



eucatex

1Q15 Earnings Release

São Paulo, May 6, 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 first quarter of 2015 (1Q15). 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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**Conference Call in Portuguese
with Simultaneous Translation**

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Highlights of the quarter

- » **Net revenue of R\$278.0 million (+5.5%)**
- » **Recurring EBITDA of R\$47.8 million (0.0%), with margin of 17.2%**
- » **Recurring net income of R\$ 4.2 million (-75.6%)**
- » **Exports grew 28.7% in volume and 58.1% in net revenue**

Amounts in R\$ million	1Q15	1Q14	Var. (%)
Net Revenue	278.0	263.4	5.5%
Gross Income	85.4	82.9	3.1%
Gross Margin (%)	30.7%	31.5%	-0.7 p.p.
EBITDA adjusted by non-cash events	45.7	42.2	8.4%
EBITDA Margin (%)	16.5%	16.0%	0.4 p.p.
Net Income	2.1	11.7	-81.7%
Recurring Net Income	4.2	17.3	-75.6%
Net Debt	316.6	293.0	8.0%
Net Debt / EBITDA (LTM)	1.7	1.4	16.2%
RECURRING Adjusted EBITDA	47.8	47.8	0.0%
Recurring Adjusted EBITDA Margin (%)	17.2%	18.1%	-0.9 p.p.

Management Comments

The first quarter was marked by an adverse scenario that reflected the economic and political instability faced by Brazil during the period. The start of President Dilma's second term was marked by her loss of popularity, by her government's defeats in the parliament and its difficulty in getting its proposals approved, apart from the intensification of the "Operation Car Wash" investigations by the federal police.

In the case of the economy, the imbalances caused by the economic policy over the past four years are demanding significant adjustments, especially in administered prices, notably electricity, which substantially affected the cost structure of companies, and also in the fiscal area, through increases in tax rates and reduction in government spending, which also brought negative impacts on economic activity.

The main economic indicators point to a slowdown in economic activity during the period: inflation and interest rates are rising, and the basic interest rate (Selic), which closed the quarter at 12.75%, was raised once again by 0.5 p.p. in the beginning of April to 13.25% in the beginning of April. In addition to these, the stronger dollar exerted cost pressures on industry, reaching R\$ 3.20 at the end of the first quarter, for total gain of nearly 20%.

According to consulting firm Tendências Consultoria, employment and income levels should decline during the course of 2015. The Operation Car Wash should affect key sectors of the economy and also contribute to this scenario materializing.

In this regard, the Consumer Confidence Index (ICC – FGV) reached 82.9 in March, moving away from the previous lows reached during the 2008/2009 financial crisis. This is an indicator whose decline strongly affects – negatively - the Company's operating segments.

In light of the above, the challenges for 2015 are formidable and will require differentiated strategies from the Company for it to maintain its operations and profitability at adequate levels. Notable among the strategies are: increase in exports, focus on more profitable products, and implementation of programs to reduce costs and improve productivity.

Operating Performance and Results

In the Wood segment, domestic sales in 1Q15 remained stable compared to the same period last year, basically due to the decline in domestic fiberboard sales and to changes in the production schedule in January 2015, which reduced the stock available for sale but which was rectified in February. According to the Brazilian Tree Industry (IBA), the panels market grew 1.4% in the same period, with the MDF market growing 2.3% and MDP sales remaining stable with zero percent growth.

The Company's exports are in line with its strategy, growing 28.7% in volume and 58.1% in net revenue, driven by growth in the sales of fiberboard (+6.9%) and T-HDF (+575.8%), whose exports were still incipient in 2014 but which account for a bigger share of the export mix this year. Changes in the production process of this product are still underway and will further increase its share of exports in 2015.

Total sales in the Wood segment grew 1.8% in 1Q15 compared to 1Q14.

The Company's paint sales grew 2.5% in 1Q15 compared to 1Q14, while the Paints market contracted 3.3%, according to the Brazilian Paint Manufacturers Association (ABRAFATI).

