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Conference call

(Portuguese only)

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Dial-in

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Webcast

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

3Q16 Earnings Release

São Paulo, November 9, 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, wall partitions and doors segments, announces today its results for the third quarter of 2016 (3Q16). 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

3Q16

Net Revenue of R\$ 304.3 million (-2.2%)

Recurring EBITDA of R\$ 47.6 million (-10.6%), with margin of 15.7%

Recurring Net Income of R\$ 8.8 million (+268.7%)

Exports increased 36.3% in Volume and 12.6% in Net Revenue

9M16

Net Revenue of R\$ 859.9 million (+0.7%)

Recurring EBITDA of R\$ 139.1 million (-7.8%), with margin of 16.2%

Recurring Net Income of R\$ 39.5 million (+127.8%)

Exports increased 38.9% in Volume and 24.6% in Net Revenue

Amounts in R\$ million	3Q16	3Q15	Var. (%)	9M16	9M15	Var. (%)
Net Revenue	304.3	311.0	-2.2%	859.9	853.8	0.7%
Gross Income	83.4	94.3	-11.6%	237.6	257.2	-7.6%
Gross Margin (%)	27.4%	30.3%	-2.9 p.p.	27.6%	30.1%	-2.5 p.p.
EBITDA adjusted by non-cash events	43.1	51.1	-15.7%	122.1	143.3	-14.8%
EBITDA Margin (%)	14.2%	16.4%	-2.2 p.p.	14.2%	16.8%	-2.6 p.p.
Net Income	4.2	0.2	2485.7%	22.5	9.8	128.8%
Recurring Net Income	8.8	2.4	268.7%	39.5	17.3	127.8%
Net Debt	338.6	367.9	-8.0%	338.6	367.9	-8.0%
Net Debt / EBITDA (LTM)	1.8	1.7	3.0%	1.8	1.7	5.8%
Recurring Adjusted EBITDA	47.6	53.3	-10.6%	139.1	150.8	-7.8%
Recurring Adjusted EBITDA Margin (%)	15.7%	17.1%	-1.4 p.p.	16.2%	17.7%	-1.5 p.p.



Management Comments

Albeit slowly, economic activity is recovering. The manufacturing industry registered production expansion of 0.5% in September, and expectations are positive for the last quarter of the year. Nevertheless, unemployment is still on the rise, at 11.8%, without any outlook of improvement in the medium-term, with an impact on the wage bill, which fell 3.8%.

Meanwhile, industry and consumer confidence levels continued to recover, the former more slowly and the latter more substantially among the middle-income class. In spite of the recovery, household consumption is still short of the pre-crisis period, despite the declining trend of indebtedness. Inflation continued to slowdown and the Selic basic interest rate was reduced by 0.25 p.p. to 14.0%.

The furniture and construction industries, the Company's main operating segments, showed some recovery in recent months though not enough to reverse the indicators since the start of the year. Despite the improvement in relation to previous quarters, indicators in these sectors closed the first nine months of the year below the levels of last year. One example is the Brazilian Construction Materials Industry Association (ABRAMAT) index, which dropped by 11.3%, compared to drops of 17.3% and 14.3% in 1Q16 and 2Q16, respectively, and is expected to close the year down 10%.

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 9M16: 15% share of revenues and 24.6% growth in revenue compared to 9M15. This growth has enabled the Company to maintain its operations at levels close to those in the same period last year. 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, declined by 11.2% in 3Q16 compared to the same period last year, impacted by lower domestic sales. According to the Brazilian Tree Industry (IBA), the domestic panels market grew by 1.1% in the period, driven by higher volumes of MDP (+12.5%) and lower volumes of MDF (-4.7%) and Fiberboard (-5.2%).

In this Segment, the highlights were the Company's exports, which are consistent with its strategy. Volume increased 36.3%, while Net Revenue increased 12.6% in the quarterly comparison. The result was supported by higher sales of T-HDF/MDF (+289.5%) and MDP (+175.6%), 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. According to IBA,



the sector increased its exports by 78.8% in 3Q16 compared to 3Q15. The substantial growth in exports – which amounted to 272,000 m³ in 3Q16 – helps regulate domestic supply.

The Company's Paint sales fell 1.3% in 3Q16 compared to 3Q15, while the Paints market contracted by 7.8%, according to the Brazilian Paint Manufacturers Association (ABRAFATI).

