



**Eucatex announces 2007 results: Gross Revenue of R\$ 765 million (+10.8% over 2006), EBITDA of R\$ 113.8 million (+75%), Net Income of R\$ 69 million (+146%) and EBITDA margin of 18.2%**

**São Paulo, March 12, 2008. Eucatex** (Bovespa: EUCA3 and EUCA4), 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 fourth quarter of 2007 (4Q07). The financial and operating information presented herein, except where stated otherwise, is audited and presented on a consolidated basis in Brazilian real, pursuant to Brazilian Corporate Law, and all comparisons refer to the fourth quarter of 2006 (4Q06).

### Highlights

- » **Gross revenue** totaled **R\$ 202.7 million** in the quarter, a **10.5%** growth in relation to 4Q06. In 2007, gross revenue reached **R\$ 765 million, an increase of 10.8%** compared to 2006. The revenue growth is mainly due to higher domestic sales volumes, among which: **paint, up 52%, MDP panels, 17%; laminate flooring, 12%; and hardboards, up 10%.**
- » **EBITDA Margin** reached **23.1%** in the 4Q07, 11.4 percentage points higher compared to the same period in the previous year.
- » **EBITDA** reached **R\$ 38.0 million** in the 4Q07, up 113% compared to the 4Q06. In 2007, **EBITDA** moved up by **75%**, and reached **R\$ 113.8 million.**
- » **Net financial result** stood at **R\$ 1.6 million in 2007**, versus a R\$ 78.8 million expense in 2006, driven by the significant drop in the Company's indebtedness, due to the approval of the Company's recovery plan and the impacts from appreciation in the Brazilian Real. On December, 2007, the net debt was about R\$ 77.4 million, representing approximately 0.7x EBITDA in 2007.
- » **Eucatex net income was R\$ 26.7 million** in the 4Q07. In 2007, **Net Income was R\$ 69 million**, a 146% growth in relation to the previous year.
- » **Confirmation of the request for installation of Brazil's first T-HDF (Thin-High Density Fiberboard) line** at Salto Unit (SP). With a total investment of R\$ 130 million, the new line is scheduled to come in line by the end of the 1<sup>st</sup> half of 2009; it should increase the Unit's current installed capacity from 70 million m<sup>2</sup>/year to 180 million m<sup>2</sup>/year, with additional revenues of R\$ 250 million and EBITDA of R\$ 90 million when it reaches its full capacity.

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#### Conference Call 4T07:

Portuguese Only: March 14, 2008  
Time: 10:30 am (Brasília); 9:30 am (US ET)  
Phone: +55 (11) 2188 0188  
Code: Eucatex  
Webcast: [www.eucatex.com.br/ir](http://www.eucatex.com.br/ir)



## Operating Performance

4Q07 Highlights (R\$ MM)	4Q07	4Q06	Var. (%)	2007	2006	Var. (%)
Net Revenue	164.4	151.8	8.3%	623.5	570.1	9.4%
Gross Profit	53.8	41.5	29.9%	197.6	164.3	20.2%
Gross Margin (%)	32.7%	27.3%	+5,4 p.p.	31.7%	28.8%	+2.9 p.p.
EBITDA	38.0	17.8	113.2%	113.8	64.9	75.3%
EBITDA Margin (%)	23.1%	11.7%	+11,4 p.p.	18.2%	11.4%	+6.8 p.p.
Net Income	26.7	87.2	-69.4%	68.8	28.0	145.8%
Net Debt	77.3	99.4	-22.2%	77.3	99.4	-22.2%
Net Debt / EBITDA (LTM)	0.7	1.5	-55.6%	0.7	1.5	-55.6%

### Operating Performance

2005 - 100 base

Sales Volume (Domestic Market)	4Q07	4Q06	2007	2006
Hardboard	110	103	114	100
Laminate Flooring	130	106	123	110
Paint	219	144	204	134

The Company's adopted strategies, combined with a favorable outlook in the Brazilian real estate industry and macroeconomic scenario – with a rise in employment, disposable income, consumer credit and consumption rates – resulted in an important growth in sales volume in all Eucatex product lines. In addition, the investments made by the Company led to an improvement in the product mix and to higher product competitiveness.

