

**EUCATEX reports 1Q10 results: Net Income growth of 70%, Gross Revenue of R\$ 228.2 million, EBITDA of R\$ 43.3 million and EBITDA Margin of 23.7%**

**São Paulo, May 3, 2010.** Eucatex (Bovespa: EUCA3 and EUCA4; Bloomberg: EUCA3 BZ and EUCA4 BZ), one of the largest manufacturers of hardboard and medium density particleboard (MDP) in Brazil, with operations also in the segments of paint and varnish, laminate flooring, partitions, profiles, doors and roofing, announces its results for the first quarter of 2010 (1Q10). Except where stated otherwise, the financial and operating information herein is audited and presented on a consolidated basis in Brazilian real (R\$), in accordance with Brazilian corporation laws and regulations, and all comparisons refer to the first quarter of 2009 (1Q09).

### Highlights

- » **Gross Revenue of R\$ 228.2 million** in the quarter, **20.5%** higher than in 1Q09 and stable against 4Q09.
- » Growth in relation to 1Q09 in the domestic **Wood Panel** segment of **11.6%** and in the **Paint** segment of **29.5%**.
- » **Gross Margin of 36.4%** in 1Q10, contracting by 1.7 p.p. from the same quarter in 2009.
- » **EBITDA in 1Q10 of R\$ 43.3 million, up 40% from R\$ 30.9 million in 1Q09.** EBITDA margin of **23.7%** in 1Q10, improving 3.5 p.p. from 20.2% in 1Q09.

<b>1Q10 Highlights (R\$ MM)</b>	<b>1Q10</b>	<b>1Q09</b>	<b>Var. (%)</b>
Net Revenue	182.9	152.8	19.7%
Gross Profit	66.6	58.2	14.5%
Gross Margin (%)	36.4%	38.1%	-1,7 p.p.
EBITDA	43.3	30.9	39.9%
EBITDA Margin (%)	23.7%	20.2%	3,5 p.p.
Net Income	14.0	8.2	70.0%
Net Debt	138.3	118.6	16.6%
Net Debt / EBITDA (LTM)	0.8	1.0	-16.7%

### Economic Scenario

The first quarter of 2010 provided clear indications that the crisis is now behind us. Various indicators are pointing to a strong recovery in economic activity in 1Q10 compared with 1Q09, including growth in auto sales of 18%, in property sales in São Paulo city of 12% and in retail sales (measured by the Monthly Retail Survey - PMC) of 12%. The main drivers of consumption decisions, such as consumer confidence, income, employment and credit, remain on a strong upward path.

Recent institutional improvements have assured a more secure environment for investors, which, combined with growth in household income, is fueling strong growth in the construction industry, which accounts for a substantial portion of the company's revenue. The upward migration from lower income brackets, which initially has driven demand for consumer products and services, such as tourism, is now fueling the housing market, which, despite the growth registered in recent years, still presents a large deficit to be overcome.

Accompanying this trend, all segments in which the Company operates registered strong growth: medium density particleboard (MDP) 33.9%, medium density fiberboard (MDF) 45.3%, thin hardboard/MDF 33.3%, paints 30% and laminate flooring 24.6%.

Operating Performance 2005 - 100 base			
<b>Sales Volume (Domestic Market)</b>	<b>1Q10</b>	<b>1Q09</b>	<b>Var. (%)</b>
Hardboard	122	107	13.7%
Hardboard	28	64	-56.6%
Laminate Flooring	185	112	64.6%
Paint	393	278	41.5%

Eucatex recorded growth of 13.7% in the domestic wood panel segment, which was partially due to the 56.6% reduction in exports to meet domestic demand, which provide better returns for the Company.

MDP sales in 1Q10 were basically represented by coated products, compared with a share of 96% in 1Q09. Lacquer products accounted for 36% of total sales, compared with 29% in 1Q09, reaffirming the excellent acceptance in the market of this unique product in terms of technology and quality. Investments made in both the low pressure

(LP) finishing line and the finish foil (FF) and high-gloss varnish finishing lines for wood board have allowed the Company to boost sales of these products.