Operating Performance
base 100 - 2005

Physical Sales	3Q16	3Q15	Var. (%)	9M16	9M15	Var. (%)
Wood Panels (DM)	157	188	-16.6%	145	155	-6.7%
Wood Panels (EM)	140	102	36.3%	213	154	38.9%
Paints	365	369	-1.3%	358	377	-5.0%

DM - Domestic Market / EM - Export Market

Net revenue

Net Revenue Breakdown (R\$ million)	3Q16	3Q15	Var. (%)	9M16	9M15	Var. (%)
Wood Segment	208.7	227.6	-8.3%	621.1	641.8	-3.2%
Paint Segment	73.6	70.0	5.3%	191.6	188.0	1.9%
Other	21.9	13.5	62.2%	47.3	24.0	97.1%
Net Revenue	304.3	311.0	-2.2%	859.9	853.8	0.7%

Net revenue totaled R\$304.3 million, down 2.2% from R\$311.0 million in 3Q15. 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.

Export Revenue increased 12.6% in 3Q16, reflecting the continued growth of this market. The Paint Segment registered Net Revenue growth of 5.3%, driven by higher prices (+6.6%) in 3Q16 compared to 3Q15.

Cost of Goods Sold (COGS)

In 3Q16, costs were less pressured, due to the negative exchange variation, which helped reduce prices of dollar-denominated inputs, although prices for key inputs are still higher than in the previous year. Additionally, the higher electricity bill also impacted COGS, which decreased 1.9% in the quarter.



Gross Income and Gross Margin

Gross income reached R\$83.4 million in 3Q16, compared to R\$94.3 million in 3Q15, down 11.6%. Gross Margin in the quarter reached 27.4%, down 2.9 p.p. compared to 3Q15.

Operating Expenses

Breakdown of Expenses (R\$ million)	3Q16	3Q15	Var. (%)	9M16	9M15	Var. (%)
General and Administrative	(14.7)	(13.5)	9.5%	(43.4)	(41.7)	4.0%
Selling	(40.9)	(44.1)	-7.3%	(125.9)	(124.7)	1.0%
Total Operating Expenses	(55.6)	(57.6)	-3.4%	(169.3)	(166.4)	1.7%
% Net Revenue	-18.3%	-18.5%	-0.2 p.p.	-19.7%	-19.5%	0.2 p.p.
Other Operating Income and Expenses	0.3	0.0	4172.8%	(0.4)	0.8	-157.7%

Administrative expenses increased 9.5% in 3Q16 compared to the same period a year earlier, reflecting wage increases under collective bargaining agreements and a one-off increase in expenses with legal advisory compared to last year.

Selling expenses decreased by 7.3% in 3Q16 compared to 3Q15, reflecting the Company's efforts to control fixed selling expenses. The same impact was also observed for operating expenses, which fell 3.4% from the year-ago period.

EBITDA and EBITDA Margin

As a result of the above, recurring EBITDA amounted to R\$47.6 million, down 10.6% from 3Q15. Recurring EBITDA margin reached 15.7%, compared to 17.1% in the same period last year.



EBITDA Reconciliation (R\$ million)	3Q16	3Q15	Var. (%)	9M16	9M15	Var. (%)
Net Income	4.2	0.2	2485.7%	22.5	9.8	128.8%
Income and Social Contribution Taxes	0.4	(18.7)	102.1%	3.5	(23.6)	-114.7%
Net Financial Income (Loss)	18.8	53.1	-64.5%	25.0	97.8	-74.5%
EBIT	23.4	34.5	-32.2%	50.9	84.0	-39.4%
Depreciation and Amortization	26.8	32.5	-17.4%	92.7	94.8	-2.2%
EBITDA under CVM instr. 527/12	50.2	67.0	-25.0%	143.6	178.8	-19.7%
EBITDA Margin	16.5%	21.5%	-5 p.p.	16.7%	20.9%	-4.2 p.p.
Non-cash adjustments						
Fair value variation in biological assets	(7.2)	(15.9)	-54.9%	(21.5)	(35.5)	-39.3%
EBITDA adjusted by non-cash events	43.1	51.1	-15.7%	122.1	143.3	-14.8%
Non-recurring events ⁽¹⁾	4.6	2.2	106.6%	17.0	7.5	126.4%
Recurring adjusted EBITDA	47.6	53.3	-10.6%	139.1	150.8	-7.8%
Adjusted recurring EBITDA Margin	15.7%	17.1%	-1.4 p.p.	16.2%	17.7%	-1.5 p.p.

Recurring Net Income

Recurring net income in 3Q16 totaled R\$ 8.8 million, growing 268.7% from 3Q15.

