



eucatex

4Q13 Earnings Release

São Paulo, February 19, 2014 - Eucatex (BM&FBovespa: EUCA3 and EUCA4), one of the largest manufacturers of panels in Brazil, with operations also in the segments of paint and varnish, laminated flooring, partitions and doors, announces today its results for the fourth quarter of 2013 (4Q13). 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 of the quarter

Growth in Revenue, EBITDA and Recurring Net Income

- » **Net Revenue of R\$293.1 million (+10.7%)**
- » **Recurring EBITDA of R\$56.7 million (+10.7%), with EBITDA margin of 19.4%**
- » **Recurring Net Income of R\$ 24.6 million (+73.2%)**

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

Telephones
(55 11) 3728-5800
(55 11) 3127-4999 (Replay)
Access Code: 22828276

Webcast
www.eucatex.com.br/ri

Simultaneous Translation into English

Telephones
+1 516-3001066
+55 11 3127-4999 (Replay)
Access Code: 49880928

Webcast
www.eucatex.com.br/ir

Highlights (R\$ million)	4Q13	4Q12	Var. (%)	2013	2012	Var. (%)
Net Revenue	293.1	264.8	10.7%	1,118.3	963.5	16.1%
Gross Income	102.2	82.9	23.2%	378.1	313.2	20.7%
Gross Margin (%)	34.9%	31.3%	3.5 p.p.	33.8%	32.5%	1.3 p.p.
EBITDA adjusted by non-cash events	40.7	71.6	-43.2%	227.5	230.9	-1.4%
EBITDA Margin (%)	13.9%	27.0%	-13.2 p.p.	20.3%	24.0%	-3.6 p.p.
Net Income	8.5	34.5	-75.3%	88.9	88.4	0.5%
Recurring Net Income	24.6	14.2	73.2%	91.1	41.9	117.5%
Net Debt	283.1	267.1	6.0%	283.1	267.1	6.0%
Net Debt / EBITDA (LTM)	1.2	1.3	-4.3%	1.2	1.4	-15.0%
RECURRING Adjusted EBITDA	56.7	51.2	10.7%	229.7	184.4	24.6%
Recurring Adjusted EBITDA Margin (%)	19.4%	19.3%	0 p.p.	20.5%	19.1%	1.4 p.p.

Management Comments

Despite the effect of inflation, the increase in interest rates and the low GDP growth, the year 2013, in many aspects, exceeded the expectations of the Company, which registered higher growth than the market in several segments.

According to the Brazilian Panel Manufacturers Association (ABIPA), the growth rate of the panels market - adding up all types of panels - stood at 5.9%, which was nearly three times the GDP projected for 2013. The Monthly Survey of Trade (*Pesquisa Mensal do Comércio* - PMC), conducted by the Brazilian Institute of Geography and Statistics (IBGE), shows that sales of furniture and home appliances should end 2013 with growth of around 5.9%, compared to growth of 12.2% in 2012. According to the Survey, sales of construction materials should grow 7.1% in 2013, as against 8% in 2012.

The Brazilian government's stimulus measures to drive consumption and, to a large extent, the resumption of real estate launches and earmarked credit programs such as the *Minha Casa Minha Vida* and *Minha Casa Melhor* programs, have increased demand in the retail sector.

From the Company's viewpoint, the key factors driving demand in the sectors in which it operates are: the Consumer Confidence Index, the increase in wage levels and credit availability. Despite the slowdown in relation to 2012, these factors have still contributed to the growth in demand, albeit at lower levels. Projections show that the retail sector will continue to benefit from the improvement in these indicators, which should also reflect the lower debt levels of the population and the impact of the *Minha Casa Melhor* program in 2014.

The depreciation of the Brazilian real in 4Q13 had an immediate impact on the Company's direct costs and operating margins. A significant portion of the raw materials sourced is pegged to the U.S. dollar. In addition, Petrobras has amended its pricing policy for items that do not directly affect inflation but which are important for the Company while fixing prices. Notable among these are solvents in general and urea, whose price adjustments have not kept in line with international parameters. Also with regard to costs, there was a shortage of formaldehyde in the fourth quarter which, combined with the weakening real and the increase in urea prices, pushed up the prices of the main raw material for the production of MDF and MDP.

