

SUSTAINABILITY WITH VALUE CREATION

DURATEX MAINTAINS A BUSINESS MODEL WHICH COMBINES ASPECTS LINKED TO THE SUSTAINABILITY OF ITS OPERATIONS WITH THE CREATION OF VALUE. AS A RESULT, IT BRINGS TOGETHER THE PURSUIT OF COMMERCIAL RESULTS IN AN ETHICAL WAY WHICH INCLUDES RESPECT FOR THE LAW, THE PRESERVATION OF THE ENVIRONMENT AND SOCIAL RESPONSIBILITY. IT WAS THE FIRST COMPANY IN LATIN AMERICA TO OBTAIN FSC CERTIFICATION FROM THE FOREST STEWARDSHIP COUNCIL. IT INVESTS IN TECHNOLOGY AND INNOVATION TO MANUFACTURE WOOD PRODUCTS, VITREOUS CHINA AND METAL FITTINGS WHICH ARE SYNONYMOUS OF QUALITY AND MARKET LEADERSHIP.



MAIN INDICATORS (GRI 2.8)

	2003	2004	2005	2006	2007	CAGR
Shipments						
Wood ('000 m ³)	905.6	1,050.8	1,040.4	1,218.5	1,307.6	9.6%
Deca ('000 parts)	13,318	13,747	12,825	13,981	15,489	3.9%
Results (R\$ million)						
Net revenues	989.6	1,188.2	1,270.6	1,489.2	1,670.6	14.0%
Domestic market	799.4	950.6	1,065.7	1,265.6	1,478.0	16.6%
Export market	190.2	237.6	204.9	223.6	192.6	0.3%
EBITDA	232.2	320.6	362.6	458.1	558.1	24.5%
Net income	64.0	125.3	137.1	226.0	318.9	49.4%
EPS (R\$)	0.54	1.06	1.16	1.78	2.46	45.4%
Added Value	658.3	761.1	865.3	1,001.5	1,136.6	14.6%
Return						
Gross margin	36.4%	39.1%	41.5%	43.2%	45.0%	-
EBITDA margin	23.5%	27.0%	28.5%	30.8%	33.4%	-
Net margin	6.5%	10.5%	10.8%	15.2%	19.1%	-
Return on Equity (ROE)	7.0%	13.1%	13.5%	18.3%	21.8%	-
Return on Invested Capital (ROIC)	8.1%	10.6%	12.3%	15.9%	18.6%	-
Financial						
Total Assets (R\$ million)	1,664.2	1,806.9	1,941.7	2,375.2	2,630.5	12.1%
Shareholders' Equity (R\$ million)	936.6	990.4	1,050.9	1,395.8	1,535.8	13.2%
Debt (R\$ million)	452.2	517.7	591.0	618.2	670.7	10.4%
Net Debt/Sh. Equ. (%)	37.0%	40.9%	33.6%	3.1%	0.5%	-
Net Debt/EBITDA	1.51	1.28	0.98	0.10	0.01	-
Capital expenditures	172.8	136.8	108.4	105.4	222.3	-
Dividends						
Gross dividends competence system (R\$ million)	25.7	58.1	46.4	76.9	154.6	56.6%
Gross dividends (cash) (R\$ million)	24.4	29.1	52.7	51.8	149.1	20.7%
Dividends/net income (pay-out)	40.0%	46.4%	33.8%	34.0%	48.5%	-
Dividend yield (cash)	4.0%	4.6%	3.6%	2.8%	3.5%	-
Capital Markets						
Number of shares issued ('000)	117,827.2	117,827.2	117,827.2	128,125.8	129,695.4	-
Average daily trading (R\$ million)	1.1	1.5	1.3	8.2	27.2	223%
Share price at end of period (R\$)	8.30	12.40	14.85	33.20	43.50	51.3%
Market Value (R\$ million)	978.1	1,461.0	1,749.7	4,253.2	5,641.7	55.0%
Book value of share at period (R\$)	8.01	8.41	8.95	10.9	11.90	10.4%
Operational						
Number of direct employees	5,829	5,951	5,890	6,076	6,785	
Number of outsourced employees	144	132	149	161	114	
Productivity* (R\$'000/emp.) Deca	124.8	142.5	154.7	160.7	162.4	
Productivity* (R\$'000/emp.) Wood	239.5	283.6	306.3	382.6	384.7	
Social						
Social related investments (R\$ million)	2.4	1.4	1.8	2.0	2.6	
Employees trained	38,808	42,945	33,894	44,356	61,121	
Environment						
Investments related to environment (R\$ million)	7.3	6.1	9.4	10.2	13.6	
Consumption of water - Wood (m ³ /m ³)	4.2	3.6	3.6	3.0	3.2	
Consumption of water - Deca (l/part)	61.6	55.6	54.6	55.6	54.1	

PROFILE

Duratex S.A. is a privately-owned Brazilian listed Company, the shares of which are traded on the São Paulo Stock Exchange. It operates through two business divisions: Wood and Deca. The Wood Division is the Brazilian market leader in the production of reconstituted wooden boards, with hardboard, particle-boards (MDP), high, medium and superdensity fiber boards (MDF, HDF and SDF) and laminated floors sold under the Durafloor brand. The Deca division produces and sells metal fittings and vitreous china and their related accessories. The products are represented by the Deca brand and the Hydra brand (for flushing valves). It is the leader in the domestic metal fittings segment and holds a prominent position in the vitreous china market. The furniture industry and civil construction sectors are the main consumers of its products. **(GRI 2.1, 2.2, 2.6 and 2.7)**

The Company is controlled by Itaúsa – Investimentos Itaú S.A., the second-largest private business group in Brazil which also has leading positions in the areas of finance, information technology, insurance and chemicals. Duratex was founded in 1951 as a listed Company. It has been part of Level 1 of Corporate Governance of the São Paulo Stock Exchange (Bovespa) since 2005. It is included in the Ibovespa, an index of the main shares traded, and the IBrX-50 index, which includes the 50 most liquid shares on the market.

