



eucatex

4Q14 Earnings Release

São Paulo, March 4, 2015 - 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 fourth quarter of 2014 (4Q14)." 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.

INVESTOR RELATIONS

José Antonio Goulart de Carvalho
Executive VP and IRO

Waneska Bandeira
Investor Relations

Telephone: +55 11 3049-2473
ri@eucatex.com.br
www.eucatex.com.br/ri

**Conference Call in Portuguese
with Simultaneous Translation**

March 5, 2015

11:30 a.m. (Brasília) / 9:30 a.m. (US ET)

Telephones

+55 11 3193-1001

+55 11 3193-1012 (Replay) - 3052892#

Webcast

www.eucatex.com.br/ri

Simultaneous Translation into English

Telephones

+1 (786) 924-6977

+55 11 3193-1012 (Replay) - 6858335#

Webcast

www.eucatex.com.br/ri

Highlights of the quarter

- » **Net revenue of R\$299.6 million (+2.2%)**
- » **Recurring EBITDA of R\$60.5 million (+6.6%), with margin of 20.2%**
- » **Recurring net income of R\$ 15.3 million (-37.7%)**

Amounts in R\$ million	4Q14	4Q13	Var. (%)	2014	2013	Var. (%)
Net Revenue	299.6	293.1	2.2%	1,114.7	1,118.3	-0.3%
Gross Income	95.6	102.2	-6.4%	342.8	378.1	-9.3%
Gross Margin (%)	31.9%	34.9%	-2.9 p.p.	30.8%	33.8%	-3.1 p.p.
EBITDA adjusted by non-cash events	49.8	40.7	22.5%	185.7	227.5	-18.4%
EBITDA Margin (%)	16.6%	13.9%	2.8 p.p.	16.7%	20.3%	-3.7 p.p.
Net Income	4.7	8.5	-45.0%	27.4	88.9	-69.2%
Recurring Net Income	15.3	24.6	-37.7%	47.4	91.1	-47.9%
Net Debt	293.0	283.1	3.5%	293.0	283.1	3.5%
Net Debt / EBITDA (LTM)	1.2	1.2	-1.7%	1.4	1.2	15.6%
RECURRING Adjusted EBITDA	60.5	56.7	6.6%	205.8	229.7	-10.4%
Recurring Adjusted EBITDA Margin (%)	20.2%	19.4%	0.8 p.p.	18.5%	20.5%	-2.1 p.p.

Management Comments

The year 2014 was marked by an adverse scenario for the Company's business. The World Cup caused a drastic reduction in retail activity as a whole, indirectly affecting industrial activity. Another event that had a negative effect was the elections, which led to insecurity regarding economic and financial expectations.

The business environment was affected by inflation, which remained high throughout the year and eroded the consumption capacity of families. Other factors that brought negative effects were downturn in employment and the wage bill, as well as the decline in the consumer confidence index measured by the ICC-FGV, which reached new lows since the start of its historical series in 2005.

Operating Performance and Results

In the Company's Wood segment, domestic sales in 2014 were 1.2% lower than in 2Q13. In 4Q14, the decrease from 4Q13 was 6.0%. According to data from the Brazilian Tree Industry (IBA), the total panels market decreased 6.0% in 4Q14 in relation to 4Q13, while the full year decrease was 2.2%.

The Wood segment's sales performance reflects the lower production levels, especially in fiberboard. Over the course of 2014, prices were reduced due to discounts granted and a weaker sales mix, especially in the first six months of the year.

Still in the Wood segment, the Company has a solid base to ramp up its exports and is making adjustments so that it can direct a part of its production to export markets.

The Company's Paint sales declined 1.0% in 2014, compared to the market contraction of 1.6%, according to data from the Brazilian Paint Manufacturers Association (ABRAFATI).

According to the Brazilian construction materials industry association (ABRAMAT), the Construction Materials market contracted 6.6% in 2014, reflecting the difficult times faced by the sector.