The beginning of 2014, marked by expectations of power rationing, continuation of the monetary tightening policy and oscillations and volatility of the Brazilian real, brought uncertainties to the economic agents and the impact of all these on the economy as a whole still remains unclear.

In such a scenario, the Company will take extra measures to cut costs and launch new products in order to increase its competitive advantage.

Market for products

The net revenue growth of 10.7% in 4Q13 mainly reflects the increase in export volume, of 60%, in addition to the Paint segment, which registered growth of 11.2% in sales volume. The Company increased its prices in both the Wood and Paint segments, which was partially offset by the increase in costs.

Domestic sales in the Wood segment grew 0.4% in 4Q13 in relation to 4Q12. The slowdown in sales volume growth, which came to 6.9% in the year, mainly reflects the performance of the T-HDF/MDF line. In 4Q12, this line operated close to capacity but production was slightly lower in other quarters of the year.

In 2014, the Company plans to install new equipment in the T-HDF/MDF Line to increase production by 15% to 20%.

Paint sales volume increased 11.2% in the quarter, while market growth was 0.5%, according to the Brazilian Paint Manufacturers Association (ABRAFATI). Annual growth stood at 7.5%. In a highly competitive market, the Company has focused its efforts on launching new products and on improving its relations with clients to sustain its growth at above the market levels.

Operating Performance
2005 - 100 base

Sales Volume	4Q13	4Q12	Var. (%)	2013	2012	Var. (%)
Panels (DM)	152	152	0.4%	163	152	6.9%
Panels (EM)	100	63	60.1%	78	61	27.3%
Paint	342	308	11.2%	366	341	7.5%

DM - Domestic Market / EM - Export Market

Results

Net revenue

Net Revenue Breakdown (R\$ million)	4Q13	4Q12	Var. (%)	2013	2012	Var. (%)
Wood Paint	218.2	202.3	7.9%	858.5	740.5	15.9%
Paint Segment	65.7	55.4	18.8%	233.7	203.8	14.7%
Other	9.2	7.2	28.2%	26.0	19.1	36.1%
Net Revenue	293.1	264.8	10.7%	1,118.3	963.5	16.1%

Net revenue totaled R\$ 293.1 million (R\$ 264.8 million in 4Q12). The table above details the revenues earned and the percentage growth registered in each segment in the fourth quarter and during the year.

The following are worth mention:

- » in the Wood segment, the main factors behind the improved performance in 4Q13 were the growth in exports, the foreign exchange variation and the rebuilding of prices in the domestic market. In the year, the growth of 15.9% in Net Operating Income reflects the rebuilding of prices and the growth in T-HDF/MDF and Laminated Flooring sales volumes, of 22% and 18.5%, respectively; and
- » in the Paint segment, the growth of 18.8% in the quarter and 14.7% in the year reflects the increase in sales volume and rebuilding of prices.

Cost of Goods Sold (COGS)

The 8.0% increase in COGS during the quarter reflects the increase in the prices of a few key raw materials, especially urea formaldehyde resin, the main input in the production of panels. In the

Paint segment, a significant part of the raw materials is impacted by exchange rate variations, which too drove up costs.

Gross Income and Gross Margin

Gross Income in 4Q13 was R\$ 102.2 million, compared to R\$ 82.9 million in 4Q12. Gross margin in the quarter reached 34.9%, up 3.5 p.p. from the same period the previous year. Part of this result is due to scale expansion and the improved performance of the T-HDF/MDF, which operated at more stabilized production levels.

Operating Expenses

Breakdown of Expenses (R\$ million)	4Q13	4Q12	Var. (%)	2013	2012	Var. (%)
Selling	(41.3)	(36.7)	12.4%	(154.6)	(137.4)	12.5%
General and Administrative	(14.6)	(14.6)	0.5%	(52.8)	(50.9)	3.8%
Total Operating Expenses	(55.9)	(51.3)	9.0%	(207.4)	(188.3)	10.2%
% Net Revenue	-19.1%	-19.4%	-0.3 p.p.	-18.5%	-19.5%	-1 p.p.
Other Operating Income and Expenses	(3.5)	1.3	-367.7%	(8.6)	1.3	-750.4%

Operating expenses as a ratio of net revenue remained practically stable in 4Q13, while decreasing 1.0 p.p. in the year.