According to the Brazilian Construction Materials Industry Association (ABRAMAT), the Construction Materials market contracted 8.8% in 1Q15 compared to 1Q14, reflecting the difficult times faced by the sector.

Operating Performance 2005 - 100 base

Sales Volume	1Q15	1Q14	Var. (%)
Panels (DM)	155	156	-0.4%
Panels (EM)	98	76	28.7%
Paint	435	425	2.5%

DM - Domestic Market / EM - Export Market

Net revenue

Net Revenue Breakdown (R\$ million)	1Q15	1Q14	Var. (%)
Wood Segment	207.8	196.7	5.7%
Paint Segment	62.9	59.1	6.5%
Other	7.2	7.7	-5.8%
Net Revenue	278.0	263.4	5.5%

Net revenue totaled R\$278.0 million (R\$263.4 million in 1Q14). Net revenue from the Wood segment grew 5.7% in 1Q15, mainly reflecting the increase in volume and the sales of higher value-added products. In the Wood segment, net revenue from exports grew by a remarkable 58.1%.

In March, the Company increased the prices of a few of its Wood segment products. These were followed by other price increases in April and should help cover the increase in costs, especially of electricity and those resulting from exchange rate variation.

In the Paint segment, net revenue increased 6.5%, reflecting the increase in product volume and prices.

Cost of Goods Sold (COGS)

The 7.3% 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. Other costs basically kept pace with inflation. In 2Q15, electricity costs should have a greater impact on COGS, considering the nearly 50% increase in March 2015.

Gross Income and Gross Margin

Gross income in 1Q15 was R\$85.4 million, compared to R\$82.9 million in 1Q14. Gross margin in the quarter reached 30.7%, down 0.7 p.p. from the same period the previous year. The drop in gross margin is mainly related to the increase in costs in the Wood segment.

Operating Expenses

Breakdown of Expenses (R\$ million)	1Q15	1Q14	Var. (%)
Selling	(40.6)	(37.6)	8.0%
General and Administrative	(13.8)	(14.2)	-3.2%
Total Operating Expenses	(54.4)	(51.8)	4.9%
% Net Revenue	-19.6%	-19.7%	-0.1 p.p.
Other Operating Income and Expenses	(0.1)	(2.3)	97.4%

Operating expenses in 1Q15 increased 4.9% from 1Q14 without, however, any change in their ratio to net revenue.

EBITDA and EBITDA Margin

As a result of the above, recurring EBITDA was R\$47.8 million, remaining stable in relation to 1Q14. Recurring EBITDA margin reached 17.2%, compared to 18.1% in the same period the previous year.

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EBITDA Reconciliation (R\$ million)	1Q15	1Q14	Var. (%)
Net Income	2.1	11.7	-81.7%
Income and Social Contribution Taxes	(8.2)	5.8	-241.7%
Net Financial Income (Loss)	35.0	5.6	523.6%
EBIT	28.9	23.1	25.1%
Depreciation and Amortization	30.9	31.0	-0.4%
EBITDA under CVM instr. 527/12	59.8	54.2	10.5%
EBITDA Margin	21.5%	20.6%	1 p.p.
Non-cash adjustments			
Fair value variation in biological assets	(14.1)	(11.9)	17.9%
EBITDA adjusted by non-cash events	45.7	42.2	8.4%
Non-recurring events ⁽¹⁾	2.1	5.6	-63.0%
Recurring adjusted EBITDA	47.8	47.8	0.0%
Adjusted recurring EBITDA Margin	17.2%	18.1%	-0.9 p.p.

Recurring Net Income

Recurring net income in 1Q15 was R\$ 4.2 million, down 75.6% from 1Q14. This was mainly due to the decrease in financial result, which was impacted by exchange rate variation and the hike in interest rates, as well as the constitution of deferred income and social contribution (IR & CSLL) taxes.

Debt

The Company's net debt at the end of 1Q15 was R\$316.6 million and was equivalent to 1.66 times its annualized Recurring EBITDA, increasing by R\$23.6 million from the close of 2014, which basically corresponds to the exchange rate variation during the period.

