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Conference call
(Portuguese only)

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Webcast
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*After the conference call, the transcript will
be available in English*

4Q16 Earnings Release

São Paulo, March 22, 2017 – 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, wall partitions and doors segments, announces today its results for the fourth quarter of 2016 (4Q16). 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.

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Highlights

4Q16

Net Revenue of R\$284.5 million (-1.7%)

Recurring EBITDA of R\$46.7 million (+1.9%), with margin of 16.4%

Recurring Net Income of R\$14.0 million (+182.9%)

Exports increased 51.3% in Volume and 17.6% in Net Revenue

2016

Net Revenue of R\$1,144.5 million (+0.1%)

Recurring EBITDA of R\$185.8 million (-5.5%), with margin of 16.2%

Recurring Net Income of R\$53.5 million (+140.0%)

Exports increased 41.9% in Volume and 22.9% in Net Revenue

Amounts in R\$ million	4Q16	4Q15	Var. (%)	2016	2015	Var. (%)
Net Revenue	284.5	289.4	-1.7%	1,144.4	1,143.3	0.1%
Gross Income	85.7	77.7	10.3%	323.4	334.8	-3.4%
Gross Margin (%)	30.1%	26.8%	3.3 p.p.	28.3%	29.3%	-1 p.p.
EBITDA adjusted by non-cash events	43.8	41.6	5.2%	165.8	184.9	-10.3%
EBITDA Margin (%)	15.4%	14.4%	1 p.p.	14.5%	16.2%	-1.7 p.p.
Net Income	11.0	0.7	1499.1%	33.5	10.5	218.9%
Recurring Net Income	14.0	5.0	182.9%	53.5	22.3	140.0%
Net Debt	332.1	333.9	-0.5%	332.1	333.9	-0.5%
Net Debt / EBITDA (LTM)	1.8	1.8	-2.4%	1.8	1.7	5.3%
Recurring Adjusted EBITDA	46.7	45.9	1.9%	185.8	196.7	-5.5%
Recurring Adjusted EBITDA Margin (%)	16.4%	15.9%	0.5 p.p.	16.2%	17.2%	-1 p.p.



Management Comments

The year 2016 started off under the effects of worsening economic indicators during 2015, which continued throughout the entire period. Between the second and third quarters, with the change of government in Brazil, there was widespread belief about a recovery in economic activity, driven by an improvement in consumer and industry confidence levels which, however, did not materialize.

Sluggish economic activity, rising unemployment, high interest rates and political turbulence negatively impacted the Company's main operating segments - furniture and construction – which reflected in its results. According to the Brazilian Tree Industry (IBA), the domestic panel market contracted 2.2% this year. The Brazilian Construction Materials Industry Association (ABRAMAT) index, which measures the performance of construction industries, has been pointing to a downward trend in recent years, declining from 12.6% in 2015 to 11.5% in 2016.

The outlook for 2017 is lower interest rates, lower inflation rates, improvement in consumer and industry confidence and a slight increase in employment rate, resulting from a reduction in the high level of corporate and household debt. These factors, combined with the release of the Guarantee Fund for Length of Service (FGTS) inactive accounts, enable the resumption of investments and consumption, though the recovery of economic activities should still remain slow.

Since 2015, the Company has been preparing for the economic recovery and growth of exports, modernizing and adjusting its product lines, reducing costs and investments in order to preserve its business during the still challenging period.

Operating Performance and Results

Sales in the Company's Wood segment, combining domestic and export markets, declined by 5.9% and 2.5% in 4Q16 and 2016, respectively, compared to the same period last year, impacted by lower domestic sales. According to IBA, the domestic panels market grew 11.8% in 4Q16, driven by higher volumes of MDP (+10.0%) and MDF (+14.5%) and lower volumes of Fiberboard (-4.5%). In 2016, the market as a whole registered growth of 3.7%, of which 8.9% from MDP and 1.1% from MDF, and a decrease of 5.3% in fiberboard compared to the same periods in 2015.