Duratex had 6,785 employees at the end of 2007, eight industrial plants in Brazil, seven of which are located in São Paulo state, and one in Rio Grande do Sul. Its head office is located in the city of São Paulo from where it manages a portfolio of approximately 11,000 active clients (i.e. those which have made a purchase in the previous year). It is also active outside Brazil and has a small metal fittings plant in Argentina, Deca Piazza, as well as sales subsidiaries in the United States (Duratex North America) and Europe (Duratex Europe). Vitreous china and metal fittings are exported to 35 countries where they are sold in around 1,400 points. **(GRI 2.3, 2.4, 2.5 and 2.8)**

The good economic period Brazil is experiencing allowed Duratex to use practically all its installed capacity in 2007, which is comprised by 1.5 million m³ of wood panels, 14.4 million metal fittings and 3.8 million pieces of vitreous china. The Company's expansion plan, which is to be concluded in 2009, includes reducing bottlenecks in the production processes, particularly in the metal fittings and vitreous china areas which have gained an additional capacity of 8% and 5%, respectively. Besides this expansion, a further 9,400 hectares of land was acquired as part of the plan to increase the production capacity of MDF boards which will be concluded in 2009. **(GRI 2.9)**

Duratex owns approximately 110,000 hectares of forests and is currently self-sufficient in wood. The reserves at Lençóis Paulista, Botucatu, Itapetininga and Agudos in upstate São Paulo have been certified with the seal of the Forest Stewardship Council (FSC), an international organization. This confirms that the forests are managed in a correct way from the point of view of sustainability. The forest areas in Botucatu and the plant nursery also have ISO 14.001 certification, confirming that they are managed in an environmentally-friendly way.

Net revenues in 2007 came to R\$1,670.6 million, with net income of R\$318.9 million and EBITDA of R\$ 558.1 million, equivalent to an EBITDA margin of 33%. At the end of the year, the Company's market capitalization amounted to R\$5.6 billion. **(GRI 2.8)**

MISSION (GRI 4.8)

To offer high performance products and services in a safe and profitable way, developing training and forming partnership with clients, suppliers, communities and employees, creating value throughout the entire productive chain.

VISION (GRI 4.8)

To be a leading, world-class company, operating in a social and environmentally responsible way in the reconstituted wood products segment and the finishing area for civil construction, generating a significant, permanent return for the shareholders and providing employees, clients, consumers, suppliers and the community with a sense of well-being, satisfaction and realization.

VALUES (GRI 4.8)

- Integrity: to behave in an ethical, fair, consistent and transparent way in relation to what the company believes, says and does.
- Appreciating individuals: to promote conditions for the development of individual and collective skills and the training of successors.
- Participation: sharing values, experiences and ideas, encouraging cooperation, working as a team and respecting diversity.
- Commitment: to act with constant enthusiasm, reflecting the feeling of pride for the brand and in everything the company does.
- Social and environmental responsibility: to interact with the community and the environment in a balanced and supportive manner, encouraging and promoting social programs, reuse of resources and sustainable development.

CODE OF CONDUCT

The Code of Ethics and Conduct was published in 2007 as part of a common process within the Itaúsa Industrial companies. It brings together the principles which must guide the daily business practices. It defines the forms of relationships with the interested public groups, such as shareholders, clients, suppliers, the public authorities and the media, amongst others, based on an ethical framework which is transparent and operates according to the prevailing law. The document establishes a conduct based on the Company's values.

ABOUT THIS REPORT

From now on, Duratex will start presenting its report within the guidelines of the Global Reporting Initiative (GRI). This model of reporting requires a minimum amount of information presented in a standardized form which takes into account aspects related to the sustainability of the operations. The document presents indicators which are part of the G3 version, launched in October 2006 with the aim of strengthening the principles and detailing the technical protocols for the performance indicators. The initiative is part of the Company's strategy to create value in every part of the productive chain in a way which is socially fair, economically viable and correct in terms of the environment.

The information refers to the year 2007. The cycle of the reports is annual and the last one was published in May 2007. The definition of the content was undertaken through an exclusively internal process which took into account the Company's view of the importance of the issues for the public groups with which it has relations. **(GRI 3.1, 3.2, 3.3 and 3.5)**

The social and environmental indicators refer exclusively to the operations in Brazil. The accounting practices and financial statements follow the Brazilian standards (BRGAAP) and are audited. The indicators of a social and environmental nature are not audited. The figures from the Social Balance Sheet – Ibase of 2006 were revised and appear on pages 64 and 65. **(GRI 3.6, 3.7, 3.8, 3.9, 3.10 and 3.13)**

The scope, limits and methods of measuring the indicators have not been altered to any great extent in relation to the previous years. The process of collecting the data lasted approximately three months and involved various areas of the Company. Duratex has an investor relations channel on its site (www.duratex.com.br). **(GRI 3.11)**

Questions on the content of this publication may be raised with the Investor Relations Department (telephone 55-11-3179-7279 and e-mail vpfinanceira.corporativa@duratex.com.br) or with the Management of the particular area (telephone 55-11-3179-7259 and e-mail investidores@duratex.com.br). **(GRI 3.4)**

MAPPING OF STAKEHOLDERS

At the end of 2007 the Company had 11,025 shareholders, 10,927 active clients, 5,461 suppliers, 6,785 direct employees and 114 outsourced or temporary workers. The employees are represented by 10 labor unions. The municipalities of São Paulo, Agudos, Botucatu, Itapetininga, Lençóis Paulista and Jundiaí, in São Paulo state, and São Leopoldo, in Rio Grande do Sul state, benefit directly from Duratex's activities, as do the state and federal governments through the collection of taxes and contributions which amounted to R\$467.4 million in the year. The Company also maintains relations with financial entities, the most important of which is the National Economic and Social Development Bank (local acronym, BNDES) to which it owes approximately 26.5% of all obligations in loans. These loans were used mainly for expanding operations.