The Laminated Flooring segment registered growth of 64.6%, versus the industry average of 24.6%, demonstrating the effectiveness of the new product development and marketing strategies. In 1Q10, the Company participated in the Revestir trade fair in São Paulo, with its stand visited by more than 6,500 people. New products were launched at the fair, including Eucafloor Evidence with 25-cm wide planks, to meet demand from architects and interior designers.

The Paint business expanded by 41.5% from 1Q09. In 1Q10, the Company launched its line of waterproofing products, which basically is sold through the same sales channels as paints.

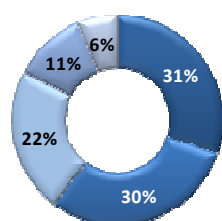
Products for the construction industry will benefit from the sector's expansion and Eucatex is taking advantage of this opportunity by launching products and strengthening its relationship with customers.

## Financial Performance

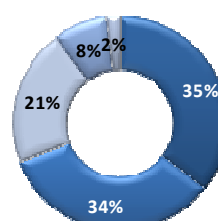
### Gross Revenue

Gross Revenue Breakdown (R\$ Million)	1Q10	1Q09	Var. (%)
Hardboard*	68.6	63.8	7.5%
MDP	69.2	67.2	3.0%
Laminate Flooring	25.8	15.6	65.2%
<i>Wood Segment</i>	<i>163.6</i>	<i>146.6</i>	<i>11.6%</i>
<i>Paint Segment</i>	<i>50.6</i>	<i>39.1</i>	<i>29.5%</i>
Others	14.0	3.8	271.6%
<b>Gross Revenue</b>	<b>228.2</b>	<b>189.4</b>	<b>20.4%</b>

Gross Revenue Breakdown - 1Q10



Gross Revenue Breakdown - 1Q09



Gross Revenue grew to R\$ 228.2 million in the quarter, up 20.4% from 1Q09, driven by revenue growth in the Paint and Flooring segments.

Despite the volume growth in the Hardboard and MDP segment, the price reductions made over the course of 2009 have yet to be fully recovered.

### Cost of Goods Sold (COGS)

COGS increased by 22.9% from 1Q09, partially due to the higher sales volume and partially due to the price increases in certain basic inputs. Fixed costs also increased to some extent due to the wage increases resulting from the collective bargaining agreements.

### Gross Income and Gross Margin

Gross income in 1Q10 grew 14.5% from 1Q09, while gross margin decreased from 38.1% in 1Q09 to 36.4% in 1Q10.

### Operating Expenses

Operating Expenses Distribution (R\$ Million)	1Q10	1Q09	Var. (%)
Sales	(25.9)	(22.6)	14.5%
General and Administration	(10.2)	(10.7)	-4.8%
<b>Total Operating Expenses</b>	<b>(36.1)</b>	<b>(33.3)</b>	<b>8.3%</b>
<b>% Net Income</b>	<b>-19.7%</b>	<b>-21.8%</b>	<b>-2.1 p.p.</b>
Others Operating Revenues and Expenses	(1.2)	(4.9)	-76.2%

Selling expenses in 1Q10 increased by approximately 14.5% from the same period of 2009, basically reflecting the higher sales volume.

Administrative expenses decreased by 4.8% in 1Q10 from 1Q09.

Despite the 8.3% increase in 1Q10 from 1Q09, the sum of administrative and selling expenses corresponded to 19.7% of revenue in 1Q10, down from 21.8% in the same quarter a year earlier.

### EBITDA and EBITDA Margin

EBITDA Reconciliation (R\$ Million)	1Q10	1Q09	Var. (%)
Net income (Loss)	14.0	8.2	70.0%
Deferred Income and Social Distribution	5.1	1.7	195.8%
Net Financial Income	10.2	10.0	2.4%
Depreciation and Amortization	14.0	11.0	27.0%
<b>EBITDA</b>	<b>43.30</b>	<b>30.94</b>	<b>39.9%</b>
<b>EBITDA Margin</b>	<b>23.7%</b>	<b>20.2%</b>	<b>3.5 p.p.</b>

In 1Q10, Eucatex recorded EBITDA of R\$ 43.3 million, for an increase of 40% from 1Q09, reflecting the growth in sales volume.