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In this Segment, the highlights were the Company's exports, which are in line with its strategy, growing both quarter-over-quarter and year-over-year. Volume increased 51.3%, while Net Revenue increased 17.6% in the quarterly comparison, and 41.9% and 22.9%, respectively, in 2016. This result was driven by higher sales of T-HDF/MDF and MDP, whose exports were still incipient in 2014 and which started accounting for a higher share of the export mix in 2015, and continuing the pace of expansion this year. According to IBA, the sector increased its exports by 61.6% and 62.1% in 4Q16 and 2016, respectively, compared to the same periods last year. The significant growth in exports – which totaled more than 1 million m³ in 2016 – helps regulate domestic supply.

The Company's Paint sales remained stable in 4Q16 (+0.3%) and decreased 3.7% in 2016 compared to the same period in 2015. According to ABRAFATI, this market contracted 5.7% in 2016.

Operating Performance
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Physical Sales	4Q16	4Q15	Var. (%)	2016	2015	Var. (%)
Wood Panels (DM)	127	146	-13.0%	140	153	-8.3%
Wood Panels (EM)	227	150	51.3%	215	152	41.9%
Paints	304	303	0.3%	342	355	-3.7%

DM - Domestic Market / EM - Export Market

Net revenue

Net Revenue Breakdown (R\$ million)	4Q16	4Q15	Var. (%)	2016	2015	Var. (%)
Wood Segment	199.5	208.5	-4.3%	820.6	850.3	-3.5%
Paint Segment	68.4	65.7	4.1%	260.0	253.7	2.5%
Other	16.6	15.2	9.2%	63.9	39.2	63.0%
Net Revenue	284.5	289.4	-1.7%	1,144.5	1,143.3	0.1%

Net revenue totaled R\$284.5 million, down 1.7% from R\$289.4 million in 4Q15. In 2016, net revenue remained stable at R\$ 1,144.5 million, compared to R\$1,143.3 million in 2015.

In the Wood Segment, revenue decline lagged the decline in volumes due to the substantial share of higher-value products in total sales, as well as higher prices. Despite the sharp currency depreciation, export revenue increased 17.6% in 4Q16 and 22.9% in 2016, reflecting the continued growth of this market.

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The Paint segment registered net revenue growth of 4.1% in 4Q16 and 2.5% in 2016, driven by higher prices (+6.4%) in 2016 compared to 2015.

Cost of Goods Sold (COGS)

In 4Q16, pressures on costs were lower due to the negative exchange variation, which helped reduce prices of inputs in US dollar. Besides, the Company has been working on reducing the fixed and variable costs, which were reflected in this quarter's results. In 2016, COGS as a percentage of ROL remained practically stable.

Gross Income and Gross Margin

Gross income reached R\$85.7 million in 4Q16, compared to R\$77.7 million in 4Q15, up 10.3%. Gross margin in the quarter reached 30.1%, 3.3 p.p. higher than in 4Q15. In 2016, gross income and gross margin came to R\$323.4 million and 28.3%, respectively, down 1.0 p.p., due to the lower adjustment of biological assets.

Operating Expenses

Breakdown of Expenses (R\$ million)	4Q16	4Q15	Var. (%)	2016	2015	Var. (%)
General and Administrative	(13.7)	(14.6)	-6.2%	(57.1)	(56.3)	1.3%
Selling	(42.9)	(43.9)	-2.2%	(168.8)	(168.6)	0.1%
Total Operating Expenses	(56.6)	(58.5)	-3.2%	(225.9)	(224.9)	0.4%
% Net Revenue	-19.9%	-20.2%	-0.3 p.p.	-19.7%	-19.7%	0 p.p.
Other Operating Income and Expenses	(0.4)	1.2	-132.3%	(0.8)	1.9	-142.4%

Administrative expenses decreased 6.2% in 4Q16 compared to the same period last year, reflecting the Company's structural adjustments, and increased 1.3% in 2016.