Operating Performance
2005 - 100 base

Sales Volume	4Q14	4Q13	Var. (%)	2014	2013	Var. (%)
Panels (DM)	143	152	-6.0%	161	163	-1.2%
Panels (EM)	80	100	-20.3%	74	78	-5.1%
Paint	344	342	0.4%	363	366	-1.0%

DM - Domestic Market / EM - Export Market

Net revenue

Net Revenue Breakdown (R\$ million)	4Q14	4Q13	Var. (%)	2014	2013	Var. (%)
Wood Segment	207.5	218.2	-4.9%	821.8	858.5	-4.3%
Paint Segment	71.4	65.7	8.6%	251.1	233.7	7.4%
Other	20.7	9.2	124.1%	41.8	26.0	60.9%
Net Revenue	299.6	293.1	2.2%	1,114.7	1,118.3	-0.3%

Net revenue totaled R\$299.6 million (R\$293.1 million in 4Q13). In the Wood segment, it declined 4.9% compared to 4Q13, basically reflecting the lower sales volume compared to the year-ago period.

In the Paint segment, net revenue increased 8.6% as a result of the increase in product prices.

Cost of Goods Sold (COGS)

The 3.3% increase in COGS during the quarter is due to the increase in the prices of a few key inputs and the increase in manpower costs on account of the collective bargaining agreements at the Company's three main units. Energy and other costs basically kept pace with inflation.

Gross Income and Gross Margin

Gross income in 4Q14 was R\$95.6 million, compared to R\$102.2 million in 4Q13. In the full year 2014, gross income was R\$342.8 million, compared to R\$378.1 million in 2013. Gross margin in 4Q14 stood at 31.9%, down 2.9 p.p. from 4Q13, whereas the full-year figure was 30.8% (-3.1 p.p.). Both in 4Q14 and the full year, the gross margin decrease is due to the price discounts and the increase in costs in the Wood segment.

Apart from the aforementioned aspects, the variation in the fair value of Biological Assets in 4Q14 was approximately R\$6.2 million lower compared to 4Q13, due to the stability of wood prices and the increase in real interest rate, one of the main indexes used to calculate this variation. If the variation had remained at the same level as in 4Q13, gross margin would be 33.9%, 2 p.p. higher than the gross margin recorded.

Operating Expenses

Breakdown of Expenses (R\$ million)	4Q14	4Q13	Var. (%)	2014	2013	Var. (%)
Selling	(41.8)	(41.3)	1.2%	(157.1)	(154.6)	1.6%
General and Administrative	(14.3)	(14.6)	-2.1%	(54.1)	(52.8)	2.6%
Total Operating Expenses	(56.1)	(55.9)	0.3%	(211.3)	(207.4)	1.8%
% Net Revenue	-18.7%	-19.1%	-0.3 p.p.	-19.0%	-18.5%	0.4 p.p.
Other Operating Income and Expenses	(1.7)	(3.5)	51.8%	(7.8)	(8.6)	-9.3%

4Q14 Earnings Release

Operating expenses in 4Q14 remained virtually stable (+0.3%) compared to 4Q13, and so was their proportion to net revenue.

EBITDA and EBITDA Margin

As a result of the above, recurring EBITDA totaled R\$60.5 million, up 6.6% from 4Q13. Recurring EBITDA margin reached 20.2%, higher than 19.4% in the same period the previous year. In 2014, recurring EBITDA totaled R\$205.8 million, down 10.4% from 2013, and recurring EBITDA margin was 18.5%, down 2.1 p.p.