EBITDA and EBITDA Margin

As a result of the above, recurring EBITDA totaled R\$ 56.7 million, up 10.7% from 4Q12. Recurring EBITDA margin stood at 19.4%, an increase of 19.3% year on year. Recurring EBITDA margin in 2013 was 20.5%, compared to 19.1% in 2012.

EBITDA Reconciliation (R\$ million)	4Q13	4Q12	Var. (%)	2013	2012	Var. (%)
Net Income	8.5	34.5	-75.3%	88.9	88.4	0.5%
Income and Social Contribution Taxes	2.1	5.7	-62.7%	13.4	25.6	-47.6%
Net Financial Income (Loss)	16.0	13.0	23.1%	57.5	58.7	-2.1%
EBIT	26.7	53.3	-49.9%	159.8	172.8	-7.5%
Depreciation and Amortization	30.1	28.1	7.1%	116.9	99.9	16.9%
EBITDA under CVM instr. 527/12	56.9	81.5	-30.2%	276.7	272.7	1.5%
EBITDA Margin	19.4%	30.8%	-11.4 p.p.	24.7%	28.3%	-3.6 p.p.
Non-cash adjustments						
Fair value variation in biological assets	(16.2)	(9.9)	63.7%	(49.1)	(41.8)	17.5%
EBITDA adjusted by non-cash events	40.7	71.6	-43.2%	227.5	230.9	-1.4%
Non-recurring events ⁽¹⁾	16.1	(20.3)	-179.0%	2.2	(46.5)	-104.7%
Recurring adjusted EBITDA	56.7	51.2	10.7%	229.7	184.4	24.6%
Adjusted recurring EBITDA Margin	19.4%	19.3%	0 p.p.	20.5%	19.1%	1.4 p.p.

(1) non-recurring events: 4Q13 - mainly the complement of Refis IV and early terminations and labor claims.

4Q12 - mainly untimely ICMS tax credits

Recurring Net Income

Recurring net income totaled R\$ 24.6 million in 4Q13, up 73.2% from 4Q12, and totaled R\$ 91.1 million in 2013, an increase of 117.5% from R\$ 41.9 million in 2012.

Debt

The Company's net debt at the end of 4Q13 totaled R\$ 283.1 million and was equivalent to 1.2 times its annualized EBITDA. Debt reduction was not greater only because of the exchange variation.

In October 2013, the Company concluded the issue of Agribusiness Credit Rights Certificates (CDCA), raising R\$ 70 million. These funds will enable the Company to lengthen its debt profile and improve its liquidity.

Debt (R\$ Million)	2013	2012	Var. (%)
Short Term Debt	121.1	147.1	-17.7%
Long Term Debt	182.7	126.9	44.0%
Gross Debt	303.8	274.0	10.9%
Cash and Cash Equivalents	20.7	6.9	200.5%
Net Debt	283.1	267.1	6.0%
% Short Term Debt	40%	54%	-13.8 p.p.
Net Cash (Debt)/EBITDA	1.2	1.4	-15.0%

Capex

Capex in the quarter mainly went to the plantation of forests, acquisition of ancillary equipment to increase capacity and reduce production costs of the T-HDF/MDF line, and other working capital and maintenance investments.

Sustainability

Eucatex's forest sustainability, including for its new T-HDF/MDF line, is assured by 46,000 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 120-kilometer radius 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 4Q13 at R\$ 6.80. Eucatex's market capitalization at the end of the quarter stood at R\$ 629.8 million, equivalent to approximately 63% of its book value.

About Eucatex

Eucatex S.A. Indústria e Comércio completes 63 years in 2014. It 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 2,490 people. Its products are exported to more than 37 countries. For more information, visit 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 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 4Q13, the Eucatex Group did not contract any services from Grant Thornton Auditores Independentes other than audit services.