Sales volume was led by paint sales, which grew 52% in 2007 compared to the previous year. In the domestic market, wood panel sales posted strong growth, climbing 14% year-on-year, while laminate flooring moved up 12% in the same period.

The Real's appreciation against the Dollar, closing the year at R\$1.7713 to US\$1.00, impacted Hardboard revenue, 20% of which is targeted at the foreign market.

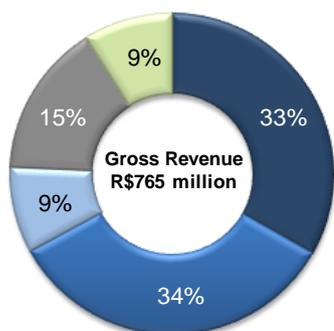


## Financial Performance

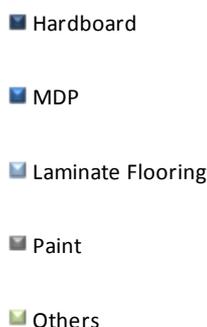
### Gross Revenue

Gross Revenue Breakdown (R\$ MM)	4Q07	4Q06	Var. (%)	2007	2006	Var. (%)
Hardboard*	65.9	67.9	-3.0%	254.2	266.2	-4.5%
MDP	68.0	58.7	15.7%	258.5	217.1	19.1%
Laminate Flooring	18.3	16.7	9.2%	66.4	63.8	4.0%
<i>Wood Segment</i>	152.1	143.4	6.1%	579.1	547.1	5.8%
<i>Paint Segment</i>	37.0	24.4	51.4%	118.1	81.9	44.2%
Others	13.7	15.7	-13%	67.9	61.2	10.9%
<b>Gross Revenue</b>	<b>202.7</b>	<b>183.5</b>	<b>10.5%</b>	<b>765.0</b>	<b>690.2</b>	<b>10.8%</b>

Gross Revenue Breakdown 2007



Gross Revenue Breakdown 2006



Gross revenue rose by 10.5% in the quarter in relation to the 4Q06, reaching R\$ 202.7 million. In 2007, gross revenue totaled R\$ 765.0 million, an 11% growth in relation to 2006, driven by the increase in overall volume sales and improved mix of products sold, especially finished MDP panels.

The paint segment has gained in importance due to its growth in the last two years, with the segment now accounting for 15% of gross revenue in 2007, up from 12% in 2006. Eucatex has a presence in all Brazilian states, with a complete product line that serves all income segments, which allows the Company to benefit from the favorable outlook in the Civil Construction segment. Eucatex has been working to position itself as one of Brazil's four largest paint manufacturers in the short term.

The share of MDP in gross revenue also rose to 34% in 2007, versus 31% in 2006. In addition to higher sales volumes, product mix stood at favorable levels, with an 85% share of finished products (Low Pressure Finishing – BP; *Finish Foil* – FF; and Lacca), against 23% of the remaining manufacturers. The Lacca product, which is an exclusive Eucatex product, launched in May 2007, found great acceptance in the furniture market. As for the BP product, the installation of a new production line with a 9 million m<sup>2</sup>/year capacity enabled the Company to increase the product's supply, serving a greater number of clients and allowing for an even more optimistic sales forecast for next year.



2007 produced volume base

<b>Sales Mix</b>	<b>MDP</b>	<b>Floor</b>	<b>Hardboard</b>	<b>Total</b>
Raw	15%	0%	49%	<b>26%</b>
Coated	85%	100%	51%	<b>74%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

### Cost of Goods Sold

In the 4Q07, the Company recorded a significant profitability increase compared to the 4Q06, as Net Revenue grew 8.3% in the period, and Cost of Goods Sold (COGS) increased 0.2%. The important investments recently made by the Company allowed for scale gains from higher production levels and regular efforts to improve production process, resulting in higher quality indicators and lower fixed costs.

