



## INVESTOR RELATIONS

**José Antonio Goulart de Carvalho**  
Executive Vice President and Investor  
Relations Officer

**Waneska Bandeira**  
Investor Relations

**Tel: +55 11 3049-2473**  
**ri@eucatex.com.br**  
**ri.eucatex.com.br**

***Conference Call in Portuguese***  
***with Simultaneous Translation***

**May 12, 2016**  
**9:00 a.m. (Brasília) / 8:00 a.m. (US ET)**

**Dial-in in Portuguese**  
**+55 11 2188-0155**  
**+55 11 2188-0400 (Replay)**

**Dial-in in English**  
**+1 646 843 6054**  
**+55 11 2188-0400 (Replay)**

**Webcast**  
**ri.eucatex.com.br**

## 1Q16 Earnings Release

São Paulo, May 11, 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 first quarter of 2016 (1Q16). 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

### 1Q16

**Net Revenue of R\$275.2 million (-1.0%)**

**Recurring EBITDA of R\$40.2 million (-16.0%), with margin of 14.6%**

**Recurring Net Income of R\$11.0 million (+160.6%)**

**Exports increased 56.3% in Volume and 50.6% in Net Revenue**

Amounts in R\$ million	1Q16	1Q15	Var. (%)
Net Revenue	275.2	278.0	-1.0%
Gross Income	72.9	85.4	-14.6%
Gross Margin (%)	26.5%	30.7%	-4.2 p.p.
EBITDA adjusted by non-cash events	33.6	45.7	-26.5%
EBITDA Margin (%)	12.2%	16.5%	-4.2 p.p.
Net Income	4.4	2.1	107.3%
<b>Recurring Net Income</b>	<b>11.0</b>	<b>4.2</b>	<b>160.6%</b>
Net Debt	328.8	316.6	3.9%
Net Debt / EBITDA (LTM)	2.0	1.7	23.6%
<b>Recurring Adjusted EBITDA</b>	<b>40.2</b>	<b>47.8</b>	<b>-16.0%</b>
<b>Recurring Adjusted EBITDA Margin (%)</b>	<b>14.6%</b>	<b>17.2%</b>	<b>-2.6 p.p.</b>



## Management Comments

The scenario of turmoil and uncertainties that marked 2015 continued in the first three months of 2016, reflecting in the performance of key indicators that impact the Company's operating segments.

- ✓ job market - rising unemployment and declining wage levels;
- ✓ household consumption – reduction driven by the decline in income;
- ✓ free credit to individuals - restrictions imposed by financial agents due to fears of default and hike in interest rates;
- ✓ consumer and business confidence indices - the lowest levels ever recorded; and
- ✓ Mortgage financing terms worsened with interest rates increasing and the ceiling eligible for financing lowered.

The above factors had a significant impact on economic activity in the Company's main operating segments: furniture and construction. The 17.3% decline in the ABRAMAT (Brazilian Construction Materials Industry Association) index reflects the drop in the indices of these sectors at the end of 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 1Q16: 17% share of revenues and 50.6% growth in revenue compared to 1Q15. This growth has enabled the Company maintain its operations at levels close to those in 1Q15. 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 Wood segment, combining domestic and export markets, grew 6.8% in 1Q16 compared to the same period the previous year, driven by higher exports. According to the Brazilian Tree Industry (IBA), the domestic panels market contracted by 6.9% in the period, with MDF and MDP sales down by 4.2% and 11.2%, respectively.

The highlights in this segment were exports, in line with the Company's strategy, with growth of 56.3% in volume and 50.6% in net revenue in the quarterly comparison. This result is related to the growth in sales of fiberboard (+31.1%) and T-HDF (+81.0%), whose exports were still incipient in 2014 and which have been accounting for an increasingly greater share of the export mix since 2015 and through 2016. This substantial increase in exports in 1Q16 is primarily due to changes in the production processes. Exports by the sector grew 57.0% in 1Q16 compared to 1Q15, according to IBA.



The Company's Paint sales fell 17.3% in 1Q16 compared to 1Q15, while the paints market contracted 13.1%, according to the Brazilian Paint Manufacturers Association (ABRAFATI).

Operating Performance  
base 100 - 2005

Physical Sales	1Q16	1Q15	Var. (%)
Wood Panels (DM)	157	155	0.8%
Wood Panels (EM)	153	98	56.3%
Paints	363	439	-17.3%

DM - Domestic Market / EM - Export Market

## Net revenue

Net Revenue Breakdown (R\$ million)	1Q16	1Q15	Var. (%)
Wood Segment	206.2	207.8	-0.8%
Paint Segment	57.4	62.9	-8.7%
Other	11.6	7.2	60.0%
<b>Net Revenue</b>	<b>275.2</b>	<b>278.0</b>	<b>-1.0%</b>

Net revenue totaled R\$275.2 million, down 1.0% from R\$278.0 million in 1Q15. In the Wood Segment, despite volume growth, net revenue fell 0.8% in the quarter due to higher share of lower-value products in total sales compared to a very small share of these products in 1Q15. Some of the Company's products also saw a decline in prices, which was offset by higher prices of exported products translated to Brazilian real. Export revenue increased 50.6% in 1Q16, reflecting the continued growth this market.