The Company bases its relationships with these stakeholders on its Code of Ethics and Conducts which is founded on transparency, respect and legality, amongst other concepts. This Code has been published and can be consulted on the Company's website. It also includes space where complaints can be placed anonymously. The responsibility for ensuring the Code is followed lies with the Risks and Ethics Committee, made up of executives from the Itaúsa Industrial companies (Duratex S.A., Itautec S.A. and Elekeiroz S.A.). **(GRI 4.14 and 4.15)**



AWARDS PRESENTED IN THE YEAR (GRI 2.10)

Duratex's solidity and leading position on the market was recognized in 2007 by the Brazilian Economic Institute (Ibre) of the Fundação Getúlio Vargas business school which conferred its Business Excellence Prize on the Company. This award is regarded as the most important of those made to limited liability corporations in Brazil and was the result of a rigorous analysis and evaluation carried out by economists and analysts of the Fundação Getúlio Vargas, an institution which is recognized for its impartiality and credibility. Duratex was the champion in the wood products sector.

The Company also received an award in the "As Melhores da Dinheiro" survey by the magazine *IstoÉ Dinheiro* in the Construction and Decoration Material sector. The editorial committee of the magazine examines more than 500 companies with revenues of more than R\$50 million every year in this survey.

Another important prize Duratex received was the iF Product Design Award 2007 quality seal, regarded as the Oscar of Design, in the Household category. The presentation was made at the International Forum Design of Hannover, in Germany, and highlighted the Deca Division's Contemporânea metal line for its classic and traditional design enhanced by touches of innovation.

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MESSAGE FROM THE CHIEF
EXECUTIVE OFFICER (GRI 1.1)

A number of records were broken in 2007 due to the strong market demand which allowed us to use almost all our installed capacity.

Our gross revenues rose by 13% over 2006 to R\$2,226.2 million and net revenues increase by 12% to R\$1,670.6 million. EBITDA rose by 22% over the year to R\$558.1 million, equivalent to an EBITDA margin of 33% in the period compared with 31% the previous year. Net income was 41% higher and

amounted to R\$318.9 million, bringing a return on equity (ROE) of 22%, four percentage points higher than in 2006.

The record performance was due to macroeconomic factors and, in particular, to the choices and strategies the Company has adopted throughout its history. In 2007, we experienced the transition between two investment cycles. On one hand, we consolidated the capacity acquired through expansions made between 1997 and 2003, registering high levels of productivity, having the industrial occupation level bordered on 100%. On the other hand, the year was marked by the announcement of a new phase of growth with the decision to invest around R\$850 million in our main operating segments between 2007 and 2009.

The highlight was the expansion of the manufacturing plant at Agudos, in upstate São Paulo, with new lines which will have capacity to produce 800,000 m³ of MDF boards and coat

PAULO SETÚBAL NETO
CHIEF EXECUTIVE OFFICER



8.5 million m² of boards. Other large expansion projects will be undertaken in the Deca plant in the city of São Paulo and in Jundiaí, in São Paulo state. There will be an increase in production of metal fittings of 33%, with an increase of 400,000 pieces per month; production of vitreous china will rise by 44%, by more than 140,000 items a month.

This cycle of investments in operational expansion has been accompanied by measures of an environmental nature and improvements in corporate governance practices, relations with the various public groups, and processes to develop products with higher added value.

In 2007, we created the Social, Environmental and Cultural Sustainability Committee and the Trading and Disclosure of Material Acts and Facts Committee. We also established a Code of Ethics and Conduct, which is currently being distributed among all employees, and adopted two new policies – one on the Environmental and the other on Share Trading.

Our pledge to protect the environment resulted in the creation of the Olavo Egydio Setúbal Nature Reserve, an area of 600 hectares in Lençóis Paulista (SP). The reserve's rich biodiversity, with various native species of the Atlantic rainforest and other eco-systems and diverse kinds of animals, is a natural asset we will leave for future generations. In 2007 we began the process of joining the Chicago Climate Exchange, a market for selling carbon credits. As well as neutralizing all our own emissions, which gives us Carbon Free status, we still have a surplus which can be traded on this exchange.

Our performance on the São Paulo Stock Exchange was recognized by the inclusion of our shares in the Ibovespa index, which brings together the main shares traded on the market. Duratex was part of the original portfolio established in 1968 but was removed in August, 2000. Our shares were included in another important market in 2007 – the IBrX-50 index, which contains the 50 most liquid shares traded on the stock market.

We commemorated 60 years of existence by Deca, 75 years by Hydra and 50 years of the Forestry Area in 2007 and used these occasions to relive our memories in order to improve the present and plan a better future. The Hydra valve was renovated and now combines an esthetic appearance with an ability to save water; the Deca Division is constantly improving its operations and launching innovative products which are increasingly more related to clients' demands; and the Forestry Area registered a 100% ratio of cloned seedlings.

Our confidence in the future of Brazil, our partnership and the success of our business makes us optimistic about our projections. We wish to thank our employees, clients, suppliers, shareholders and society as a whole for the support and partnership in this effort to create sustainable value.