Income Statement

Income Statement (R\$ million)	4Q13	4Q12	Var. (%)	2013	2012	Var. (%)
Gross Revenue	360.3	297.9	21.0%	1,375.1	1,190.0	15.6%
Sales taxes and Deductions	(67.2)	(33.1)	103.1%	(256.9)	(226.5)	13.4%
Net Revenue	293.1	264.8	10.7%	1,118.3	963.5	16.1%
Fair value variation in biological assets	16.2	9.9	63.7%	49.1	41.8	17.5%
Cost of Goods Sold	(207.2)	(191.8)	8.0%	(789.3)	(692.1)	14.1%
Gross Income	102.2	82.9	23.2%	378.1	313.2	20.7%
% Gross Margin	34.9%	31.3%	3.5 p.p.	33.8%	32.5%	1.3 p.p.
Selling Expenses	(41.3)	(36.7)	12.4%	(154.6)	(137.4)	12.5%
General and Administrative Expenses	(13.1)	(12.6)	4.0%	(45.2)	(43.5)	3.9%
Management Compensation	(1.6)	(2.0)	-21.6%	(7.6)	(7.4)	2.8%
Other Operating Income / (Expenses)	(3.5)	1.3	-367.7%	(8.6)	1.3	-750.4%
Operating Income (Expenses)	(59.4)	(49.9)	18.9%	(216.0)	(187.0)	15.5%
Net Income before Financial Result	42.8	33.0	29.7%	162.0	126.3	28.3%
Financial Income (Expense)	(16.0)	(13.0)	-23.1%	(57.5)	(58.7)	2.1%
Non-recurring Income (Expense)	(1.4)	20.3	-107.0%	(2.2)	46.5	-104.7%
Net Income after Financial Result	25.3	40.3	-37.1%	102.3	114.0	-10.3%
Provision for Income and Soc. Contr. Taxes	(2.1)	(5.7)	-62.7%	(13.4)	(25.6)	-47.6%
Net Income (Loss) before Non-Controlling Interest	23.2	34.5	-32.9%	88.8	88.4	0.5%
Non-controlling interest	0.0	-	0.0%	0.0	0.0	-52.0%
Net Income (Loss) for the Year	23.2	34.5	-32.9%	88.9	88.4	0.5%
Net Margin	7.9%	13.0%	-5.1 p.p.	7.9%	9.2%	-1.2 p.p.

Balance Sheet

Balance Sheet (R\$ '000)	2013	2012	Var. (%)
ASSETS			
Current Assets			
Cash and Cash Equivalents	11.6	5.3	119.9%
Marketable Securities	9.1	1.6	463.5%
Trade Accounts Receivable	259.1	204.1	26.9%
Inventories	137.6	111.3	23.5%
Inventories	-	-	0.0%
Taxes Recoverable	30.6	24.2	26.4%
Prepaid Expenses	2.6	2.7	-4.2%
Unrealized losses	-	-	0.0%
Other receivables	2.9	2.9	0.9%
Total Current Assets	453.4	352.1	28.8%
Non-Current Assets			
Long-Term Assets			
Trade Accounts Receivable	7.3	5.9	23.8%
Inventories	-	-	0.0%
Taxes Recoverable	3.8	6.3	-38.7%
Deferred income and soc. Contr. Taxes	-	-	0.0%
Goods held for sale	0.7	0.7	-0.2%
Investment properties	27.7	28.0	-0.9%
Judicial Deposits	8.7	9.5	-8.7%
Other receivables	17.2	17.2	0.0%
Total Long-Term Assets	65.5	67.6	-3.1%
Permanent Assets			
Investments	-	-	0.0%
Biological Assets	340.0	1,063.6	-68.0%
Fixed Assets	1,060.9	296.0	258.4%
Intangible Assets	0.3	0.4	-19.8%
Total Permanent Assets	1,401.2	1,360.0	170.6%
Total Non-Current Assets	1,466.7	1,427.6	2.7%
Total Assets	1,920.2	1,779.7	7.9%
LIABILITIES			
Current liabilities			
Trade Accounts Payable	108.3	93.3	16.1%
Loans and Financing	108.2	146.9	-26.4%
Labor Liabilities	30.2	26.1	15.5%
Tax Liabilities	15.4	12.5	23.1%
Inventories	-	0.1	-100.0%
Tax Installments	38.2	35.5	7.7%
Deferred Income and Soc. Contr. Taxes	-	-	0.0%
Advances from Clients	27.9	17.7	58.1%
Dividends and interest on equity payable	56.7	47.9	18.2%
Unrealized profits	-	-	0.0%
Debentures payable	12.9	0.2	5702.6%
Accounts Payable	34.8	28.0	24.5%
Total Current Liabilities	432.6	408.2	6.0%
Non-Current Liabilities			
Loans and Financing	121.0	53.1	128.0%
Trade Accounts Payable	2.0	2.6	-23.0%
Tax Installments	67.8	73.0	-7.1%
Deferred Income and Soc. Contr. Taxes	76.8	72.2	6.5%
Provision for Contingencies	18.8	28.2	-33.3%
Debentures payable	61.6	73.8	-16.5%
Total Long-Term Liabilities	348.1	302.8	15.0%
Shareholder's Equity			
Capital	488.2	488.2	0.0%
Revaluation Reserves	208.2	212.3	-1.9%
Profit Reserve	348.7	270.8	28.8%
Asset Valuation Adjustment	97.0	100.3	-3.2%
Other Comprehensive Income	0.3	0.0	1312.8%
Treasury Stock	(2.9)	(2.9)	0.0%
Retained Earnings/Accumulated Losses	-	-	0.0%
Total Shareholder's Equity	1,139.5	1,068.7	6.6%
Non-controlling interest	-	-	0.0%
Total Shareholder's Equity & Non-controlling I	1,139.5	1,068.7	6.6%
Total Liabilities and Shareholder's Equity	1,920.2	1,779.7	7.9%

