



eucatex

2Q15 Earnings Release

São Paulo, August 11, 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 second quarter of 2015 (2Q15). 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**

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Dial-in:

+55 11 2188-0155

+55 11 2188-0400 (Replay)

Webcast

www.eucatex.com.br/ri

Simultaneous Translation into English

Dial-in:

+1 646 843 6054

+55 11 2188-0400 (Replay)

Webcast

www.eucatex.com.br/ri

Highlights of the quarter

- » **Net Revenue of R\$264.8 million (+3.8%)**
- » **Recurring EBITDA of R\$49.7 million (+14.7%), with margin of 18.8%**
- » **Recurring Net Income of R\$10.7 million (+59.9%)**
- » **Exports** registered growth of **44.8%** in **Volume** and **111.5%** in **Net Revenue**

Amounts in R\$ million	2Q15	2Q14	Var. (%)	1H15	1H14	Var. (%)
Net Revenue	264.8	255.0	3.8%	542.8	518.5	4.7%
Gross Income	77.4	75.7	2.3%	162.8	158.6	2.7%
Gross Margin (%)	29.2%	29.7%	-0.4 p.p.	30.0%	30.6%	-0.6 p.p.
EBITDA adjusted by non-cash events	46.4	39.6	17.3%	92.2	81.8	12.7%
EBITDA Margin (%)	17.5%	15.5%	2 p.p.	17.0%	15.8%	1.2 p.p.
Net Income	7.5	3.0	148.1%	9.7	14.7	-34.5%
Recurring Net Income	10.7	6.7	59.9%	15.0	24.0	-37.8%
Net Debt	311.3	316.6	-1.7%	311.3	316.6	-1.7%
Net Debt / EBITDA (LTM)	1.6	1.8	-14.3%	1.6	1.7	-8.1%
RECURRING Adjusted EBITDA	49.7	43.3	14.7%	97.5	91.1	7.0%
Recurring Adjusted EBITDA Margin (%)	18.8%	17.0%	1.8 p.p.	18.0%	17.6%	0.4 p.p.

Management Comments

Economic conditions in the second quarter did not improve from the first quarter of the year. Instead, this quarter saw the worsening of several economic indicators, which indicates the year will be much harder than initially expected.

The government continues to find it difficult to pass austerity measures and has been faced with unpleasant approval of themes that have, in fact, an adverse impact on public accounts. Moreover, the lack of support offered by the government's own allies in congress is raising concern among economic agents.

On the economic side, every new announcement of macroeconomic indicators evidences the severity of conditions, with full sectors being affected, such as the automotive industry, where

production is expected to contract 21.1% in 2015 and another 3.5% in 2016, erasing the gains of the last ten years, according to projections by Tendências Consultoria.

The slowdown in economic activity has taken its toll on the lives of families, in the form of growing unemployment and contracting real wages, worsened by the return of high inflation levels.

In light of such a challenging environment, the Central Bank of Brazil cannot loosen its monetary policy, under the risk of letting inflation scale up any further.

In the industries where the Company operates, its two key markets followed the performance of other sectors of economy in the second quarter of 2015, compared to the same period in 2014. The Brazilian Construction Materials Industry Association (ABRAMAT) index fell 7% and the Brazilian Tree Industry (IBÁ) fell 2.4% considering all panels, in both domestic and export markets.

Given this scenario, the Company has adopted a series of initiatives to curb costs and improve free cash generation, as well to further boost exports.

Operating Performance and Results

In the Company's Wood segment, domestic sales in 2Q15 were down 13.1% on 2Q14, reflecting lower shipments of T-HDF/MDF and MDP. According to the Brazilian Tree Industry (IBA), the domestic market for panels contracted by 6.3% in the same period, led by decreases in the MDF (-0.9%) and MDP (-13.6%) markets.

The Company's exports are in line with its strategy, growing 44.8% in Volume and 111.5% in Net Revenue, driven by higher sales of fiberboard (+34.8%) and T-HDF (+423.6%), whose exports were still incipient in 2014 but now account for a bigger share of the export mix. Changes in the production process of this product are still underway and will further increase its share of exports in 2015. According to IBÁ, the Market expanded by 56.7% in the period.

Total sales in the Wood segment declined by 7.8% in 2Q15 compared to 2Q14.

The Company's Paint sales fell 2.1% in 2Q15 compared to 2Q14, while the Paints market contracted 3.1%, according to the Brazilian Paint Manufacturers Association (ABRAFATI). In the first six months of the year, volumes remained stable compared to the same period a year ago, while the market contracted by 3.2%, according to ABRAFATI.