COGS in the 4Q07 reached R\$ 110.6 million, totaling R\$ 425.9 million in 2007, a 5.0% growth compared to the previous year.

<b>Costs Composition</b>	<b>MDP</b>			<b>Hardboard</b>			<b>Paint</b>		
	<b>2007</b>	<b>2006</b>	<b>Var.(b.p.)</b>	<b>2007</b>	<b>2006</b>	<b>Var.(b.p.)</b>	<b>2007</b>	<b>2006</b>	<b>Var.(b.p.)</b>
Wood	20%	17%	+ 3 p.p.	19%	19%	-	-	-	-
Raw Material	38%	37%	+ 1 p.p.	31%	31%	-	93%	92%	+ 1 p.p.
Resin	16%	16%	-	-	-	-	-	-	-
Labor force	6%	7%	- 1 p.p.	15%	14%	+ 1 p.p.	4%	4%	-
Eletrci Energy	6%	6%	-	9%	8%	- 1 p.p.	1%	1%	-
Thermo Energy	2%	2%	-	10%	10%	-	0%	0%	-
Depreciation	12%	15%	- 3 p.p.	16%	18%	- 2 p.p.	2%	3%	- 1 p.p.
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>-</b>	<b>100%</b>	<b>100%</b>	<b>-</b>	<b>100%</b>	<b>100%</b>	<b>-</b>

### Gross Income and Gross Margin

Driven by the above factors, gross income was R\$53.8 million in the 4Q07, up by 30% over the 4Q06. Gross margin expanded by 5.4 p.p., from 27.3% in the 4Q06 to 32.7% in the 4Q07.

Gross income in 2007 amounted to R\$197.6 million, up 20.2% on 2006, with gross margin in the period of 31.7%, a 2.9 percentage point growth.

Moving forward in its strategy to focus on higher value-added products, Eucatex installed two MDP finishing lines: one low-pressure laminate (LPL) line and one high-gloss finish foil (FF) line.

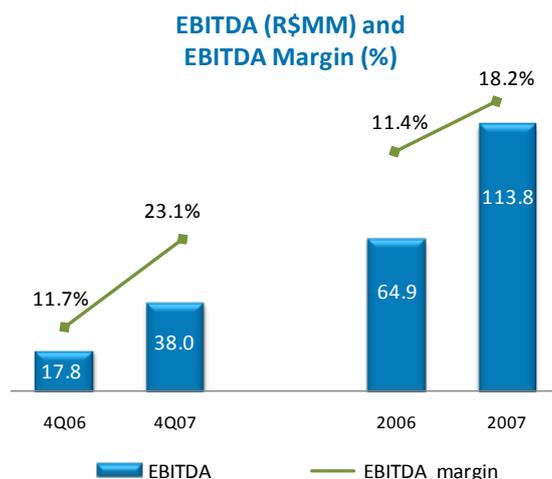
## Operating Expenses

Operating Expenses Distribution (R\$ MM)	4Q07	4Q06	Var. (%)	2007	2006	Var. (%)
Sales	(22.64)	(22.24)	1.8%	(85.44)	(85.59)	-0.2%
General and Administration	(10.21)	(12.06)	-15.4%	(40.21)	(45.59)	-11.8%
Others Operating Revenues and Expenses	5.25	(4.07)	-229.1%	(1.26)	(23.75)	-94.7%
<b>Total Operating Expenses</b>	<b>(27.60)</b>	<b>(38.37)</b>	<b>-28.1%</b>	<b>(126.91)</b>	<b>(154.93)</b>	<b>-18.1%</b>
<b>% Net Income</b>	<b>-16.8%</b>	<b>-25.3%</b>	<b>-8,5 p.p.</b>	<b>-20.4%</b>	<b>-27.2%</b>	<b>-6,8 p.p.</b>

Adjustments to the company's organizational structure and significant reductions in expenses from the recovery process, in "losses and cost deviations" and severance pays strongly impacted operating expenses, which totaled R\$ 27.6 million in the 4Q07, or 16.8% of net revenue (an improvement of 8.5 p.p. compared to 4Q06). In 2007, sales growth outpaced the expense increase, with these expenses as a percentage of net revenue declining from 27.2% to 20.4%.