WE OBTAINED RECORD RESULTS IN 2007 AND EXPERIENCED THE TRANSITION BETWEEN THE TWO INVESTMENT CYCLES. WE USED PRACTICALLY 100% OF THE CAPACITY ACQUIRED IN EXPANSIONS REALIZED BETWEEN 1997 AND 2003 AND ANNOUNCED A NEW PHASE OF GROWTH. BY 2009, WE WILL HAVE INVESTED AROUND R\$850 MILLION IN EXPANDING THE WOOD, METAL AND VITREOUS CHINA LINES AND IN TRAINING TO MEET THE STRONG MARKET DEMAND FOR INNOVATIVE PRODUCTS WITH HIGHER ADDED VALUE.

CORPORATE GOVERNANCE



Improving corporate governance practices is something Duratex has done throughout its history. The year 2007 was marked by a strong advance in the area through a number of initiatives.

Two committees were created – the Social, Environmental and Cultural Committee and the Trading and Material Acts and Facts Disclosure Committee. Employees, directors and executives gained three new instruments aimed at delineating out and guiding their activities: the Code of Ethics and Conduct, the Environmental Policy and the Share Trading Policy. The Company adhered to the Manual on the Control and Disclosure of Relevant Information of the Brazilian Association of Listed Companies (Abrasca) which defines a number of issues in order to preserve the secrecy of privileged information.

Duratex is listed at Corporate Governance Level 1 of the São Paulo Stock Exchange (Bovespa). In some areas, it has gone beyond the basic requirements, such as maintaining a minimum of 25% of the free float (Duratex's current percentage is approximately 50%). The tag-along right is extended to the holders of preferred shares and guarantees minority shareholders the right to 80% of the value of the share paid to the controlling shareholders in the event of the Company being sold. The dividend distribution policy is also differentiated and amounts to 30% of the adjusted net income. A sign of Duratex's commitment to the widest disclosure of information was the Company's 21st annual presentation to members of the Association of Equity Analysts and Capital Market Professionals (Apimec). →

A NUMBER OF INITIATIVES WAS ADOPTED DURING THE YEAR TO IMPROVE CORPORATE GOVERNANCE PRACTICES. THESE INCLUDED THE CREATION OF A CODE OF ETHICS AND CONDUCT; TWO COMMITTEES – SOCIAL, ENVIRONMENTAL AND CULTURAL COMMITTEE AND THE TRADING AND DISCLOSURE COMMITTEE – AND THE ENVIRONMENTAL POLICIES AND SHARE TRADING POLICY. THE COMPANY ALSO ADHERED TO THE ABRASCA MANUAL ON THE CONTROL AND DISCLOSURE OF IMPORTANT INFORMATION.

BOARD OF DIRECTORS

The Board of Directors is responsible for laying down the general business policies and the supervision of the executive management. The members were re-elected unanimously at the Ordinary General Meeting in 2007 with a mandate of one year to the next meeting in 2008. It has nine members, one of whom is independent and represents the minority interests. The Board meets in ordinary session at least once every quarter. There is no formal qualification process for the members who are nominated and the chairman of the Board of Directors exercises no executive function in the Company. **(GRI 4.1 and 4.2)**

The independent member must meet the following conditions: he (or she) cannot have any link with the Company, except for any possible participation in the capital; he cannot be a controlling shareholder, member of the controlling group, spouse or relative to the second degree, or be linked to organizations related to the controlling shareholder; he may not be employed by or be a director of the Company or any of its subsidiaries; or be a spouse or relative to the second degree of any director or manager of the Company. **(GRI 4.3)**

The recommended mechanisms to access the Board of Directors include the supporting activities of the Excellence Committees, a representative of the minority shareholders as a member of the Board of Directors and having an Investor Relations area, which also act as a channel for shareholders' opinions. **(GRI 4.4)**

The supervision of the management and the identification of the business, social and environmental performance, including risks and opportunities, is made by the Board of Directors. The variable remuneration of the management and the participation in stock options program is linked to the business performance goals. **(GRI 4.5)**

MEMBERS OF THE BOARD OF DIRECTORS

Olavo Egydio Setúbal – Chairman of the Board of Directors and member since 1977. He graduated in Engineering from the Polytechnic School of São Paulo University (USP) in 1945. He manages the following companies: Banco Itaú Holding S.A., Itaúsa – Investimentos Itaú S.A., Itaotec S.A., Elekeiroz S.A. and Fundação Itaúsa Industrial. Mr. Setúbal has been Foreign Affairs Minister, mayor of São Paulo and a member of the National Monetary Council, National Private Insurance Council and the Institute of Technological Research.

Laerte Setúbal Filho – Member since 1980 and current vice-president of the Board of Directors. He graduated in Engineering from the Polytechnic School of São Paulo University (USP) in 1949. He has been manager of the Brazilian Foreign Trade Association (AEB), the Brazilian Forest Culture Society (SBS), the Institute for the Rationalization of Work (Idort), the Institute of Forestry Research and Studies (Ipef), the Federation of Industries of São Paulo (Fiesp), Scânia do Brasil S.A., Vidraria Santa Marina, Siemens S.A., Lion Empreendimentos, Samba S.A., Caterpillar do Brasil and Eternit S.A.

Maria de Lourdes Egydio Villela – Vice-president of the Board of Directors since 2001. She is a psychologist and graduated from the Catholic University of São Paulo (PUC-SP), in 1971. She is also currently vice-president of the Board of Directors of Itaúsa – Investimentos Itaú S.A., president of the São Paulo Modern Art Museum (MAM) and the Itaú Cultural Institute (Instituto Itaú Cultural) and a Goodwill Ambassador for Unesco. She is a founder and president of the voluntary bodies Wake Up and Take Part – Brazil Voluntary Institute and the São Paulo Voluntary Center.