Sales Volume	2Q15	2Q14	Var. (%)	1H15	1H14	Var. (%)
Panels (DM)	127	147	-13.1%	135	151	-10.8%
Panels (EM)	116	80	44.8%	106	78	35.9%
Paint	331	338	-2.1%	381	379	0.4%

DM - Domestic Market / EM - Export Market

Net revenue

Net Revenue Breakdown (R\$ million)	2Q15	2Q14	Var. (%)	1H15	1H14	Var. (%)
Wood Segment	206.4	195.6	5.5%	414.3	392.3	5.6%
Paint Segment	55.2	54.3	1.6%	118.1	113.3	4.2%
Other	3.2	5.1	-37.2%	10.5	12.8	-18.3%
Net Revenue	264.8	255.0	3.8%	542.8	518.5	4.7%

Net revenue totaled R\$264.8 million (R\$255.0 million in 2Q14), for growth of 3.8%. The Wood Segment registered a contraction in the domestic market, which was partially offset by higher exports. The segment's total revenue grew 5.5% in 2Q15, mainly due to higher exports (111.5%), and partially due to higher volumes, exchange variation and the sale of higher-value products in the Domestic Market.

In the Paints Segment, Net Revenue increased 1.6%, benefiting from higher sales prices.

Cost of Goods Sold (COGS)

The 1.5% increase in COGS during the quarter is due to the increase in the prices of a few key inputs and the increase in labor costs on account of the collective bargaining agreements at the Company's three main units, and to the increase in electricity rates, of approximately 60%.

Gross Income and Gross Margin

Gross income stood at R\$77.4 million in 2Q15, compared to R\$75.7 million in 2Q14, for an increase of 2.3%. Gross margin came to 29.2% in the quarter.

Operating Expenses

Breakdown of Expenses (R\$ million)	2Q15	2Q14	Var. (%)	1H15	1H14	Var. (%)
General and Administrative	(14.5)	(12.4)	16.5%	(28.2)	(26.6)	6.0%
Selling	(39.9)	(37.0)	8.0%	(80.6)	(74.6)	8.0%
Total Operating Expenses	(39.9)	(37.0)	8.0%	(108.8)	(101.3)	7.5%
% Net Revenue	-15.1%	-14.5%	0.6 p.p.	-20.0%	-19.5%	0.5 p.p.
Other Operating Income and Expenses	0.8	(2.2)	137.3%	0.8	(4.5)	-116.9%

Administrative expenses in 2Q15 increased 16.5% compared to 2Q14, with an impact as a ratio of net revenue. The 2Q15 saw an increase in IPTU property tax on land to be allocated to future lots of the Company in Salto, SP. In addition, last year this tax was suspended by a provisional measure that was revoked in 2015. Year-to-date, these expenses reflect basically, in addition to the factors above, the adjustments in labor costs and restatement of contract values.

The variation in selling expenses, in both 2Q15 and 1H15 compared to the same periods in the prior year, is chiefly due to the increased share of exports in total sales, which have higher variable expenses than Domestic sales.

EBITDA and EBITDA Margin

As a result of the above, recurring EBITDA was R\$49.7 million, growing 14.7% from 2Q14. Recurring EBITDA margin expanded by 1.8 p.p. to 18.8%, compared to 17.0% in the same period last year.

2Q15 Earnings Release

EBITDA Reconciliation (R\$ million)	2Q15	2Q14	Var. (%)	1H15	1H14	Var. (%)
Net Income	7.5	3.0	148.1%	9.7	14.7	-34.5%
Income and Social Contribution Taxes	3.3	4.1	-20.3%	(4.9)	9.9	-149.4%
Net Financial Income (Loss)	9.8	13.2	-26.0%	44.7	4.2	975.2%
EBIT	20.6	20.4	1.0%	49.5	28.8	71.6%
Depreciation and Amortization	31.4	29.9	5.0%	62.3	60.9	2.2%
EBITDA under CVM instr. 527/12	51.9	50.2	3.4%	111.8	89.7	24.5%
EBITDA Margin	19.6%	19.7%	-0.1 p.p.	20.6%	17.3%	3.3 p.p.
Non-cash adjustments						
Fair value variation in biological assets	(5.5)	(10.6)	-48.3%	(19.6)	(22.6)	-13.3%
EBITDA adjusted by non-cash events	46.4	39.6	17.3%	92.2	67.2	37.3%
Non-recurring events ⁽¹⁾	3.2	3.7	-12.5%	5.3	23.9	-77.9%
Recurring adjusted EBITDA	49.7	43.3	14.7%	97.5	91.1	7.0%
Adjusted recurring EBITDA Margin	18.8%	17.0%	1.8 p.p.	18.0%	17.6%	0.4 p.p.

