b>
<b>Total Assets</b>	<b>2,001.0</b>	<b>2,018.4</b>	<b>-0.9%</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade Accounts Payable	136.8	150.2	-8.9%
Loans and Financing	170.1	185.4	-8.3%
Labor Liabilities	31.8	31.7	0.2%
Tax Liabilities	12.0	12.0	0.3%
Tax Installments	47.3	44.4	6.6%
Advances from Clients	12.8	10.2	26.0%
Dividends and interest on equity payable	61.1	61.1	0.0%
Unrealized profits	10.4	11.8	-11.3%
Debentures payable	25.0	25.2	-0.6%
Accounts Payable	18.1	20.0	-9.5%
<b>Total Current Liabilities</b>	<b>525.5</b>	<b>552.0</b>	<b>-4.8%</b>
<b>Non-Current Liabilities</b>			
Loans and Financing	137.3	128.7	6.7%
Trade Accounts Payable	-	-	0.0%
Tax Installments	27.3	38.4	-28.9%
Deferred Income and Soc. Contr. Taxes	91.5	88.3	3.5%
Provision for Contingencies	28.0	25.5	10.1%
Debentures payable	-	12.2	-100.0%
<b>Total Long-Term Liabilities</b>	<b>284.1</b>	<b>293.1</b>	<b>-3.1%</b>
<b>Shareholder's Equity</b>			
Capital	488.2	488.2	0.0%
Revaluation Reserves	201.9	202.1	-0.1%
Profit Reserve	414.3	394.1	5.1%
Asset Valuation Adjustment	88.5	90.2	-2.0%
Other Comprehensive Income	1.5	1.7	-12.8%
Treasury Stock	(2.9)	(2.9)	0.0%
<b>Total Shareholder's Equity</b>	<b>1,191.4</b>	<b>1,173.3</b>	<b>1.5%</b>
Non-controlling interest	0.0	0.0	24.0%
<b>Total Shareholder's Equity &amp; Non-controlling Interest</b>	<b>1,191.4</b>	<b>1,173.4</b>	<b>1.5%</b>
<b>Total Liabilities and Shareholder's Equity</b>	<b>2,001.0</b>	<b>2,018.4</b>	<b>-0.9%</b>



## Cash Flow Statement

Cash Flow (R\$ 000)	6M16	6M15
<b>Net Income before Income and Social Contribution Taxes</b>	<b>21.4</b>	<b>4.7</b>
<b>Adjustments to Reconcile Net Income and Operating Cash Flow</b>		
Depreciation and Amortizations	32.3	30.4
Exhaustion of biological assets	33.6	31.9
Residual Value of Fixed Assets Sold	0.1	0.0
Write-off of investments	(0.2)	0.7
Fair value variation in biological assets	(14.4)	(19.6)
Interest, Monetary and Exchange Variations, net	(15.1)	37.9
Income and social contribution taxes in the period	(3.0)	(5.4)
Provision (reversal) for liabilities and others	8.2	6.1
Deferred income and social contribution taxes	(2.0)	(1.0)
<b>Changes in operating assets and liabilities</b>		
Marketable Securities	2.4	(4.2)
Trade accounts receivable	17.8	7.4
Receivables from related parties	-	(0.0)
Inventories	6.4	(44.0)
Recoverable taxes	(5.6)	4.8
Deferred Income and Social Contribution Taxes	2.0	1.0
Deferred expenses	0.5	(0.1)
Judicial deposits	1.3	(0.3)
Other receivables	(0.1)	0.3
Trade accounts payable	(13.4)	22.0
Labor and Tax Liabilities	(2.8)	(6.8)
Tax Installments	(13.7)	(14.5)
Advances from Clients	2.6	2.5
Accounts payable	(3.2)	(0.5)
<b>Net Cash Flow from Operating Activities</b>	<b>55.1</b>	<b>53.3</b>
<b>Cash Flow from Investing Activities</b>		
Capital reduction on subsidiaries	(0.2)	0.4
Addition to fixed assets	(26.2)	(22.2)
Addition to biological assets	(19.7)	(21.8)
<b>Net Cash Flow from Investing Activities</b>	<b>(46.1)</b>	<b>(43.6)</b>
<b>Cash Flow from Financing Activities</b>		
Amortization of loans and debentures	(107.8)	(55.9)
Loans	121.6	57.1
Payment of dividends/Interest on equity	-	0.0
New/Amortization of Debentures	(12.4)	(12.4)
<b>Net Cash Flow from Financing Activities</b>	<b>1.5</b>	<b>(11.2)</b>
<b>Increase (Reduction) in Net Cash and Cash Equivalents</b>	<b>10.4</b>	<b>(1.5)</b>
<b>Cash and Cash Equivalents</b>		
Beginning of period	3.9	7.5
End of period	14.3	6.0
<b>Additional information:</b>		
Income and social contribution taxes paid	-	-