Paulo Setúbal Neto – Member since 1990. He is vice-president of the Board of Directors and Chief Executive Officer of Duratex S.A., Itaotec S.A., Elekeiroz S.A. and the Fundação Itaúsa Industrial and manager of Itaúsa – Investimentos Itaú S.A. He is vice-president of the Federation of Industries of São Paulo (Fiesp) and the Brazilian Association of Listed Companies (Abrasca). He is also a board member of the World Childhood Foundation, the Institute of Engineering and the São Paulo Modern Art Museum (MAM). Mr. Setúbal is an engineer and graduated from the Industrial Engineering College (FEI) in 1971 and obtained a master's degree in Finance from the Fundação Getúlio Vargas (FGV) in 1974.

Alfredo Egydio Arruda Villela Filho – Member since 1996. He is a mechanical engineer graduated from the Mauá Technology Institute in 1992. He has a post-graduate degree in Business Administration from the Fundação Getúlio Vargas business school. He is also currently a manager of the following companies: Itaúsa – Investimentos Itaú S.A., Banco Itaú Holding Financeira S.A. and Itaotec S.A.



Jair Ribeiro da Silva Neto – Member since 2006. He is a lawyer and graduated in Law at São Paulo University (USP) and in Economics at the FAAP business school. He also has a master's degree in Law from the University of California – Berkeley. Mr. da Silva Neto is a businessman, chairman of CPM Braxis and a founder of Banco Patrimônio. He also has interest in the areas of foreign trade, IT, culture and education and was an executive with Chase Manhattan Bank in Brazil and New York.

Jairo Cupertino – Member since 1980. He graduated in Engineering from the Polytechnic School of São Paulo University (USP) and was Chief Executive Officer of Itautec until 1995. He is currently also manager of the following companies: Itaúsa – Investimentos Itaú S.A., Itautec S.A. and Elekeiroz S.A.

José Carlos Moraes Abreu – Member since 1980. He is a lawyer and graduated from São Paulo University (USP) in 1944. He is currently also manager of the following companies: Itaúsa – Investimentos Itaú S.A., Banco Itaú Holding Financeira S.A., Itautec S.A. and Elekeiroz S.A. Mr. Moraes Abreu was a member of the National Monetary Council, the Banks Association of São Paulo State, the Brazilian Federation of Banks, the Brazilian Leasing Association and a member of the Board of Directors of Libra Bank Ltd. (London).

Olavo Egydio Setúbal Jr. – Member since 1993. He is majored in business administration from the Fundação Armando Álvares Penteado (FAAP) business school. He is currently also manager of the following companies: Itaú Seguros, Banerj Seguros, Cia. de Seguros Gralha Azul, Bemge Seguradora, Paraná Cia. de Seguros and Gralha Azul S.A.

FISCAL COUNCIL

This is a non-standing body which oversees the executive management and evaluates the veracity of the information presented to the Company's General Meeting. In 2007, three members and three substitute members were elected, with one full and one substitute members representing minority shareholders.

EXECUTIVE MANAGEMENT

This body is responsible for managing the business and undertaking the decisions of the Board of Directors. In 2007 it consisted of a Chief Executive Officer, three vice-presidents, two executive directors and six general directors. It meets on a weekly basis and in extraordinary session whenever necessary.

MEMBERS OF THE EXECUTIVE BOARD

Paulo Setúbal Neto – Member since 1990. He is vice-president of the Board of Directors and Chief Executive Officer of Duratex S.A., Itautec S.A., Elekeiroz S.A. and the Fundação Itaúsa Industrial and manager of Itaúsa – Investimentos Itaú S.A. He is vice-president of the Federation of Industries of São Paulo (Fiesp) and the Brazilian Association of Listed Companies (Abrasca). He is also a board member of the World Childhood Foundation, the Institute of Engineering and the São Paulo Modern Art Museum (MAM). Mr. Setúbal is an engineer and graduated from the Industrial Engineering College (FEI) in 1971 and obtained a master's degree in Finance from the Fundação Getúlio Vargas (FGV) in 1974.

Guilherme Archer de Castilho – Executive vice-president. He is a company administrator and graduated from Mackenzie University. He is currently manager of Itautec S.A. and Itaúsa Empreendimentos.

Plínio do Amaral Pinheiro – Executive vice-president. He is a company administrator and graduated from the Fundação Getúlio Vargas (FGV) in 1975. He is currently manager of Fundação Itaúsa Industrial and the Brazilian Association of Listed Companies (Abrasca) and Director of Investor Relations of Duratex S.A.

Raul Penteado – Executive vice-president. He is a lawyer and graduated from Mackenzie University. He is also currently manager of Itautec S. A. and Fundação Itaúsa Industrial.

Enrique Judas Manubens – Executive Director. He is a mechanical production engineer and graduated from the Industrial Engineering College (FEI) in 1972, and also graduated in business administration from Mackenzie University. He is currently manager of the Brazilian Wood Board Industry Association (Abipa) and the Brazilian Association of High Resistance Laminated Floors (Abiplar).

Mário Colombelli Filho – Executive Director. He is an agricultural engineer and graduated from Luiz de Queiroz Agricultural College (Esalq/USP) in 1972. He also has a bachelor's degree in Business Administration from the Anchieta College.

Alexandre Coelho N. Nascimento – Director. He is an accountant and company administrator and graduated from the Machado Sobrinho College. He also has a post-graduate degree in

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Shareholder participation	December 2007	
	PN (%)	ON+PN (%)
ITAÚSA	8.0%	41.3%
PENSION FUNDS	10.1%	5.8%
FOREIGN INVESTORS	43.9%	28.7%
OTHERS	37.2%	23.8%
TREASURY	0.8%	0.4%
TOTAL	100.0%	100.0%

Economic Engineering from the same institution. Mr. Nascimento is also currently director of the Brazilian Wood Board Industry Association (Abipa).