The Paint Segment registered a 8.7% drop in net revenue due to the 17.3% decline in sales volume, which was higher than the 10.4% increase in the average price in 1Q16 compared to 1Q15.



## ***Cost of Goods Sold (COGS)***

Though the U.S. dollar weakened during the course of 1Q16 in relation to the closing rate in 2015, it still remains high compared to 1Q15, which resulted in higher costs between 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 reached R\$72.9 million in 1Q16, compared to R\$85.4 million in 1Q15, down 14.6%. Gross margin in the quarter reached 26.5%, down 4.2 p.p. from 1Q15.

## ***Operating Expenses***

<b>Breakdown of Expenses (R\$ million)</b>	<b>1Q16</b>	<b>1Q15</b>	<b>Var. (%)</b>
General and Administrative	(14.5)	(13.8)	5.5%
Selling	(41.9)	(40.6)	3.1%
<b>Total Operating Expenses</b>	<b>(56.4)</b>	<b>(54.4)</b>	<b>3.7%</b>
<b>% Net Revenue</b>	<b>-20.5%</b>	<b>-19.6%</b>	<b>0.9 p.p.</b>
Other Operating Income and Expenses	(1.7)	(0.1)	-2689.8%

Administrative expenses in 1Q16 increased by 5.5% from the same period last year. The increase basically reflects wage increases and contractual price adjustments.

The variation in selling expenses between 1Q15 and 1Q16 is chiefly due to the growth of exports, which entail higher variable expenses, at the expense of domestic sales.

The Company has generally sought to renegotiate all its contracts and also thoroughly analyzed the nature of all its expenses, which resulted in an increase below inflation in the period. These practices will continue throughout 2016 even more intensively.



## EBITDA and EBITDA Margin

As a result of the above, recurring EBITDA was R\$40.2 million, down 16.0% from 1Q15. Recurring EBITDA margin contracted by 2.6 p.p. to 14.6%, from 17.2% in the same period last year.

EBITDA Reconciliation (R\$ million)	1Q16	1Q15	Var. (%)
Net Income	4.4	2.1	107.3%
Income and Social Contribution Taxes	(0.5)	(8.2)	93.5%
Net Financial Income (Loss)	4.4	35.0	-87.4%
<b>EBIT</b>	<b>8.3</b>	<b>28.9</b>	<b>-71.2%</b>
Depreciation and Amortization	32.7	30.9	5.9%
<b>EBITDA under CVM instr. 527/12</b>	<b>41.1</b>	<b>59.8</b>	<b>-31.3%</b>
<b>EBITDA Margin</b>	<b>14.9%</b>	<b>21.5%</b>	<b>-6.6 p.p.</b>
<b>Non-cash adjustments</b>			
Fair value variation in biological assets	(7.4)	(14.1)	-47.1%
<b>EBITDA adjusted by non-cash events</b>	<b>33.6</b>	<b>45.7</b>	<b>-26.5%</b>
<b>Non-recurring events<sup>(1)</sup></b>	<b>6.5</b>	<b>2.1</b>	<b>215.8%</b>
<b>Recurring adjusted EBITDA</b>	<b>40.2</b>	<b>47.8</b>	<b>-16.0%</b>
<b>Adjusted recurring EBITDA Margin</b>	<b>14.6%</b>	<b>17.2%</b>	<b>-2.6 p.p.</b>

## Recurring Net Income

Recurring net income in 1Q16 totaled R\$ 11.0 million, growing 160.6% from 1Q15.

## Debt

The Company's net debt at the end of 1Q16 was R\$328.8 million and was equivalent to 2.0 times its annualized recurring EBITDA, decreasing by R\$5.1 million from the close of 2015.