Selling expenses decreased by 2.2% in 4Q16 compared to 4Q15, reflecting the Company's efforts to control fixed selling expenses. The same impact was also observed on operating expenses, which fell 3.2% from last year. In 2016, both expenses remained stable compared to 2015.

The Company reduced about R\$12 million in fixed expenses in 2016 as a result of the management's efforts to improve results.

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EBITDA and EBITDA Margin

As a result of the above, recurring EBITDA totaled R\$46.7 million, up 1.9% from 4Q15. Recurring EBITDA margin reached 16.4%, compared to 15.9% in the same period last year. In 2016, recurring EBITDA and recurring EBITDA margin totaled R\$185.8 million and 16.2%, respectively.

EBITDA Reconciliation (R\$ million)	4Q16	4Q15	Var. (%)	2016	2015	Var. (%)
Net Income	11.0	0.7	1499.1%	33.5	10.5	218.9%
Income and Social Contribution Taxes	(0.5)	0.7	-180.3%	2.9	(22.9)	-112.8%
Net Financial Income (Loss)	15.2	14.7	3.0%	40.1	112.5	-64.3%
EBIT	25.7	16.1	59.6%	76.6	100.1	-23.5%
Depreciation and Amortization	26.4	34.4	-23.2%	119.1	129.2	-7.8%
EBITDA under CVM instr. 527/12	52.1	50.5	3.2%	195.7	229.3	-14.7%
EBITDA Margin	18.3%	17.4%	0.9 p.p.	17.1%	20.1%	-3 p.p.
Non-cash adjustments						
Fair value variation in biological assets	(8.3)	(8.9)	-6.3%	(29.8)	(44.3)	-32.7%
EBITDA adjusted by non-cash events	43.8	41.6	5.2%	165.8	184.9	-10.3%
Non-recurring events	3.0	4.3	-30.3%	20.0	11.8	69.7%
Recurring adjusted EBITDA	46.7	45.9	1.9%	185.8	196.7	-5.5%
Adjusted recurring EBITDA Margin	16.4%	15.9%	0.5 p.p.	16.2%	17.2%	-1 p.p.

Recurring Net Income

Recurring net income in 4Q16 totaled R\$14.0 million, growing 182.9% from 4Q15. In 2016, it totaled R\$53.5 million, up 140.0% from the previous year.

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Debt

At the end of 2016, the Company's net debt totaled R\$332.1 million and was equivalent to 1.8 times its recurring EBITDA, decreasing from the previous quarter and from 2015.

Debt (R\$ Million)	2016	9M16	Var. (%)	2015	Var. (%)
Short Term Debt	241.3	227.8	5.9%	210.6	14.6%
Long Term Debt	114.4	135.0	-15.3%	140.9	-18.8%
Gross Debt	355.7	362.8	-2.0%	351.5	1.2%
Cash and Cash Equivalents	23.6	24.3	-2.9%	17.6	33.9%
Net Debt	332.1	338.6	-1.9%	333.9	-0.5%
% Short Term Debt	68%	63%	5 p.p.	60%	8 p.p.
Net Debt/EBITDA	1.8	1.8	-2.1%	1.7	5.3%

Capex

Capex totaled R\$24.9 million in 4Q16 and R\$92.9 million in 2016, and was generally used to maintain the Company's manufacturing and forest operations. In 2017, the Company plans to reduce investments by about 16.0% in relation to 2016 (R\$78.0 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

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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 2016 quoted at R\$2.81. Eucatex's market capitalization at the end of the period stood at R\$260.3 million, around 22% of its book value.

About Eucatex

Eucatex S.A. Indústria e Comércio completed 65 years in 2016 and is one of Brazil's largest manufacturers of 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 2,486 people. Its products are exported to more than 37 countries. For more information, visit 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 4Q16, the Eucatex Group did not engage BDO RCS Auditores Independentes for services other than audit.