## EBITDA and EBITDA Margin

EBITDA Reconciliation (R\$ MM)	4Q07	4Q06	Var. (%)	2007	2006	Var. (%)
Net income (Loss)	26.7	87.2	-69.4%	68.8	28.0	145.8%
Deferred Income and Social Distribution Taxes	0.2	-	n.m.	0.2	-	n.m.
Non Operational Results	(0.0)	(97.4)	-100%	0.0	(97.4)	-100.0%
Net Financial Income	(0.6)	13.3	n.m.	1.6	78.8	-98.0%
Depreciation and Amortization	11.7	14.7	-20.4%	43.1	55.5	-22.3%
<b>EBITDA</b>	<b>38.0</b>	<b>17.8</b>	<b>113.2%</b>	<b>113.8</b>	<b>64.9</b>	<b>75.3%</b>
<b>EBITDA Margin</b>	<b>23.1%</b>	<b>11.7%</b>	<b>+11,4 p.p.</b>	<b>18.2%</b>	<b>11.4%</b>	<b>+6,8 p.p.</b>



Eucatex posted yet another quarter of growing operating results, with EBITDA of R\$38 million in the 4Q07 and R\$113.8 million in 2007. This positive trend was driven by better operational management and more favorable scenarios in the markets in which the Company operates - civil construction and furniture industry. EBITDA margin expanded from 11.7% in the 4Q06 to 23.1% in the 4Q07, a significant improvement of 11.4 percentage points.



### Net Income

As a result, net income stood at R\$26.7 million in the 4Q07, versus a Net Income of R\$87.2 million in the 4Q06. Net income in the 4Q06 was influenced by the partial booking of Eucatex's debt, due to the approval of the Recovery Plan, which occurred through the payment in kind of lands and forests that were registered at their historical value, which was well below their real market value. In 2007, Net Income totaled R\$ 68.8 million, against R\$ 28.0 million recorded in 2006, an approximate 146% growth.

### Indebtedness

Debt (R\$ MM)	4Q07	4Q06	Var. (%)
Short Term Debt	20.1	32.7	-38.6%
Long Term Debt	68.3	82.0	-16.7%
<b>Gross Debt</b>	<b>88.4</b>	<b>114.7</b>	<b>-23.0%</b>
Cash and Cash Equivalents	11.0	15.3	-28.4%
<b>Net Debt</b>	<b>77.4</b>	<b>99.4</b>	<b>-22.1%</b>
% Short Term Debt	23%	29%	-6 p.p.
Net Cash (Debt)/EBITDA	0.7	1.5	-55.6%

The approved recovery plan foresees a reduction of 40% in the Company's long-term debt, provided that all amortizations payments are made on schedule, and stipulates the payment in 28 quarterly installments, after a grace period of the principal and three-year interest.

### CAPEX

CAPEX (R\$ MM)	4Q07	4Q06	Var. (%)	2007	2006	Var. (%)
Investments on sustainability, operational improvements, new forests implementation and others	26.6	16.3	63.2%	112.8	87.1	29.5%

Important investments in this period included:

- » Acquisition of two new MDP finishing lines: one Low Pressure Finishing – BP line, with a 10 million m<sup>2</sup>/year production capacity, and a High-Gloss Finish Foil (FF) line.
- » The planting of 5,400 hectares of new forests, which ensures the supply of the current plants and a substantial surplus sufficient for implementing a new panel production line.
- » Conclusion of the wood recycling project.



### **Recycling Wood Project**

Eucatex concluded in 2007 a bold project, and installed the first recycled wood line for industrial use in Brazil. The project is a pioneering advance in preserving the company's forests and in environmental conservation, and guarantees the production of an important input at a low cost.