Debt

The Company's net debt at the end of 3Q16 was R\$338.6 million and was equivalent to 1.8 times its annualized recurring EBITDA, decreasing by R\$29.3 million from the close of 3Q15, although R\$ 4.6 million higher than at the close of 2015.



Debt (R\$ Million)	9M16	2015	Var. (%)	9M15	Var. (%)
Short Term Debt	227.8	210.6	8.2%	211.1	7.9%
Long Term Debt	135.0	140.9	-4.2%	175.7	-23.2%
Gross Debt	362.8	351.5	3.2%	386.8	-6.2%
Cash and Cash Equivalents	24.3	17.6	38.0%	18.9	28.4%
Net Debt	338.6	333.9	1.4%	367.9	-8.0%
% Short Term Debt	63%	60%	3 p.p.	55%	8 p.p.
Net Debt/EBITDA	1.8	1.7	7.6%	1.7	5.8%

Capex

Capex totaled R\$22.1 million in 3Q16 and R\$68.0 million in 9M16, 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 3Q16 quoted at R\$3.21. Eucatex's market capitalization at the end of the period stood at R\$297.3 million, around 25% 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 2,432 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 3Q16, the Eucatex Group did not engage BDO RCS Auditores Independentes for services other than audit.



Income Statement

Income Statement (R\$ million)	3Q16	3Q15	Var. (%)	9M16	9M15	Var. (%)
Gross Revenue	366.1	377.1	-2.9%	1,029.1	1,036.1	-0.7%
Sales taxes and Deductions	(61.8)	(69.0)	-10.5%	(169.2)	(185.3)	-8.7%
Net Revenue	304.3	311.0	-2.2%	859.9	853.8	0.7%
Fair value variation in biological assets	7.2	15.9	-54.9%	21.5	35.5	-39.3%
Cost of Goods Sold	(228.1)	(232.6)	-1.9%	(643.8)	(632.2)	1.8%
Gross Income	83.4	94.3	-11.6%	237.6	257.2	-7.6%
% Gross Margin	27.4%	30.3%	-2.9 p.p.	27.6%	30.1%	-2.5 p.p.
Selling Expenses	(40.9)	(44.1)	-7.3%	(125.9)	(124.7)	1.0%
General and Administrative Expenses	(12.7)	(11.1)	14.0%	(36.8)	(34.9)	5.4%
Management Compensation	(2.0)	(2.3)	-12.0%	(6.6)	(6.8)	-3.2%
Other Operating Income / (Expenses)	0.3	0.0	4172.8%	(0.4)	0.8	157.7%
Operating Income (Expenses)	(55.4)	(57.6)	-3.8%	(169.7)	(165.6)	2.5%
Net Income before Financial Result	28.0	36.7	-23.8%	67.9	91.5	-25.8%
Financial Income (Expense)	(18.8)	(53.1)	64.5%	(25.0)	(97.8)	74.5%
Non-recurring Income (Expense)	(4.6)	(2.2)	-106.6%	(17.0)	(7.5)	-126.4%
Net Income after Financial Result	4.6	(18.6)	124.7%	25.9	(13.8)	287.8%
Provision for Income and Soc. Contr. Taxes	(0.4)	18.7	102.1%	(3.5)	23.6	114.7%
Net Income (Loss) before Non-Controlling Interest	4.2	0.2	2523.3%	22.5	9.8	129.0%
Non-controlling interest	(0.0)	0.0	235.8%	0.0	0.0	69.6%
Net income in the year	4.2	0.2	2485.7%	22.5	9.8	128.8%
Net Margin	1.4%	0.1%	1.4 p.p.	2.6%	1.1%	1.5 p.p.