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Income Statement

Income Statement (R\$ million)	4Q16	4Q15	Var. (%)	2016	2015	Var. (%)
Gross Revenue	340.8	349.8	-2.6%	1,369.9	1,385.9	-1.1%
Sales taxes and Deductions	(56.3)	(60.5)	-6.9%	(225.5)	(242.7)	-7.1%
Net Revenue	284.5	289.4	-1.7%	1,144.4	1,143.3	0.1%
Fair value variation in biological assets	8.3	8.9	-6.3%	29.8	44.3	-32.7%
Cost of Goods Sold	(207.1)	(220.6)	-6.1%	(850.9)	(852.8)	-0.2%
Gross Income	85.7	77.7	10.3%	323.4	334.8	-3.4%
% Gross Margin	30.1%	26.8%	3.3 p.p.	28.3%	29.3%	-1 p.p.
Selling Expenses	(42.9)	(43.9)	-2.2%	(168.8)	(168.6)	0.1%
General and Administrative Expenses	(11.7)	(12.3)	-4.4%	(48.5)	(47.2)	2.8%
Management Compensation	(2.0)	(2.4)	-15.8%	(8.5)	(9.1)	-6.5%
Other Operating Income / (Expenses)	(0.4)	1.2	-132.3%	(0.8)	1.9	142.4%
Operating Income (Expenses)	(57.0)	(57.3)	-0.6%	(226.7)	(223.0)	1.7%
Net Income before Financial Result	28.7	20.3	41.1%	96.6	111.9	-13.6%
Financial Income (Expense)	(15.2)	(14.7)	-3.0%	(40.1)	(112.5)	64.3%
Non-recurring Income (Expense)	(3.0)	(4.3)	30.3%	(20.0)	(11.8)	-69.7%
Net Income after Financial Result	10.6	1.4	677.5%	36.5	(12.4)	393.3%
Provision for Income and Soc. Contr. Taxes	0.5	(0.7)	-180.3%	(2.9)	22.9	112.8%
Net Income (Loss) before Non-Controlling Interest	11.1	0.7	1523.2%	33.6	10.5	220.0%
Non-controlling interest	(0.1)	0.0	1300.2%	(0.1)	0.0	530.6%
Net income in the year	11.0	0.7	1499.1%	33.5	10.5	218.9%
Net Margin	3.9%	0.2%	3.7 p.p.	2.9%	0.9%	2 p.p.

* Values of items: Cost of Goods Sold, Selling Expenses, General, Administrative and Other Expenses /Operating revenue are net of non-recurring expenses.