Recurring Net Income

Recurring net income in 2Q15 was R\$10.7 million, increasing 59.9% from 2Q14.

Debt

The Company's net debt at the end of 1H15 was R\$311.3 million, equivalent to 1.6 times its annualized Recurring EBITDA, and increased by R\$18.2 million from the close of 2014, which basically corresponds to the exchange rate variation in the period.

Debt (R\$ Million)	1H15	1Q15	Var. (%)
Short Term Debt	175.6	159.5	10.1%
Long Term Debt	159.5	177.2	-10.0%
Gross Debt	335.1	336.7	-0.5%
Cash and Cash Equivalents	23.9	20.1	18.6%
Net Debt	311.3	316.6	-1.7%
% Short Term Debt	52%	47%	5 p.p.
Net Cash (Debt)/EBITDA	1.6	1.7	-5.3%

Capex

Capex totaled R\$23.9 million in 2Q15 and was generally used in maintaining the Company's manufacturing and forest operations.

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 2Q15 at R\$3.25. Eucatex's market capitalization at the end of the period stood at R\$301.0 million, or 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 2,491 people. Its products are exported to more than 37 countries. For further information, visit www.eucatex.com.br/ir.

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 2Q15, the Eucatex Group did not engage Grant Thornton Auditores Independentes in services other than audit.

Income Statement

Income Statement (R\$ million)	2Q15	2Q14	Var. (%)	1H15	1H14	Var. (%)
Gross Revenue	321.4	312.8	2.7%	659.0	635.5	3.7%
Sales taxes and Deductions	(56.6)	(57.8)	-2.1%	(116.2)	(117.0)	-0.7%
Net Revenue	264.8	255.0	3.8%	542.8	518.5	4.7%
Fair value variation in biological assets	5.5	10.6	-48.3%	19.6	22.6	-13.3%
Cost of Goods Sold	(192.9)	(190.0)	1.5%	(399.5)	(382.5)	4.5%
Gross Income	77.4	75.7	2.3%	162.8	158.6	2.7%
% Gross Margin	29.2%	29.7%	-0,4 p.p.	30.0%	30.6%	-0,6 p.p.
Selling Expenses	(39.9)	(37.0)	8.0%	(80.6)	(74.6)	8.0%
General and Administrative Expenses	(12.2)	(10.1)	21.2%	(23.8)	(22.3)	6.9%
Management Compensation	(2.2)	(2.3)	-3.9%	(4.4)	(4.4)	1.6%
Other Operating Income / (Expenses)	0.8	(2.2)	137.3%	0.8	(4.5)	-116.9%
Operating Income (Expenses)	(53.6)	(51.6)	3.8%	(108.0)	(105.8)	2.1%
Net Income before Financial Result	23.8	24.1	-1.0%	54.8	52.8	3.8%
Financial Income (Expense)	(9.8)	(13.2)	26.0%	(44.7)	(18.8)	-137.8%
Non-recurring Income (Expense)	(3.2)	(3.7)	12.5%	(5.3)	(9.3)	42.9%
Net Income after Financial Result	10.8	7.2	50.9%	4.7	24.7	-80.8%
Provision for Income and Soc. Contr. Taxes	(3.3)	(4.1)	-20.3%	4.9	(9.9)	-149.4%
Net Income (Loss) before Non-Controlling Interest	7.5	3.0	148.5%	9.6	14.7	-34.5%
Non-controlling interest	0.0	0.0	38.9%	0.0	0.0	4.2%
Net Income (Loss) for the Year	7.5	3.0	148.1%	9.7	14.7	-34.5%
Net Margin	2.8%	1.2%	1.6 p.p.	1.8%	2.8%	-1.1 p.p.