EBITDA Reconciliation (R\$ million)	4Q14	4Q13	Var. (%)	2014	2013	Var. (%)
Net Income	4.7	8.5	-45.0%	27.4	88.9	-69.2%
Income and Social Contribution Taxes	2.4	2.1	11.6%	14.9	13.4	10.7%
Net Financial Income (Loss)	20.1	16.0	25.3%	61.4	42.9	43.3%
EBIT	27.2	26.7	1.7%	103.7	145.2	-28.6%
Depreciation and Amortization	32.7	30.1	8.6%	125.3	116.9	7.2%
EBITDA under CVM instr. 527/12	59.9	56.9	5.4%	229.0	262.0	-12.6%
EBITDA Margin	20.0%	19.4%	0.6 p.p.	20.5%	23.4%	-2.9 p.p.
Non-cash adjustments						
Fair value variation in biological assets	(10.1)	(16.2)	-37.6%	(43.3)	(49.1)	-11.9%
EBITDA adjusted by non-cash events	49.8	40.7	22.5%	185.7	212.9	-12.8%
Non-recurring events⁽¹⁾	10.6	16.1	-33.8%	20.1	16.9	19.0%
Recurring adjusted EBITDA	60.5	56.7	6.6%	205.8	229.7	-10.4%
Adjusted recurring EBITDA Margin	20.2%	19.4%	0.8 p.p.	18.5%	20.5%	-2.1 p.p.

(1) Non-recurring events: 4Q14 - Federal Tax Installment Program and
4Q13 - Complement of Refis IV and Terminations and labor claims.

Recurring Net Income

Recurring net income in 4Q14 was R\$ 15.3 million, down 37.7% from 4Q13. In the year, recurring net income totaled R\$47.4 million, compared to R\$91.1 million in 2013, down 47.9%.

The net income variation in 2014 compared to 2013 amounts to R\$44 million and is caused mainly by:

- the R\$38 million decrease in operating result, mainly caused by the lower gross margin arising from price reductions and cost increases in the Wood Segment, as well as the lower variation in the fair value of biological assets by approximately R\$6.0 million.

- Variation in non-recurring results: in 2013, a non-recurring revenue of R\$13.8 million was booked under this item, related to the lawsuit disputing the compulsory loans from Eletrobrás. In 2014, non-recurring expenses related labor suits and indemnifications, as well as payment in installments of federal taxes, were booked under this item; and
- Increase in financial expenses.

Debt

The Company's net debt at the end of 2014 was R\$293.0 million and was equivalent to 1.4 times its annualized Recurring EBITDA, increasing by R\$10.0 million compared to at the end of 2013.

Debt (R\$ Million)	2014	2013	Var. (%)
Short Term Debt	141.2	121.1	16.6%
Long Term Debt	172.9	182.7	-5.3%
Gross Debt	314.1	303.8	3.4%
Cash and Cash Equivalents	21.1	20.7	1.7%
Net Debt	293.0	283.1	3.5%
% Short Term Debt	45%	40%	5.1 p.p.
Net Cash (Debt)/EBITDA	1.4	1.2	15.6%
Official exchange rate (US\$)	2.6562	2.3426	13.4%
Exchange variation in the period	(13.0)		

Capex

Capex totaled R\$106.0 million in 2014 and was used in maintaining the Company's operations. . Capex in 2014 includes a few cost cutting projects, new product launches and projects to improve productivity, as follows:

- ➔ Reduction of approximately 20% in Resin Consumption at the T-HDF/MDF Line;
- ➔ 30% reduction in the cost of thermal power generation;
- ➔ Investment in the New Lacquer Line in Salto/SP, which helped to increase sales of this product by 31% and will enable the company to meet future demand; and

- Start of the project for modernizing the Export Market Products Line, which will lead to major cost reductions and increase in supply.

Sustainability

Eucatex's forest sustainability is assured by 46,100 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. 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 4Q14 at R\$3.25. Eucatex's market capitalization at the end of the period stood at R\$301.0 million, equivalent to approximately 26% of its book value.

About Eucatex

Eucatex S.A. Indústria e Comércio completes 64 years in 2015 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 four modern plants in the cities of Botucatu and Salto, located in the inland region of São Paulo state, and employs 2,423 people. Its products are exported to more than 37 countries. For further information, visit www.eucatex.com.br/ri.

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 4Q14, the Eucatex Group did not contract any services from Grant Thornton Auditores Independentes other than audit services.