Antonio Joaquim de Oliveira – Director. He is a forestry engineer and graduated from the University of Viçosa in 1984 and gained a master's degree in Economics and forestry planning from the same college in 1986. He also has a qualification in strategic business negotiation from the Fundação Getúlio Vargas, in 1994.

Antonio Massinelli – Director. He is lawyer and graduated from the Catholic University of São Paulo (PUC-SP) in 1982 and specialized in Civil Law at the University Extension Center (CEU) in 1994. He is also currently a director of the Brazilian Association of Private Pension Funds Companies (Apep).

Elcidir Elcio Bernussi – Director. He is a mechanical engineer and graduated from the Industrial Engineering College of São José dos Campos and in safety engineering from Unicamp. He also has a post-graduate degree in Industrial Administration from the Vanzolini Foundation/USP.

Flávio Dias Soares – Director. He is a company administrator and graduated from the Fundação Armando Álvares Penteado (FAAP) business school and has a postgraduate degree in Finance from São Paulo University (USP).

Marco Antônio Milleo – Director. He is a mechanical engineer and graduated from the Industrial Engineering College (FEI) with a post-graduate degree in Marketing Administration from the Fundação Getúlio Vargas (FGV).

COMMITTEES (GRI 4.4)

Two new committees were formed in 2007: the Social, Environmental and Cultural Committee, which supports the executive management, and the Trading and Disclosure Committee. To improve its practices, the Company created an Environmental Policy which got underway in 2007 and further improved its Code of Ethics and Conduct which is in the phase of being implemented in the plants.

Another advanced measure was the creation and adoption of a Share Trading Policy. The compliance with this policy is ensured by the new Disclosure and Trading Committee which consists of two members of the Board of Directors and the Director of Investor Relations. This committee is responsible for the definition and employment of the Disclosure Policy.

Besides these two new committees, another seven continue to operate. One – the Stock Options Committee – deals only with Duratex while the other six operate in combination with the other Itaúsa Industrial companies: Corporate Intelligence, Risks and Ethics, Corporate Governance, Management of Talents, Operational Excellence and Commercial Excellence. As the teams are formed by executives from other companies within the Itaúsa Group, the committee's activities bring greater synergy, the diffusion of better practices, lower costs and the creation of value for shareholders.

INVESTOR RELATIONS

In 2007, around 1,400 analysts and investors took part in four teleconferences and road shows in Brazil and abroad and individual and group meetings and visits to the plants. The Company site, with versions in English and Portuguese, had 346,000 accesses, 25% more than the previous year. The content available on the Internet contains the minutes of general meetings and Board of Directors meetings, management reports, material facts and the quarterly results. The respective teleconferences were also broadcast on the site.

EXTERNAL AUDIT

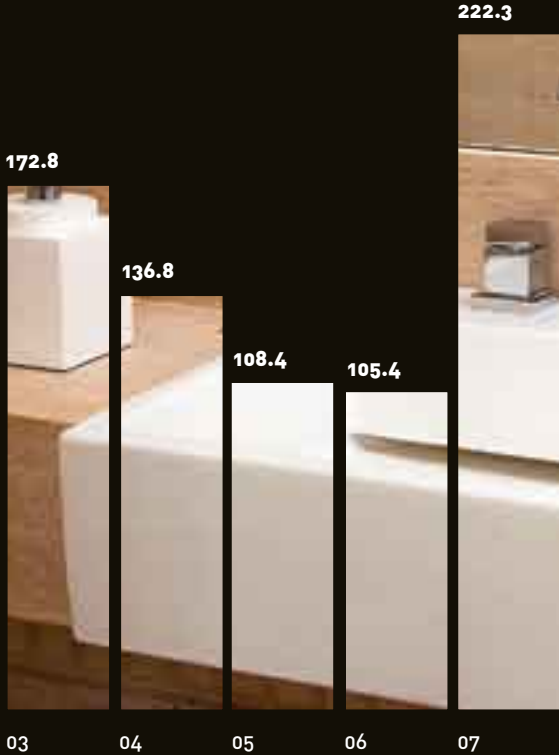
Independence is the base of Duratex's relationship with the external auditing which has been carried out by PricewaterhouseCoopers since 2004. Internationally-accepted principles direct the Company's operations and state that the auditor should not evaluate its own work, or exercise any management functions for the company or promote its interests. The Company contracted no services from the external auditor which were unrelated to the external audit in 2007.

SHAREHOLDER STRUCTURE

At the end of 2007, the subscribed, paid-up share capital came to R\$943.6 million. There were a total of 129.7 million issued shares, of which 53.6 million were common (ON) and 76.1 million were preferred (PN).



STRATEGIC MANAGEMENT AND INVESTMENTS



INVESTMENTS IN FIXED ASSETS TOTALED R\$222.3 MILLION IN 2007, 110% HIGHER THAN THE PREVIOUS YEAR, PREPARING THE COMPANY TO MEET THE GROWING DEMAND FOR ITS PRODUCTS. A TOTAL OF R\$850 MILLION WILL BE INVESTED IN THE PRODUCTION PLANTS BY 2009 ON A NEW LINE OF MDF BOARDS, THE ACQUISITION OF LAND AND THE EXPANSION OF LOW PRESSURE COATING CAPACITY, METALS AND VITREOUS CHINA.

The guideline which directs Duratex's activities is the creation of value within the strictest principles of sustainability. To do so, the Company plans its steps and investments on projections and launches based on the market trends and client demands. The Company is preparing to face the tougher competition as the current good economic period is attracting investments from its competitors. Its main differentials are supported by:

Innovation: Duratex's products are created to meet market demands obtained from surveys. Being innovative and ahead of the field are among the Company's differentials. New textures and models of Durafloor laminated floors were launched in 2007 with marked characteristics which were in line with the main international trends. The Deca Division maintained its strong activity in the luxury and higher luxury segments and reinforced its operations on the competitive market through the launch of products at a more accessible price and more updated design. The Max line of metal fittings is a case in point.