EBITDA margin expanded by 3.5 p.p. from 1Q09 to reach 23.7% in 1Q10.

### Net Income

Net income in 1Q10 was R\$ 14.0 million, 70% higher than in the same period of 2009, reflecting the higher revenue in the comparison period.

### Debt

The Company's debt at the close of 1Q10 corresponded to 0.8x 1Q10 EBITDA, with long-term debt scheduled to be repaid over the next eight years.

Debt (R\$ Million)	1Q10	1Q09	Var. (%)
Short Term Debt	60.3	28.9	108.8%
Long Term Debt	89.8	57.6	56.1%
<b>Gross Debt</b>	<b>150.1</b>	<b>86.4</b>	<b>73.7%</b>
Cash and Cash Equivalents	11.8	5.3	123.6%
<b>Net Debt</b>	<b>138.3</b>	<b>81.1</b>	<b>70.4%</b>
% Short Term Debt	40%	33%	6,8 p.p.
Net Cash (Debt)/EBITDA	0.8	0.7	14.1%

The growth of 73.7% in nominal debt in the quarter from 1Q09 was chiefly due to the investments made in the new T-HDF/MDF line.

### Capex

The Company's investments in 1Q10 included:

- the new T-HDF/MDF line, with operational startup expected in 3Q10. When it reaches full capacity, the line could boost the company's operations by R\$ 250 million in gross revenue and by R\$ 80 million in cash flow, based on current prices and costs; and
- The planting of 1,100 hectares of forests.

### Sustainability

Eucatex's forest sustainability, including the operations of its new T-HDF/MDF line project, is assured by 44,500 hectares of forests, all located in the São Paulo state.

Eucatex is widely recognized for its sustainable development initiatives, being the first company in the industry to obtain ISO 9001 certification, in 2000. The Company also holds ISO 14001 certification and the Green Seal awarded by the Forest Stewardship Council (FSC), which certifies that its forests are managed according to rigorous environmental, social and economic standards.

Eucatex also pioneered the implementation of the first wood recycling line on an industrial scale in South America. Its state-of-the-art equipment enables materials obtained within a 150 kilometer radius from the Salto unit in São Paulo to be used as the raw material for the production of boards and also as biomass for firing its boilers. Total processing is 240,000 metric tons/year, equivalent to approximately 400,000 cubic meters of standing timber or 1,300 hectares of forests. This wood recycling process prevents the material from being deposited in local landfills.

### **Capital Markets**

Eucatex PN stock listed on the São Paulo Stock Exchange (BOVESPA) ended 1Q10 quoted at R\$ 5.78. Based on the 1Q10 closing quote, Eucatex's market capitalization stood at R\$ 552 million, equivalent to 3.2x annualized EBITDA.

### **Human Resources**

Personnel expenses in 1Q10 totaled R\$ 26.3 million, of which R\$ 12.5 million were wages, R\$ 8.4 million were payroll charges and around R\$ 5.4 million were spent on medical and dental plans, transport, meals, training, and occupational health and safety actions for the Company's 2,078 employees and their dependents.

### **Relationship with Independent Auditors**

As approved by the Company's Board of Directors, Terco Grant Thornton Auditores Independentes has been responsible for providing auditing services to Eucatex since May 12, 2008.

The Eucatex Group's policy for the services of independent auditors that are not related to the external auditing of its financial statements is based on the principles of professional independence, which state that an auditor should not examine its own work, perform managerial functions or practice law on behalf of clients.

In 1Q10, the Eucatex Group did not contract any services of Terco Grant Thornton Auditores Independentes other than the auditing services.

### About Eucatex

Eucatex S.A. Ind. e Com. (Bovespa: EUCA3 and EUCA4), which completes 59 years of operations in 2010, is one of Brazil's largest manufacturers of flooring, partitions, profiles, doors, roofing, MDP, hardboard, and paints and varnishes. With 2,078 employees, Eucatex exports to more than 37 countries and has three modern plants located in the cities of Botucatu and Salto in the interior of São Paulo state. For more information go to [www.eucatex.com.br/ri](http://www.eucatex.com.br/ri).