Balance Sheet

Balance Sheet (R\$ '000)	9M16	2015	Var. (%)
ASSETS			
Current Assets			
Cash and Cash Equivalents	11.6	3.9	196.2%
Marketable Securities	12.7	13.7	-7.2%
Trade Accounts Receivable	233.0	212.6	9.6%
Inventories	196.1	215.5	-9.0%
Taxes Recoverable	22.7	15.7	44.7%
Prepaid Expenses	1.4	1.9	-29.3%
Other receivables	2.8	3.8	-27.0%
Total Current Assets	480.3	467.2	2.8%
Non-Current Assets			
Long-Term Assets			
Trade Accounts Receivable	23.7	25.6	-7.2%
Taxes Recoverable	2.5	3.4	-27.7%
Deferred income and soc. contr. taxes	44.2	38.5	15.0%
Goods held for sale	0.5	0.5	-3.0%
Investment properties	25.4	25.1	0.9%
Judicial Deposits	13.8	14.4	-4.6%
Other receivables	14.2	15.5	-8.4%
Total Long-Term Assets	124.2	123.0	1.0%
Permanent Assets			
Investments	-	-	0.0%
Biological Assets	393.5	383.8	2.5%
Fixed Assets	1,031.3	1,044.1	-1.2%
Intangible Assets	0.3	0.3	-4.5%
Total Permanent Assets	1,425.0	1,428.2	-3.2%
Total Non-Current Assets	1,549.2	1,551.2	-0.1%
Total Assets	2,029.5	2,018.4	0.5%
LIABILITIES			
Current liabilities			
Trade Accounts Payable	131.0	150.2	-12.8%
Loans and Financing	201.6	185.4	8.7%
Labor Liabilities	36.6	31.7	15.5%
Tax Liabilities	10.7	12.0	-10.2%
Tax Installments	29.0	44.4	-34.7%
Advances from Clients	12.0	10.2	18.3%
Dividends and interest on equity payable	61.1	61.1	0.0%
Unrealized profits	7.6	11.8	-35.6%
Debentures payable	26.2	25.2	4.2%
Accounts Payable	20.6	20.0	2.7%
Total Current Liabilities	536.5	552.0	-2.8%
Non-Current Liabilities			
Loans and Financing	135.0	128.7	4.9%
Tax Installments	41.8	38.4	9.0%
Deferred Income and Soc. Contr. Taxes	92.7	88.3	4.9%
Provision for Contingencies	27.2	25.5	6.9%
Debentures payable	-	12.2	-100.0%
Total Long-Term Liabilities	296.8	293.1	1.3%
Shareholder's Equity			
Capital	488.2	488.2	0.0%
Revaluation Reserves	201.9	202.1	-0.1%
Profit Reserve	419.0	394.1	6.3%
Asset Valuation Adjustment	87.9	90.2	-2.6%
Other Comprehensive Income	2.1	1.7	22.6%
Treasury Stock	(2.9)	(2.9)	0.0%
Total Shareholder's Equity	1,196.2	1,173.3	1.9%
Non-controlling interest	0.0	0.0	36.2%
Total Shareholder's Equity & Non-controlling Interest	1,196.2	1,173.4	1.9%
Total Liabilities and Shareholder's Equity	2,029.5	2,018.4	0.5%



Cash Flow Statement

Cash Flow (R\$ 000)	9M16	9M15
Net Income before Income and Social Contribution Taxes	25.9	(13.8)
Adjustments to Reconcile Net Income and Operating Cash Flow		
Depreciation and Amortizations	48.6	46.3
Exhaustion of biological assets	44.1	48.5
Residual Value of Fixed Assets Sold	0.1	0.0
Write-off of investments	(0.2)	1.0
Fair value variation in biological assets	(21.5)	(35.5)
Interest, Monetary and Exchange Variations, net	(3.9)	102.0
Provision for inventory losses	-	0.0
Income and social contribution taxes in the period	(4.5)	(8.3)
Provision (reversal) for liabilities and others	8.0	11.4
Changes in operating assets and liabilities		
Trade accounts receivable	(20.1)	(22.2)
Receivables from related parties	-	(0.0)
Inventories	19.4	(43.7)
Recoverable taxes	(5.9)	4.3
Deferred expenses	0.6	0.0
Judicial deposits	0.7	(2.4)
Other receivables	2.3	(1.9)
Trade accounts payable	(19.2)	14.0
Labor and Tax Liabilities	(1.2)	0.9
Tax Installments	(20.3)	(21.1)
Advances from Clients	1.9	4.7
Accounts payable	(4.0)	0.8
Net Cash Flow from Operating Activities	50.8	85.2
Cash Flow from Investing Activities		
Marketable Securities	1.0	2.3
Capital reduction on subsidiaries	0.4	1.1
Addition to fixed assets	(35.7)	(35.1)
Addition to biological assets	(32.3)	(32.9)
Net Cash Flow from Investing Activities	(66.6)	(64.5)
Cash Flow from Financing Activities		
Amortization of loans and debentures	(129.9)	(109.1)
Loans	164.5	98.7
New/Amortization of Debentures	(11.2)	(10.1)
Net Cash Flow from Financing Activities	23.5	(20.5)
Increase (Reduction) in Net Cash and Cash Equivalents	7.7	0.1
Cash and Cash Equivalents		
Beginning of period	3.9	7.5
End of period	11.6	7.6
Additional information:		
Income and social contribution taxes paid	-	-