Debt (R\$ Million)	1Q15	2014	Var. (%)
Short Term Debt	159.5	141.2	13.0%
Long Term Debt	177.2	172.9	2.5%
Gross Debt	336.7	314.1	7.2%
Cash and Cash Equivalents	20.1	21.1	-4.5%
Net Debt	316.6	293.0	8.0%
% Short Term Debt	47%	45%	2.4 p.p.
Net Cash (Debt)/EBITDA	1.7	1.4	16.2%

Capex

Capex totaled R\$ 20.0 million in 1Q15 and was generally used in maintaining the Company's 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 1Q15 at R\$3.58. Eucatex's market capitalization at the end of the period stood at R\$331.6 million, equivalent to approximately 28% 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 2,402 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 1Q15, the Eucatex Group did not contract any services from Grant Thornton Auditores Independentes other than audit services.

Income Statement

Income Statement (R\$ million)	1Q15	1Q14	Var. (%)
Gross Revenue	337.6	322.6	4.6%
Sales taxes and Deductions	(59.6)	(59.2)	0.7%
Net Revenue	278.0	263.4	5.5%
Fair value variation in biological assets	14.1	11.9	17.9%
Cost of Goods Sold	(206.6)	(192.5)	7.3%
Gross Income	85.4	82.9	3.1%
% Gross Margin	30.7%	31.5%	-0.7 p.p.
Selling Expenses	(40.6)	(37.6)	8.0%
General and Administrative Expenses	(11.6)	(12.2)	-5.1%
Management Compensation	(2.2)	(2.1)	7.9%
Other Operating Income / (Expenses)	(0.1)	(2.3)	97.4%
Operating Income (Expenses)	(54.5)	(54.2)	0.5%
Net Income before Financial Result	31.0	28.7	7.9%
Financial Income (Expense)	(35.0)	(5.6)	-523.6%
Non-recurring Income (Expense)	(2.1)	(5.6)	63.0%
Net Income after Financial Result	(6.1)	17.5	-134.6%
Provision for Income and Soc. Contr. Tax	8.2	(5.8)	-241.7%
Net Income (Loss) before Non-Controlli	2.1	11.7	-81.7%
Non-controlling interest	0.0	0.0	-100.0%
Net Income (Loss) for the Year	2.1	11.7	-81.7%
Net Margin	0.8%	4.4%	-3.7 p.p.