*This release contains forward-looking statements relating 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 changes in market conditions, the performance of the Brazilian and international economies and the industry and therefore are subject to change without prior notice.*



### Income Statement

(R\$ '000)	1Q10	1Q09	Var. (%)
<b>Gross Revenue</b>	<b>228.2</b>	<b>189.4</b>	<b>20.4%</b>
Sales taxes and Deductions	(45.2)	(36.6)	23.5%
<b>Net Revenues</b>	<b>182.92</b>	<b>152.81</b>	<b>19.7%</b>
Cost of Goods Sold	(116.3)	(94.7)	22.9%
<b>Gross Profit</b>	<b>66.6</b>	<b>58.2</b>	<b>14.5%</b>
<b>Operating Expenses</b>	36.4%	38.1%	-1.7 p.p.
Sales	(25.9)	(22.6)	14.5%
General and Administration	(10.2)	(10.7)	-4.8%
Other Operational Costs	(1.2)	(4.9)	76.2%
<b>Operational (loss) Income</b>	<b>(37.2)</b>	<b>(38.2)</b>	<b>-2.5%</b>
<b>Operational Result</b>	<b>29.3</b>	<b>20.0</b>	<b>47.1%</b>
Financial (Expense) Income	(10.2)	(10.0)	-2.4%
Financial (Expense) Income	-	-	0.0%
<b>Operational Result</b>	<b>19.1</b>	<b>10.0</b>	<b>91.8%</b>
Taxes	(5.1)	(1.7)	-195.8%
<b>Net (Loss) Income</b>	<b>14.0</b>	<b>8.2</b>	<b>70.0%</b>
<b>Net Margin</b>	<b>7.7%</b>	<b>5.4%</b>	<b>2.3 p.p.</b>

Balance Sheet (R\$ '000)	1Q10	1Q09	Var. (%)
<b>ASSETS</b>			
<b>Non- Current Assets</b>			
Cash and Cash Equivalents	11.8	5.3	123.6%
Clients	137.1	117.5	16.7%
Inventories	74.9	93.5	-19.9%
Taxes Recoverable	22.1	19.1	16.1%
Other Credits	4.5	5.9	-25.0%
Deferred Expenses	0.2	1.4	-84.5%
<b>Non- Current Assets</b>	<b>250.7</b>	<b>242.8</b>	<b>3.3%</b>
<b>Long- Term Assets</b>			
Clients	2.0	1.0	99.4%
Available-for-sale	5.2	10.7	-51.4%
Taxes Recoverable	10.1	7.8	29.4%
Judicial Deposits	7.7	5.8	31.8%
Other Credits	17.8	15.5	14.7%
	<b>42.8</b>	<b>40.9</b>	<b>4.7%</b>
<b>Investments</b>			
Investments in Subsidiaries			
Other Investments	0.9	0.9	0.0%
Fixed Assets	997.9	868.1	15.0%
Intangible	0.9	1.1	-13.2%
	<b>999.8</b>	<b>870.1</b>	<b>14.9%</b>
<b>Permanent Assets</b>	<b>1,042.6</b>	<b>911.0</b>	<b>14.4%</b>
<b>Total Assets</b>	<b>1,293.2</b>	<b>1,153.7</b>	<b>12.1%</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Loans and Financing	60.3	28.9	108.8%
Accounts Payable to Suppliers	71.7	46.3	55.0%
Salaries	14.1	12.1	16.9%
Tax, Accrued Expenses and Payroll	14.7	18.9	-22.2%
Tax Installments	9.6	11.2	-14.6%
Deferred Taxes	1.2	0.7	68.1%
Advances from Clients	3.4	2.8	23.5%
Accounts Payable	14.1	11.9	18.8%
<b>Current Liabilities</b>	<b>189.1</b>	<b>132.7</b>	<b>42.5%</b>
<b>Non- Current Liabilities</b>			
Loans and Financings	89.8	57.6	56.1%
Tax Installments	120.4	79.4	51.7%
Deferred Taxes	19.1	21.1	-9.7%
Accounts Payable	20.3	28.1	-27.9%
Provisions for Contingencies	93.6	295.4	-68.3%
<b>Non- Current Liabilities</b>	<b>343.2</b>	<b>481.5</b>	<b>-28.7%</b>
<b>Non Controlling Stockholders</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>
<b>Shareholder's Equity</b>			
Capital	488.2	488.2	0.0%
Capital	(0.8)	(0.8)	0.0%
Capital Reserve	261.1	270.3	-3.4%
Accumulated Losses	12.5	(218.2)	-105.7%
	<b>761.0</b>	<b>539.5</b>	<b>41.1%</b>
<b>Total Liabilities</b>	<b>1,293.2</b>	<b>1,153.7</b>	<b>12.1%</b>