Cash Flow

Cash Flow (R\$ 000)	2013	2012
Net Income before Income and Social Contribution Taxes	102.4	114.0
Adjustments to Reconcile Net Income and Operating Cash Flow		
Depreciation and Amortizations	60.9	49.7
Exhaustion of biological assets	55.9	50.3
Residual Value of Fixed Assets Sold	0.7	0.3
Fair value variation in biological assets	(49.1)	(41.8)
Investments write-off	-	-
Write-off of investments	0.3	0.4
Result from Affiliated Companies	-	-
Interest, Monetary and Exchange Variations on Loans	-	-
Interest, Monetary and Exchange Variations, net	33.6	15.4
Provision for inventory losses	0.4	-
Income and social contribution taxes in the period	(12.8)	(15.9)
Deferred income and social contribution taxes	(0.6)	(9.7)
Provision (reversal) for liabilities and others	7.3	3.1
Provision for obligations with shareholders	-	-
Changes in operating assets and liabilities		
Marketable Securities	(7.5)	7.3
Trade accounts receivable	(56.2)	(17.5)
Inventories	(26.6)	(7.6)
Recoverable taxes	(4.6)	3.7
Deferred income and soc. Contr. Taxes - 11,638/07	4.7	9.7
Deferred expenses	0.1	(0.2)
Judicial deposits	0.8	(1.6)
Other receivables	(0.0)	2.8
Trade accounts payable	14.4	(6.1)
Labor and Tax Liabilities	0.2	(6.3)
Tax Installments	(12.1)	(31.8)
Advances from Clients	10.3	13.3
Provision for contingencies	(9.4)	(49.0)
Accounts payable	6.8	(5.4)
Net Cash Flow from Operating Activities	119.9	77.1
Cash Flow from Investing Activities		
Capital transfer to subsidiaries	-	-
Capital reduction on subsidiaries	-	-
Marketable Securities	-	-
Addition to fixed assets	(58.8)	(72.3)
Addition to biological assets	(50.9)	(46.1)
Net Cash Flow from Investing Activities	(109.7)	(118.4)
Cash Flow from Financing Activities		
Amortization of Loans	(157.3)	(141.3)
Loans	162.4	108.4
Intercompany loans	(0.1)	0.1
Treasury shares	(0.0)	-
Payment of dividends/Interest on equity	(9.6)	(2.8)
Debentures	0.5	74.0
Net Cash Flow from Financing Activities	(3.9)	38.5
Increase (Reduction) in Net Cash and Cash Equivalents	6.3	(2.9)
Cash and Cash Equivalents		
Beginning of period	5.3	8.1
End of period	11.6	5.3
Supplementary information:		
Income and social contribution taxes paid	(13.3)	(12.7)
Interest paid	-	-