Debt (R\$ Million)	1Q16	2015	Var. (%)	1Q15	Var. (%)
Short Term Debt	214.1	210.6	1.6%	159.5	34.2%
Long Term Debt	126.3	140.9	-10.3%	177.2	-28.7%
<b>Gross Debt</b>	<b>340.4</b>	<b>351.5</b>	<b>-3.2%</b>	<b>336.7</b>	<b>1.1%</b>
Cash and Cash Equivalents	11.6	17.6	-34.0%	20.1	-42.3%
<b>Net Debt</b>	<b>328.8</b>	<b>333.9</b>	<b>-1.5%</b>	<b>316.6</b>	<b>3.9%</b>
% Short Term Debt	63%	60%	3 p.p.	47%	32.8%
<b>Net Debt/EBITDA</b>	<b>2.0</b>	<b>1.7</b>	<b>20.6%</b>	<b>1.7</b>	<b>23.6%</b>

## Capex

Capex totaled R\$25.5 million in 1Q16 and was generally used in sustaining the Company's manufacturing and forest operations. For 2016, the Company projects a reduction of about 9.1% in investments compared to 2015, at R\$80.0 million, allocated primarily to 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 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 1Q16 quoted at R\$2.59. Eucatex's market capitalization at the end of the period stood at R\$239.9 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 2,360 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 1Q16, the Eucatex Group did not engage BDO RCS Auditores Independentes for services other than audit.*





## Income Statement

Income Statement (R\$ million)	1Q16	1Q15	Var. (%)
<b>Gross Revenue</b>	<b>327.1</b>	<b>337.6</b>	<b>-3.1%</b>
Sales taxes and Deductions	(51.8)	(59.6)	-13.1%
<b>Net Revenue</b>	<b>275.2</b>	<b>278.0</b>	<b>-1.0%</b>
Fair value variation in biological assets	7.4	14.1	-47.1%
Cost of Goods Sold	(209.7)	(206.6)	1.5%
<b>Gross Income</b>	<b>72.9</b>	<b>85.4</b>	<b>-14.6%</b>
<b>% Gross Margin</b>	<b>26.5%</b>	<b>30.7%</b>	<b>-4.2 p.p.</b>
Selling Expenses	(41.9)	(40.6)	3.1%
General and Administrative Expenses	(12.0)	(11.6)	4.0%
Management Compensation	(2.5)	(2.2)	13.7%
Other Operating Income / (Expenses)	(1.7)	(0.1)	-2689.8%
<b>Operating Income (Expenses)</b>	<b>(58.1)</b>	<b>(54.5)</b>	<b>6.6%</b>
<b>Net Income before Financial Result</b>	<b>14.9</b>	<b>31.0</b>	<b>-52.0%</b>
Financial Income (Expense)	(4.4)	(35.0)	87.4%
Non-recurring Income (Expense)	(6.5)	(2.1)	-215.8%
<b>Net Income after Financial Result</b>	<b>3.9</b>	<b>(6.1)</b>	<b>164.5%</b>
Provision for Income and Soc. Contr. Taxes	0.5	8.2	93.5%
<b>Net Income (Loss) before Non-Controlling Interest</b>	<b>4.4</b>	<b>2.1</b>	<b>107.6%</b>
Non-controlling interest	0.0	0.0	34.4%
<b>Net income in the year</b>	<b>4.4</b>	<b>2.1</b>	<b>107.3%</b>
<b>Net Margin</b>	<b>1.6%</b>	<b>0.8%</b>	<b>0.8 p.p.</b>