Income Statement

Income Statement (R\$ million)	4Q14	4Q13	Var. (%)	2014	2013	Var. (%)
Gross Revenue	364.3	360.3	1.1%	1,363.1	1,375.1	-0.9%
Sales taxes and Deductions	(64.7)	(67.2)	-3.7%	(248.4)	(256.9)	-3.3%
Net Revenue	299.6	293.1	2.2%	1,114.7	1,118.3	-0.3%
Fair value variation in biological assets	10.1	16.2	-37.6%	43.3	49.1	-11.9%
Cost of Goods Sold	(214.1)	(207.2)	3.3%	(815.1)	(789.3)	3.3%
Gross Income	95.6	102.2	-6.4%	342.8	378.1	-9.3%
% Gross Margin	31.9%	34.9%	-2.9 p.p.	30.8%	33.8%	-3.1 p.p.
Selling Expenses	(41.8)	(41.3)	1.2%	(157.1)	(154.6)	1.6%
General and Administrative Expenses	(12.6)	(13.1)	-3.4%	(46.4)	(45.2)	2.8%
Management Compensation	(1.7)	(1.6)	8.6%	(7.7)	(7.6)	1.2%
Other Operating Income / (Expenses)	(1.7)	(3.5)	51.8%	(7.8)	(8.6)	-9.3%
Operating Income (Expenses)	(57.8)	(59.4)	-2.7%	(219.1)	(216.0)	1.4%
Net Income before Financial Result	37.8	42.8	-11.5%	123.8	162.0	-23.6%
Financial Income (Expense)	(20.1)	(16.0)	-25.3%	(61.4)	(57.5)	-6.8%
Non-recurring Income (Expense)	(10.6)	(16.1)	33.8%	(20.1)	(2.2)	-811.2%
Net Income after Financial Result	7.1	10.7	-33.6%	42.3	102.3	-58.7%
Provision for Income and Soc. Contr. Taxes	(2.4)	(2.1)	11.6%	(14.9)	(13.4)	10.7%
Net Income (Loss) before Non-Controlling Interest	4.7	8.5	-44.9%	27.4	88.8	-69.2%
Non-controlling interest	(0.0)	0.0	210.0%	0.0	0.0	95.8%
Net Income (Loss) for the Year	4.7	8.5	-45.0%	27.4	88.9	-69.2%
Net Margin	1.6%	2.9%	-1.3 p.p.	2.5%	7.9%	-5.5 p.p.