Balance Sheet

Balance Sheet (R\$ '000)	2016	2015	Var. (%)
ASSETS			
Current Assets			
Cash and Cash Equivalents	13.9	3.9	255.3%
Marketable Securities	9.7	13.7	-29.2%
Trade Accounts Receivable	228.5	212.6	7.4%
Inventories	187.3	215.5	-13.1%
Taxes Recoverable	23.0	15.7	46.4%
Prepaid Expenses	3.1	1.9	61.1%
Other receivables	2.1	3.8	-46.1%
Total Current Assets	467.5	467.2	0.1%
Non-Current Assets			
Long-Term Assets			
Trade Accounts Receivable	19.5	25.6	-23.7%
Taxes Recoverable	2.2	3.4	-34.8%
Deferred income and soc. contr. taxes	46.6	38.5	21.1%
Goods held for sale	0.4	0.5	-5.5%
Investment properties	25.5	25.1	1.3%
Judicial Deposits	6.8	14.4	-53.1%
Other receivables	14.2	15.5	-8.4%
Total Long-Term Assets	115.2	123.0	-6.4%
Permanent Assets			
Investments	-	-	0.0%
Biological Assets	402.7	383.8	4.9%
Fixed Assets	1,028.8	1,044.1	-1.5%
Intangible Assets	0.3	0.3	-6.0%
Total Permanent Assets	1,431.8	1,428.2	-2.6%
Total Non-Current Assets	1,547.0	1,551.2	-0.3%
Total Assets	2,014.4	2,018.4	-0.2%
LIABILITIES			
Current liabilities			
Trade Accounts Payable	133.5	150.2	-11.1%
Loans and Financing	228.8	185.4	23.4%
Labor Liabilities	27.3	31.7	-14.0%
Tax Liabilities	9.9	12.0	-17.5%
Tax Installments	28.3	44.4	-36.2%
Advances from Clients	11.9	10.2	17.4%
Dividends and interest on equity payable	65.9	61.1	7.8%
Unrealized profits	-	11.8	-100.0%
Debentures payable	12.5	25.2	-50.2%
Accounts Payable	20.4	20.0	1.9%
Total Current Liabilities	538.6	552.0	-2.4%
Non-Current Liabilities			
Loans and Financing	114.4	128.7	-11.1%
Tax Installments	32.1	38.4	-16.3%
Deferred Income and Soc. Contr. Taxes	94.8	88.3	7.3%
Provision for Contingencies	33.4	25.5	31.0%
Debentures payable	-	12.2	-100.0%
Total Long-Term Liabilities	274.6	293.1	-6.3%
Shareholder's Equity			
Capital	488.2	488.2	0.0%
Revaluation Reserves	202.0	202.1	0.0%
Profit Reserve	425.9	394.1	8.1%
Asset Valuation Adjustment	87.4	90.2	-3.2%
Other Comprehensive Income	0.8	1.7	-54.0%
Treasury Stock	(2.9)	(2.9)	0.0%
Total Shareholder's Equity	1,201.2	1,173.3	2.4%
Non-controlling interest	-	0.0	-100.0%
Total Shareholder's Equity & Non-controlling Interest	1,201.2	1,173.4	2.4%
Total Liabilities and Shareholder's Equity	2,014.5	2,018.4	-0.2%



Cash Flow Statement

Cash Flow (R\$ 000)	2016	2015
Net Income before Income and Social Contribution Taxes	36.4	(12.5)
Adjustments to Reconcile Net Income and Operating Cash Flow		
Depreciation and Amortizations	64.5	62.8
Exhaustion of biological assets	54.6	66.4
Residual Value of Fixed Assets Sold	0.1	0.0
Write-off of investments	(0.3)	1.0
Fair value variation in biological assets	(29.8)	(44.3)
Interest, Monetary and Exchange Variations, net	12.6	99.8
Provision for inventory losses	-	0.0
Income and social contribution taxes in the period	(4.6)	(9.3)
Provision (reversal) for liabilities and others	11.9	8.5
Changes in operating assets and liabilities		
Marketable Securities	4.0	(0.1)
Trade accounts receivable	(11.2)	21.8
Receivables from related parties	-	(0.0)
Inventories	28.2	(61.5)
Recoverable taxes	(6.0)	1.2
Deferred expenses	(1.2)	(0.3)
Judicial deposits	7.7	(3.4)
Other receivables	3.1	(0.7)
Trade accounts payable	(16.6)	34.8
Labor and Tax Liabilities	(10.4)	(7.5)
Tax Installments	(31.9)	(25.8)
Advances from Clients	1.8	(3.6)
Provision for contingencies	-	6.4
Accounts payable	(11.4)	(0.5)
Net Cash Flow from Operating Activities	101.4	133.3
Cash Flow from Investing Activities		
Marketable Securities	(0.9)	1.1
Capital reduction on subsidiaries	(49.2)	(45.5)
Addition to fixed assets	(43.7)	(42.4)
Addition to biological assets	-	-
Net Cash Flow from Investing Activities	(93.8)	(86.9)
Cash Flow from Financing Activities		
Amortization of loans and debentures	(201.2)	(182.1)
Loans	203.6	131.4
Payment of dividends/Interest on equity	-	0.7
Net Cash Flow from Financing Activities	2.4	(49.9)
Increase (Reduction) in Net Cash and Cash Equivalents	10.0	(3.6)
Cash and Cash Equivalents		
Beginning of period	3.9	7.5
End of period	13.9	3.9