## Balance Sheet

Balance Sheet (R\$ '000)	1Q16	2015	Var. (%)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	2.0	3.9	-49.6%
Marketable Securities	9.6	13.7	-29.6%
Trade Accounts Receivable	207.2	212.6	-2.5%
Inventories	209.6	215.5	-2.7%
Taxes Recoverable	19.3	15.7	23.2%
Prepaid Expenses	1.7	1.9	-13.9%
Unrealized losses	-	-	0.0%
Other receivables	5.7	3.8	49.6%
<b>Total Current Assets</b>	<b>455.2</b>	<b>467.2</b>	<b>-2.6%</b>
<b>Non-Current Assets</b>			
<b>Long-Term Assets</b>			
Trade Accounts Receivable	24.9	25.6	-2.7%
Taxes Recoverable	3.1	3.4	-9.6%
Deferred income and soc. contr. taxes	41.9	38.5	9.0%
Goods held for sale	0.5	0.5	-0.8%
Investment properties	25.2	25.1	0.4%
Judicial Deposits	15.4	14.4	6.6%
Other receivables	15.5	15.5	0.0%
<b>Total Long-Term Assets</b>	<b>126.5</b>	<b>123.0</b>	<b>2.8%</b>
<b>Permanent Assets</b>			
Investments	-	-	0.0%
Biological Assets	385.1	383.8	0.3%
Fixed Assets	1,043.1	1,044.1	-0.1%
Intangible Assets	0.3	0.3	-1.5%
<b>Total Permanent Assets</b>	<b>1,428.4</b>	<b>1,428.2</b>	<b>-1.3%</b>
<b>Total Non-Current Assets</b>	<b>1,554.9</b>	<b>1,551.2</b>	<b>0.2%</b>
<b>Total Assets</b>	<b>2,010.1</b>	<b>2,018.4</b>	<b>-0.4%</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade Accounts Payable	137.5	150.2	-8.4%
Loans and Financing	187.3	185.4	1.0%
Labor Liabilities	34.0	31.7	7.0%
Tax Liabilities	10.6	12.0	-11.5%
Tax Installments	45.9	44.4	3.4%
Advances from Clients	20.9	10.2	105.2%
Dividends and interest on equity payable	61.1	61.1	0.0%
Unrealized profits	11.7	11.8	-0.2%
Debentures payable	26.7	25.2	6.3%
Accounts Payable	20.8	20.0	3.8%
<b>Total Current Liabilities</b>	<b>556.6</b>	<b>552.0</b>	<b>0.8%</b>
<b>Non-Current Liabilities</b>			
Loans and Financing	113.9	128.7	-11.5%
Trade Accounts Payable	-	-	0.0%
Tax Installments	33.3	38.4	-13.1%
Deferred Income and Soc. Contr. Taxes	89.9	88.3	1.8%
Provision for Contingencies	26.8	25.5	5.3%
Debentures payable	12.4	12.2	1.8%
<b>Total Long-Term Liabilities</b>	<b>276.4</b>	<b>293.1</b>	<b>-5.7%</b>
<b>Shareholder's Equity</b>			
Capital	488.2	488.2	0.0%
Revaluation Reserves	201.9	202.1	-0.1%
Profit Reserve	399.6	394.1	1.4%
Asset Valuation Adjustment	89.3	90.2	-1.0%
Other Comprehensive Income	1.0	1.7	-39.6%
Treasury Stock	(2.9)	(2.9)	0.0%
<b>Total Shareholder's Equity</b>	<b>1,177.1</b>	<b>1,173.3</b>	<b>0.3%</b>
Non-controlling interest	0.0	0.0	12.2%
<b>Total Shareholder's Equity &amp; Non-controlling Interest</b>	<b>1,177.1</b>	<b>1,173.4</b>	<b>0.3%</b>
<b>Total Liabilities and Shareholder's Equity</b>	<b>2,010.1</b>	<b>2,018.4</b>	<b>-0.4%</b>



## Cash Flow

Cash Flow from Operating Activities (R\$ 000)	1Q16	1Q15
<b>Net Income before Income and Social Contribution Taxes</b>	<b>3.9</b>	<b>(6.1)</b>
<b>Adjustments to reconcile cash and cash equivalents from operating activities</b>		
Depreciation and Amortization	15.9	14.9
Exhaustion of biological assets	16.8	16.0
Residual Value of Fixed Assets Sold	-	0.0
Provision for inventory losses	(0.1)	0.5
Write-off of investments	(7.4)	(14.1)
Fair value variation in biological assets	(8.9)	36.7
Investments write-off	(1.4)	(3.1)
Deferred income and social contribution taxes	5.8	4.0
<b>Changes in operating assets and liabilities</b>		
Marketable Securities	4.0	1.5
Marketable Securities	2.2	1.5
Trade accounts receivable	-	(0.0)
Receivables from related parties	5.9	(7.5)
Inventories	(1.8)	6.4
Expenses from subsequent fiscal year	0.3	(1.2)
Deferred expenses	(0.9)	(0.2)
Judicial deposits	(1.9)	0.2
Other receivables	(12.6)	(0.1)
Trade accounts payable	(1.1)	(6.4)
Labor and Tax Liabilities	(6.3)	(8.0)
Tax Installments	10.7	(2.3)
Provision for contingencies	0.7	(1.4)
<b>Net Cash Flow from Operating Activities</b>	<b>23.7</b>	<b>31.4</b>
<b>Cash Flow from Investing Activities</b>		
Capital reduction on subsidiaries	(0.7)	0.5
Addition to fixed assets	(14.9)	(10.2)
Addition to biological assets	(10.6)	(9.8)
<b>Net Cash Flow from Investing Activities</b>	<b>(26.2)</b>	<b>(19.6)</b>
<b>Cash Flow from Financing Activities</b>		
Amortization of loans	(33.2)	(25.7)
Loans	33.8	14.4
Payment of dividends/Interest on equity	-	-
<b>Net Cash Flow from Financing Activities</b>	<b>0.6</b>	<b>(11.3)</b>
<b>Increase (Reduction) in Net Cash and Cash Equivalents</b>	<b>(1.9)</b>	<b>0.5</b>
<b>Cash and Cash Equivalents</b>		
Beginning of period	3.9	7.5
End of period	2.0	8.0
<b>Supplemental information:</b>		
Accounts payable	(0.8)	(2.7)