Recycling produces inputs used for both thermal energy generation and the production process. Today, Eucatex enjoys hundreds of partnerships with companies and municipal governments, which now properly dispose of their waste materials.

The Company has the monthly capacity to process 20,000 tonnes of waste materials (pallets, wood panels, boxes, tree branches etc.), which are recycled in own facilities, with advanced equipment for extracting paper, plastic, metal and non-ferrous materials.

### **Real Estate Project in Salto (SP)**

In November 2007, Eucatex Agro Florestal Ltda, an Eucatex Group company, signed an agreement with companies CIPASA Desenvolvimento Urbano S.A., Scopel Desenvolvimento Ltda. and Prata Empreendimentos Imobiliários e Construção Civil Salto S.A., for the development of an allotment in its farm located in the city of Salto, in the State of São Paulo.

The project involves an area of 2 million square meters, where residential and commercial allotments will be developed, with potential sales value (PSV) estimated at approximately R\$200 million, and should be realized within 8 years. The area to be allotted is located in the center of the municipality of Salto, and has 2,500 meters facing the Santos-Dumont Highway, which connects the city of Sorocaba with Campinas, and 1,500 meters facing one of the main avenues in the city.

### **New T-HDF (Thin-High Density Fiberboard) Line**

Eucatex confirmed the request for installation in Salto (SP) Unit of a Thin-High Density Fiberboard (T-HDF) production line in the total amount of R\$ 130 million, 80% of which drawing on own funds, and the remainder to be financed. This is the first line in Brazil that specializes in the production of this type of hardboard, a product similar to MDF, with superior quality and density. Hardboards are used in the furniture industry and flooring, partitions and doors. Since the new unit will be implemented in a pre-existing operation, with ready infrastructure, the startup chronogram is quite short, and the line should be operational by the end of the first half of 2009. The installed capacity is 110 million m<sup>2</sup>/year, corresponding to additional revenues of R\$ 250 million/year and EBITDA of R\$ 90 million/year.

### **Capital Market**

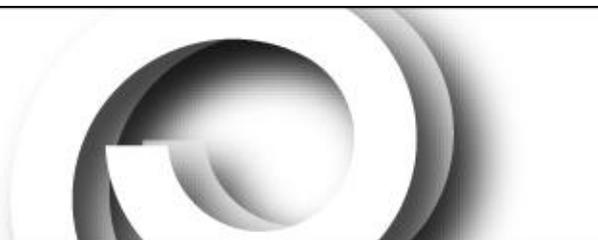
Eucatex PN shares (EUCA4) listed on the São Paulo Stock Exchange (BOVESPA) were traded at R\$ 8.99 in the end of the 4Q07, and appreciated by 199.7% in relation to January 2, 2007.



## About Eucatex

Eucatex S.A. (Bovespa: EUCA3 and EUCA4) is one of Brazil's largest manufacturers of flooring, partitions, ceilings, roof tiles, MDP, hardboard, agricultural substrate, mineral products, paints and varnishes. In 2007, Eucatex completed 56 years of operations. With 2,318 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 strong growth. For more information please visit the website [www.eucatex.com.br/ir](http://www.eucatex.com.br/ir).

*This release contains forward-looking statements relating to the prospects of the business, estimates for operating and financial results, and those related to 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 depend, substantially, 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 Statements