Balance Sheet

Balance Sheet (R\$ '000)	2014	2013	Var. (%)
ASSETS			
Current Assets			
Cash and Cash Equivalents	7.5	11.6	-35.7%
Marketable Securities	13.6	9.1	49.4%
Trade Accounts Receivable	239.0	234.9	1.7%
Inventories	154.1	143.2	7.6%
Taxes Recoverable	18.2	31.2	-41.7%
Prepaid Expenses	1.6	2.7	-40.1%
Other receivables	3.1	4.2	-26.0%
Total Current Assets	437.1	437.0	0.0%
Non-Current Assets			
Long-Term Assets	-	-	0.0%
Trade Accounts Receivable	21.6	9.1	135.9%
Taxes Recoverable	3.4	3.8	-12.1%
Goods held for sale	0.6	0.7	-14.2%
Investment properties	26.0	27.7	-6.2%
Judicial Deposits	11.0	8.7	26.9%
Other receivables	15.5	17.2	-9.9%
Total Long-Term Assets	78.1	67.3	16.0%
Permanent Assets			
Investments	-	-	0.0%
Biological Assets	363.4	340.0	6.9%
Fixed Assets	1,061.4	1,060.9	0.1%
Intangible Assets	0.3	0.3	-14.3%
Total Permanent Assets	1,425.1	1,401.2	-7.4%
Total Non-Current Assets	1,503.2	1,468.5	2.4%
Total Assets	1,940.3	1,905.5	1.8%
LIABILITIES			
Current liabilities			
Trade Accounts Payable	114.2	108.2	5.5%
Loans and Financing	115.8	108.2	7.0%
Labor Liabilities	30.4	30.3	0.2%
Tax Liabilities	13.5	15.4	-12.2%
Inventories	0.0	0.0	0.0%
Tax Installments	39.5	39.7	-0.5%
Advances from Clients	13.8	11.3	22.2%
Dividends and interest on equity payable	60.4	56.7	6.6%
Debentures payable	25.4	12.9	96.7%
Accounts Payable	29.8	36.8	-18.9%
Total Current Liabilities	445.2	419.5	6.1%
Non-Current Liabilities			
Loans and Financing	135.9	121.0	12.3%
Trade Accounts Payable	1.2	2.0	-41.7%
Tax Installments	56.1	67.8	-17.3%
Deferred Income and Soc. Contr. Taxes	82.1	76.9	6.9%
Provision for Contingencies	20.3	17.3	17.1%
Debentures payable	37.0	61.6	-40.0%
Total Long-Term Liabilities	332.6	346.6	-4.0%
Shareholder's Equity			
Capital	488.2	488.2	0.0%
Revaluation Reserves	205.5	208.2	-1.3%
Profit Reserve	377.4	348.7	8.2%
Asset Valuation Adjustment	93.7	97.0	-3.4%
Other Comprehensive Income	0.6	0.3	120.3%
Treasury Stock	(2.9)	(2.9)	0.0%
Total Shareholder's Equity	1,162.5	1,139.5	2.0%
Non-controlling interest	(0.0)	(0.0)	266.7%
Total Shareholder's Equity & Non-controlling Interest	1,162.5	1,139.5	2.0%
Total Liabilities and Shareholder's Equity	1,940.3	1,905.5	1.8%

Cash Flow

Cash Flow (R\$ 000)	2014	2013
Net Income before Income and Social Contribution Taxes	42.3	102.3
Adjustments to Reconcile Net Income and Operating Cash Flow		
Depreciation and Amortizations	63.8	60.9
Exhaustion of biological assets	61.5	55.9
Residual Value of Fixed Assets Sold	0.1	0.7
Fair value variation in biological assets	(43.3)	(49.1)
Interest, Monetary and Exchange Variations, net	45.5	33.6
Write-off of investments	1.8	0.3
Result from Affiliated Companies	(1.0)	-
Provision for inventory losses	0.0	0.4
Income and social contribution taxes in the period	(14.9)	(8.8)
Provision (reversal) for liabilities and others	6.7	7.2
	-	-
Changes in operating assets and liabilities		
Marketable Securities	(4.5)	(7.5)
Trade accounts receivable	(18.2)	(33.9)
Inventories	(10.8)	(32.3)
Recoverable taxes	12.4	(5.0)
Deferred expenses	1.1	0.0
Judicial deposits	(2.3)	0.8
Other receivables	2.8	(1.3)
Trade accounts payable	5.2	14.3
Labor and Tax Liabilities	(9.6)	0.4
Tax Installments	(25.8)	(10.6)
Advances from Clients	2.5	(6.4)
Provision for contingencies	9.6	(10.9)
Accounts payable	(4.5)	8.8
	-	-
Net Cash Flow from Operating Activities	120.5	119.9
Cash Flow from Investing Activities		
Capital reduction on subsidiaries	0.3	-
Addition to fixed assets	(64.4)	(58.8)
Addition to biological assets	(41.7)	(50.9)
Net Cash Flow from Investing Activities	(105.7)	(109.7)
Cash Flow from Financing Activities		
Amortization of loans and debentures	(156.8)	(157.3)
Loans	134.1	162.4
Intercompany loans	-	(0.1)
Payment of dividends/Interest on equity		
Debentures		
Net Cash Flow from Financing Activities	(18.9)	(3.9)
Increase (Reduction) in Net Cash and Cash Equivalents	(4.1)	6.3
Cash and Cash Equivalents		
Beginning of period	11.6	5.3
End of period	7.5	11.6
Supplementary information:		
Income and social contribution taxes paid	(11.1)	(14.0)