Balance Sheet

Balance Sheet (R\$ '000)	1H15	2014	Var. (%)
ASSETS			
Current Assets			
Cash and Cash Equivalents	6.0	7.5	-19.5%
Marketable Securities	17.9	13.6	31.2%
Trade Accounts Receivable	227.1	239.0	-5.0%
Inventories	-	-	0.0%
Inventories	198.1	154.1	28.6%
Taxes Recoverable	13.7	18.2	-24.9%
Prepaid Expenses	1.7	1.6	5.5%
Unrealized losses	-	-	0.0%
Other receivables	2.9	3.1	-8.1%
Total Current Assets	467.3	437.1	6.9%
Non-Current Assets			
Long-Term Assets			
Trade Accounts Receivable	25.4	21.6	17.6%
Taxes Recoverable	3.6	3.4	5.4%
Deferred income and soc. Contr. Taxes	12.7	-	0.0%
Goods held for sale	0.5	0.6	-16.2%
Investment properties	25.4	26.0	-2.2%
Judicial Deposits	11.3	11.0	2.8%
Other receivables	15.5	15.5	0.0%
Total Long-Term Assets	94.4	78.1	20.9%
Permanent Assets			
Investments	-	-	0.0%
Biological Assets	372.9	363.4	2.6%
Fixed Assets	1,053.1	1,061.4	-0.8%
Intangible Assets	0.3	0.3	-3.0%
Total Permanent Assets	1,426.3	1,425.1	-1.2%
Total Non-Current Assets	1,520.7	1,503.2	1.2%
Total Assets	1,988.0	1,940.3	2.5%
LIABILITIES			
Current liabilities			
Trade Accounts Payable	131.1	114.2	14.8%
Loans and Financing	150.3	115.8	29.8%
Labor Liabilities	29.9	30.4	-1.7%
Tax Liabilities	11.1	13.5	-18.2%
Inventories	0.0	0.0	0.0%
Tax Installments	41.1	39.5	4.1%
Advances from Clients	16.3	13.8	18.1%
Dividends and interest on equity payable	60.4	60.4	0.0%
Unrealized profits	10.1	2.5	300.8%
Debentures payable	25.3	25.4	-0.4%
Accounts Payable	27.4	29.8	-8.2%
Total Current Liabilities	502.9	445.2	12.9%
Non-Current Liabilities			
Loans and Financing	134.9	135.9	-0.8%
Trade Accounts Payable	0.6	1.2	-46.4%
Tax Installments	45.6	56.1	-18.7%
Deferred Income and Soc. Contr. Taxes	84.6	82.1	3.0%
Provision for Contingencies	22.3	20.3	9.7%
Debentures payable	24.7	37.0	-33.3%
Total Long-Term Liabilities	312.6	332.6	-6.0%
Shareholder's Equity			
Capital	488.2	488.2	0.0%
Revaluation Reserves	202.4	205.5	-1.5%
Profit Reserve	391.9	377.4	3.8%
Asset Valuation Adjustment	92.0	93.7	-1.8%
Other Comprehensive Income	1.0	0.6	58.4%
Treasury Stock	(2.9)	(2.9)	0.0%
Total Shareholder's Equity	1,172.5	1,162.5	0.9%
Non-controlling interest	(0.0)	(0.0)	72.7%
Total Shareholder's Equity & Non-controlling interest	1,172.5	1,162.5	0.9%
Total Liabilities and Shareholder's Equity	1,988.0	1,940.3	2.5%

Cash Flow

Cash Flow (R\$ 000)	1H15	1H14
Net Income before Income and Social Contribution Taxes	4.7	24.7
Adjustments to Reconcile Net Income and Operating Cash Flow		
Depreciation and Amortizations	30.4	31.7
Exhaustion of biological assets	31.9	29.2
Residual Value of Fixed Assets Sold	0.0	-
Fair value variation in biological assets	(19.6)	(22.6)
Interest, Monetary and Exchange Variations, net	32.2	8.6
Write-off of investments	0.7	-
Income and social contribution taxes in the period	-	-
Provision (reversal) for liabilities and others	6.1	8.0
Changes in operating assets and liabilities		
Trade accounts receivable	7.4	26.5
Inventories	(44.0)	(22.1)
Recoverable taxes	4.8	4.9
Deferred income and soc. Contr. Taxes - 11,638/07	-	-
Deferred expenses	(0.1)	(0.3)
Judicial deposits	(0.3)	(0.5)
Other receivables	0.3	0.2
Trade accounts payable	16.4	(19.0)
Labor and Tax Liabilities	(6.8)	(9.3)
Tax Installments	(8.9)	(15.2)
Advances from Clients	2.5	0.8
Provision for contingencies	-	-
Accounts payable	5.1	1.1
Income and social contribution taxes paid	(5.4)	(6.0)
Net Cash Flow from Operating Activities	57.6	40.8
Cash Flow from Investing Activities		
Capital transfer to subsidiaries	-	-
Capital reduction on subsidiaries	0.4	(0.0)
Addition to fixed assets	(22.2)	(35.4)
Addition to biological assets	(21.8)	(22.0)
Marketable Securities	(4.2)	0.9
Net Cash Flow from Investing Activities	(47.9)	(56.5)
Cash Flow from Financing Activities		
Amortization of loans and debentures	(55.9)	(63.2)
Loans	57.1	71.1
Debentures	(12.4)	-
Net Cash Flow from Financing Activities	(11.2)	7.9
Increase (Reduction) in Net Cash and Cash Equivalents	(1.5)	(7.8)
Cash and Cash Equivalents		
Beginning of period	7.5	11.6
End of period	6.0	3.8