Cash Flow (R\$ 000)	1Q10	1Q09
<b>Net Income before Income Tax and Social Contribution Tax</b>	<b>19.1</b>	<b>10.0</b>
<b>Adjustments to Reconcile Net Income and Operating Cash Flow</b>		
Depreciation and Amortizations	14.0	11.0
Residual Value of Fixed Assets Sold	0.1	1.4
Provisions for / reversals of PDA	0.0	-
Adjustments to previous years	-	-
Non Controlling Stockholders	-	-
Interest, Monetary and Exchange Variations on Loans	4.5	0.4
Foreign Exchange Variation – Clients	1.0	-
Foreign Exchange Variation – Imports	0.7	-
Monetary Restatement of Taxes	4.5	9.1
Provision for Inventory Losses	-	-
Provision for Profit Share Program	0.9	-
Income and Social Contribution Taxes	(5.1)	(1.7)
Provisions/(reversal) for Tax Contingencies	0.0	6.4
Provision/(Reversal) of Labor Contingencies	-	-
Provisions/(Reversals) of Shareholder Contingencies	(2.0)	-
Adjustment to present value – tax recoverable	0.2	(0.1)
Adjustment to present value - Customers	(0.0)	-
Deustch Financing write-off	-	-
Other Provisions/ (Reversals) with no impact on Cash	0.0	(0.1)
<b>Decrease (Increase) in Current and Non-Current Assets</b>		
Accounts Receivable from Clients	(4.3)	6.1
Inventories	(2.3)	(11.8)
Taxes Recoverable	(3.7)	(2.4)
Following year's expenses	0.3	(0.9)
Judicial Deposits	(0.4)	(0.4)
Other Credits	0.4	9.4
<b>(Decrease) Increase in Liabilities and Non-Current Assets</b>		
Suppliers	12.8	(8.3)
Labor and Tax Liabilities	3.4	0.3
Tax Installments	0.3	(1.8)
Advances from Clients	(2.0)	(0.7)
Provision for Contingencies	(3.3)	(1.1)
Other Liabilities	1.2	1.9
<b>Net Cash Flow from Operating Activities</b>	<b>40.3</b>	<b>26.8</b>
Interest paid	-	-
Income Tax and Social Contribution Tax Paid	(2.1)	(1.4)
<b>Net Cash Flow from (Used in) Operations</b>	<b>38.2</b>	<b>25.4</b>
<b>Cash Flow from Investing Activities</b>		
Increase in Fixed Assets	(53.4)	(23.6)
<b>Net Cash Flow from Investing Activities</b>	<b>(53.4)</b>	<b>(23.6)</b>
<b>Cash Flow from Financing Activities</b>		
Amortization of Loans	(12.2)	(14.7)
Inflow of Loans	32.1	7.3
Subsidiaries	-	-
<b>Net Cash Flow from Financing Activities</b>	<b>20.0</b>	<b>(7.5)</b>
<b>Increase (Reduction) in Net Cash and Cash Equivalents</b>	<b>4.8</b>	<b>(5.7)</b>
<b>Cash and Cash Equivalents</b>		
Beginning of period	7.0	11.0
End of period	11.8	5.3
	<b>4.8</b>	<b>(5.7)</b>