Income Statement (R\$ MM)	4Q07	4Q06	Var %	2007	2006	Var %
<b>Gross Revenue</b>	<b>202.7</b>	<b>183.5</b>	<b>10.5%</b>	<b>765.0</b>	<b>690.2</b>	<b>10.8%</b>
Sales taxes and Deductions	(38.3)	(31.7)	-20.7%	(141.5)	(120.1)	-17.8%
<b>Net Revenues</b>	<b>164.44</b>	<b>151.80</b>	<b>8.3%</b>	<b>623.52</b>	<b>570.05</b>	<b>9.4%</b>
Cost of Goods Sold	(110.6)	(110.3)	0.2%	(425.9)	(405.7)	5.0%
<b>Gross Profit</b>	<b>53.8</b>	<b>41.5</b>	<b>29.9%</b>	<b>197.6</b>	<b>164.3</b>	<b>20.2%</b>
<b>Operating Expenses</b>						
Sales	(22.6)	(22.2)	1.8%	(85.4)	(85.6)	-0.2%
General and Administration	(10.2)	(12.1)	-15.4%	(40.2)	(45.6)	-11.8%
Other Operational Costs	5.3	(4.1)	-229.1%	(1.3)	(23.8)	-94.7%
<b>Operational (loss) Income</b>	<b>(27.6)</b>	<b>(38.4)</b>	<b>-28.1%</b>	<b>(126.9)</b>	<b>(154.9)</b>	<b>-18.1%</b>
<b>Operational Result</b>	<b>26.2</b>	<b>3.1</b>	<b>749.4%</b>	<b>70.7</b>	<b>9.4</b>	<b>651.1%</b>
Financial (Expense) Income	0.6	(13.3)	-104.7%	(1.6)	(78.8)	-98.0%
Non Operating Income	0.0	97.4	-100.0%	(0.0)	97.4	-100.0%
Taxes	(0.2)	-	n.m.	(0.2)	-	n.m.
<b>Net (Loss) Income</b>	<b>26.7</b>	<b>87.2</b>	<b>-69.4%</b>	<b>68.8</b>	<b>28.0</b>	<b>145.8%</b>
<b>Net Margin</b>	<b>16.2%</b>	<b>57.5%</b>		<b>11.0%</b>	<b>4.9%</b>	<b>+ 6.1 p.p.</b>



## Balance Sheet

Balance Sheet (R\$ MM)	4Q07	4Q06	Var. (%)
<b>ASSETS</b>			
Cash and Cash Equivalents	11.0	15.3	-28.4%
Financial Investments	113.2	108.7	4.1%
Inventory	69.0	67.8	1.9%
Others	16.2	51.7	-68.6%
<b>Non- Current Assets</b>	<b>209.4</b>	<b>243.5</b>	<b>-14.0%</b>
<b>Long- Term Assets</b>	<b>33.1</b>	<b>32.8</b>	<b>0.9%</b>
Investments	0.9	0.9	0.0%
Property, Plant and Equipment	777.6	707.5	9.9%
Deferred Income	5.9	8.1	-27.2%
<b>Permanent Assets</b>	<b>784.4</b>	<b>716.5</b>	<b>9.5%</b>
<b>Total Assets</b>	<b>1,026.9</b>	<b>992.8</b>	<b>3.4%</b>
<b>LIABILITIES</b>			
Loans and Financing	20.1	32.7	-38.6%
Convertible Debt	-	0.2	-100.0%
Accounts Payable to Suppliers	36.4	77.6	-53.1%
Tax, Accrued Expenses and Payroll	15.6	5.9	163.1%
Salaries	13.8	13.8	0.3%
Provision for Contingencies and Others	14.0	15.8	-11.5%
<b>Current Liabilities</b>	<b>99.9</b>	<b>146.0</b>	<b>-31.6%</b>
Other Loans and Financing	68.3	82.0	-16.7%
Income Payable	300.2	333.8	-10.1%
Debt Amortization (PAEX)	83.3	24.2	243.9%
<b>Non- Current Liabilities</b>	<b>451.8</b>	<b>440.0</b>	<b>2.7%</b>
Capital	487.4	487.4	0.0%
Capital Reserve	288.7	290.9	-0.8%
Accumulated Losses	(301.0)	(371.8)	-19.0%
<b>Shareholder's Equity</b>	<b>475.0</b>	<b>406.5</b>	<b>16.9%</b>
<b>Non Controlling Stockholders</b>	<b>0.3</b>	<b>0.3</b>	<b>0.0%</b>
<b>Total Liabilities</b>	<b>1,026.9</b>	<b>992.8</b>	<b>3.4%</b>