Balance Sheet

Balance Sheet (R\$ '000)	1Q15	2014	Var. (%)
ASSETS			
Current Assets			
Cash and Cash Equivalents	8.0	7.5	7.2%
Marketable Securities	12.1	13.6	-10.9%
Trade Accounts Receivable	236.4	239.0	-1.1%
Inventories	161.6	154.1	4.9%
Taxes Recoverable	12.1	18.2	-33.7%
Prepaid Expenses	2.8	1.6	72.4%
Other receivables	2.9	3.1	-7.5%
Total Current Assets	435.9	437.1	-0.3%
Non-Current Assets			
Long-Term Assets			
Trade Accounts Receivable	22.3	21.6	3.2%
Taxes Recoverable	3.4	3.4	0.7%
Deferred income and soc. Contr. Taxes	12.7	-	0.0%
Goods held for sale	0.5	0.6	-7.3%
Investment properties	25.6	26.0	-1.6%
Judicial Deposits	11.2	11.0	1.7%
Other receivables	15.5	15.5	0.0%
Total Long-Term Assets	91.3	78.1	16.9%
Permanent Assets			
Investments	-	-	0.0%
Biological Assets	371.3	363.4	2.2%
Fixed Assets	1,056.7	1,061.4	-0.4%
Intangible Assets	0.3	0.3	-1.5%
Total Permanent Assets	1,428.2	1,425.1	0.2%
Total Non-Current Assets	1,519.5	1,503.2	1.1%
Total Assets	1,955.3	1,940.3	0.8%
LIABILITIES			
Current liabilities			
Trade Accounts Payable	114.0	114.2	-0.2%
Loans and Financing	131.7	115.8	13.8%
Labor Liabilities	25.3	30.4	-16.8%
Tax Liabilities	14.4	13.5	6.6%
Inventories	0.0	0.0	0.0%
Tax Installments	40.1	39.5	1.7%
Advances from Clients	11.5	13.8	-16.7%
Dividends and interest on equity payable	60.4	60.4	0.0%
Unrealized profits	6.4	2.5	155.4%
Debentures payable	27.7	25.4	9.2%
Accounts Payable	24.5	29.8	-17.9%
Total Current Liabilities	456.1	445.2	2.4%
Non-Current Liabilities			
Loans and Financing	140.2	135.9	3.1%
Trade Accounts Payable	1.2	1.2	6.8%
Tax Installments	50.2	56.1	-10.4%
Deferred Income and Soc. Contr. Taxes	83.5	82.1	1.7%
Provision for Contingencies	22.0	20.3	8.2%
Debentures payable	37.1	37.0	0.2%
Total Long-Term Liabilities	334.2	332.6	0.5%
Shareholder's Equity			
Capital	488.2	488.2	0.0%
Revaluation Reserves	204.2	205.5	-0.6%
Profit Reserve	381.7	377.4	1.1%
Asset Valuation Adjustment	92.8	93.7	-0.9%
Other Comprehensive Income	1.1	0.6	72.5%
Treasury Stock	(2.9)	(2.9)	0.0%
Total Shareholder's Equity	1,165.1	1,162.5	0.2%
Non-controlling interest	(0.0)	(0.0)	36.4%
Total Shareholder's Equity & Non-controlling Interest	1,165.1	1,162.5	0.2%
Total Liabilities and Shareholder's Equity	1,955.3	1,940.3	0.8%

Cash Flow

Cash Flow (R\$ 000)	1Q15	1Q14
Net Income before Income and Social Contribution Taxes	(6.1)	17.5
Adjustments to Reconcile Net Income and Operating Cash Flow		
Depreciation and Amortizations	14.9	15.9
Exhaustion of biological assets	16.0	15.2
Residual Value of Fixed Assets Sold	0.0	-
Fair value variation in biological assets	(14.1)	(11.9)
Interest, Monetary and Exchange Variations, net	36.7	5.1
Write-off of investments	0.5	(0.0)
Income and social contribution taxes in the period	(3.1)	(4.3)
Provision (reversal) for liabilities and others	4.0	5.0
Changes in operating assets and liabilities		
Trade accounts receivable	1.5	19.4
Inventories	(7.5)	(19.6)
Recoverable taxes	6.4	0.8
Deferred expenses	(1.2)	(0.4)
Judicial deposits	(0.2)	(0.4)
Other receivables	0.2	1.5
Trade accounts payable	(5.7)	(3.7)
Labor and Tax Liabilities	(6.4)	(8.1)
Tax Installments	(8.0)	(8.4)
Advances from Clients	(2.3)	2.7
Accounts payable	4.2	0.9
Net Cash Flow from Operating Activities	29.9	26.9
Cash Flow from Investing Activities		
Capital transfer to subsidiaries	-	-
Capital reduction on subsidiaries	0.5	0.1
Addition to fixed assets	(10.2)	(18.0)
Addition to biological assets	(9.8)	(10.5)
Marketable Securities	1.5	5.1
Net Cash Flow from Investing Activities	(18.1)	(23.3)
Cash Flow from Financing Activities		
Amortization of loans and debentures	(25.7)	(30.4)
Loans	14.4	21.5
Net Cash Flow from Financing Activities	(11.3)	(8.9)
Increase (Reduction) in Net Cash and Cash Equivalents	0.5	(5.3)
Cash and Cash Equivalents		
Beginning of period	7.5	11.6
End of period	8.0	6.3
Supplementary information:		
Income and social contribution taxes paid	(2.7)	(3.0)