Quality: All Duratex products follow high standards of quality and the Company add guarantees which go beyond those of the plant. A broad network of technical assistance, present throughout Brazil, reinforces the credibility of the brands among clients.

Technology: Duratex's productive area operates using updated, advanced technology which helps cut costs and makes the operations more flexible, resulting in differentiated products in an increasingly competitive market. The

administrative area is also the focus of constant investments. In 2007 a decision was made on which company would supply and apply the Integrated Management System to make the business processes more flexible and safe. The SAP system was chosen; the implementation process is underway and should be finalized in 2009.

Eco-efficiency: Caring for the environment is one of the Company's main concerns and it invests in technologies to reduce energy consumption, increase the ratio of reused material and achieve maximum production with minimum resources. The Forestry Area invests at least R\$1.5 million a year on improving genetics, new materials and other actions which have led its plantations to obtain one of the best productive ratios in the sector. This amounts to 42 m³ of wood per hectare a year which compares with estimates for its competitors in the board sector of 38 m³ American companies normally have an average of 12 m³.

Cost management: The Company is constantly working to reduce operational costs. The scale of production, integrated wood supply system from its own renewable forests located close to the plants and the vertical system of production processes are essential factors in ensuring high productivity at lower costs. Initiatives directed at the re-use of input in the productive processes and the use of biomass in heating the boilers help cut costs and the use of non-renewable input materials.

CAPEX

Duratex invested R\$222.3 million in the acquisition of fixed assets during the year, an increase of 110% in relation to 2006 when investments came to R\$105.4 million. The period marks the start of a new cycle of expansion of installed capacity, a strategy founded on the prospects of higher market demand due to the positive outlook for the economy which is expected to continue in the coming years.

The ongoing expansion in the Wood Division includes a new line of MDF boards with annual capacity of 800,000 m³, the acquisition of 20,000 hectares of land for wood supply for this new line and the expansion of 35% in the Low Pressure coating capacity as a way of adding value to the boards. These investments are being carried out at the Agudos unit in São Paulo state. The investments in the Deca division will bring an expansion of productive capacity by 35% in metal fittings and 44% in vitreous chinaware. The biggest investment in the corporate area was the contracting of a company to set up a new integrated management system, the ERP (Enterprise Resource Planning). The software will be provided by SAP and the hardware by IBM, with CPM Braxis assuming responsibility for the handling of the implementation process.

The Use of Resources Plan foresees investments of R\$850 million in the period between 2007 and 2009, when another phase of the expansion will be concluded.



COMPETITIVE ADVANTAGES

Solidity, tradition, credibility, professional training, finance, constant investment in innovation and technology and strong brands are the main intangible assets on which Duratex has founded its consistent value creation. The Company's main competitive differentials in relation to its competitors are based on economies of scale, a wide variety of products directed at the most varied consumer segments, management by results and the right capital structure for growth.

LOW COST

Duratex's leading position in the wooden boards and metal fittings sector allows it to gain from benefits of scale which are difficult for other companies in the sector to duplicate. As well as benefiting from this outstanding position to produce more at lower costs, the Company has also enriched its sales mix by creating new products and models. In 2007, it launched 80 models and accessories in the Wood Division, 76 metal fittings products and 10 new vitreous china items to expand its broad, diversified portfolio even further.



DURATEX'S OUTSTANDING POSITION IN ITS OPERATING MARKETS IS STRENGTHENED BY ITS COMPETITIVE DIFFERENTIALS. THESE ARE INTANGIBLE ASSETS WHICH ENSURE THE COMPANY HAS AN ADVANTAGE IN BUILDING ITS RESULT, SUCH AS THE LOW COSTS REPRESENTED BY ECONOMIES OF SCALE, THE MERCADOLOGICAL COMPOSITION, MARKET LEADERSHIP, FINANCIAL SOLIDITY RESULTING FROM THE CAPITAL STRUCTURE AND EXPERIENCED MANAGEMENT, DIRECTED AT VALUE CREATION.

On top of these advantages, the Company is also self-sufficient in wood production. The year 2007 was the first in which the Forestry Area supplied all the wood used by the Company. Its planted forests are also located close to the production plants. While the competition plants are located an average distance of 140 kilometers from the source of supply in Duratex, this distance is only 55 kilometers away. This allows it to make savings in logistics. The average freight cost of the untrimmed wood is US\$4.80 per m³ compared with the estimated cost for the competition of US\$9.50. The average productivity of the forests is also higher than that of other companies in the sector and comes to 42 m³ per hectare a year compared with an average of 38 for the other companies.

MARKETING COMPOSITE

Duratex's products are created and projected to meet the demands of the different consumer segments and the Company is the leader in the high-end markets, particularly through the Deca brand. In 2007, its range of products was expanded with the launch of more inexpensive products for consumers with lower purchasing power. These products were well received by the market and revenues surpassed the initial expectations.

The Company has registered almost 163 brands at the National Industrial Property Institute (Inpi). The best-known brands, such as Deca, Hydra, Durafloor, Duratree, Duraplac, MaDeFibra, Madepan, Madeplac and Acrópole, along with the logo of the rhinoceros (the Company symbol), amongst others, are also registered abroad.

The Company is adopting a series of actions to strengthen its brands. A marketing campaign was held in magazines and the dedicated media in 2007 which strengthened the relation between the wood products and the rhinoceros symbol with slogans such as "Duratex. Solid, reliable and committed to you. The rhinoceros guarantees it". The client loyalty promoted by the strengthening of the brands and other initiative aimed at specific public groups of opinion-formers is reflected in the Company's market share. The Wood Division has an estimated share of approximately one-third of the Brazilian segment of reconstituted wooden boards while the Deca Division has around 40% of the metal fittings market and almost 20% of the vitreous china market, being predominant in the premium segments. The widespread sales and services network which helps differentiate the brands is a part of the mercadological composition. Duratex products are available throughout Brazil and the Company has an extensive network of technical assistance of more than 400 points. In 2007, 600 professionals from this area, who form an exclusive relationship channel with the end clients, visited the head office for special training.

COMPETITIVE POSITIONING

Besides benefiting from leading brands and geographical location which differentiate it from the competition, the Company has a low net debt (R\$7.9 million at the end of 2007). This capital structure allows it to invest in expansion, such as the new cycle initiated in 2007 which will extend to 2009. The Company's history of achieving good results leads to a reliable relationship with financial institutions and gives it access to a diversified source of financing.

MANAGEMENT

The idea of continuity which permeates most of the Company's actions is due partly to the experience of its managers. Their knowledge of the market, the low turnover of positions and their commitment to growth has resulted in a management which is safe and efficient. The corporate governance structure which stresses transparency and follows the best market practices is another differential in Duratex's activities.



SALES VOLUME GREW BY 7% IN 2007 TO 1,307.6 THOUSAND M³, WITH THE USE OF PRACTICALLY ALL THE INSTALLED CAPACITY OF THE INDUSTRIAL PLANTS. THE PERFORMANCE WAS DRIVEN BY THE LAUNCH OF 80 PATTERNS AND ACCESSORIES, THE COMMERCIAL SEGMENTATION AND THE EXPANSION OF THE PRESENCE OF BOARDS IN THE KITCHEN AND OFFICE FURNITURE SECTIONS.

WOOD DIVISION





Brazil is one of the world's leading producers of reconstituted wooden boards. The consumer market is met by approximately 14,900 furniture makers, mainly family-owned and small to medium-sized firms. The furniture industry is extremely important for the Wood Division as it consumes approximately 60% of the volume of wooden boards on the domestic market. The civil construction sector has been expanding rapidly to meet the growing demand for new buildings which have been constructed. This situation has benefited the Wood Division which registered an increase of 10% in its net revenues over 2006, amounting to R\$1,104.5 million, of which 86% came from the domestic market. The Wood Division used practically all its installed capacity during the year and shipped 1,307,653 m³, 7% more than the previous year. EBITDA grew by 16% to R\$410.0 million, with a margin of 37% compared with 35% the previous year.

The Company has four industrial units in São Paulo state (in Agudos, Botucatu, Itapetininga and Jundiaí) which produce medium density fiber boards (MDF) high density fiber boards (HDF), laminated floors under the Durafloor brand, hardboards and particle boards (MDP). It has installed capacity of 1.5 million m³ annually, corresponding to approximately one-third of the total in Brazil. This ensures its market leadership.

Shipment

	(cubic meters)		
	2006	2007	Variation
Standard	855,855	889,787	4%
Coated	362,659	417,866	15%
Total	1,218,514	1,307,653	7%

Net revenues

	(R\$ million)		
	2006	2007	Variation
Domestic market	825.6	951.9	15%
Export market	178.8	152.6	-15%
Total	1,004.4	1,104.5	10%

Wood – sales domestic market

REGION		SEGMENT	
Southeast	56.7%	Furniture industry	59.1%
South	33.8%	Retail	27.0%
Northeast	5.8%	Civil construction	6.2%
Midwest	3.3%	Technical sales	4.0%
North	0.4%	Others	3.7%
	100.0%		100.0%

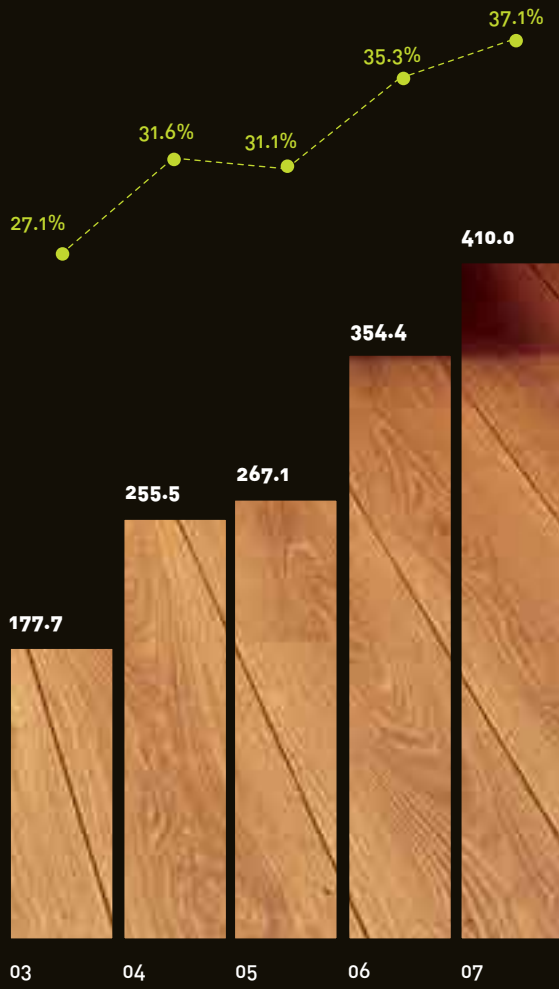


1.3 million m³

WAS SHIPPED IN 2007, 7% MORE THAN IN 2006, DUE TO THE HIGHER DOMESTIC DEMAND FROM THE FURNITURE-MAKING INDUSTRY.

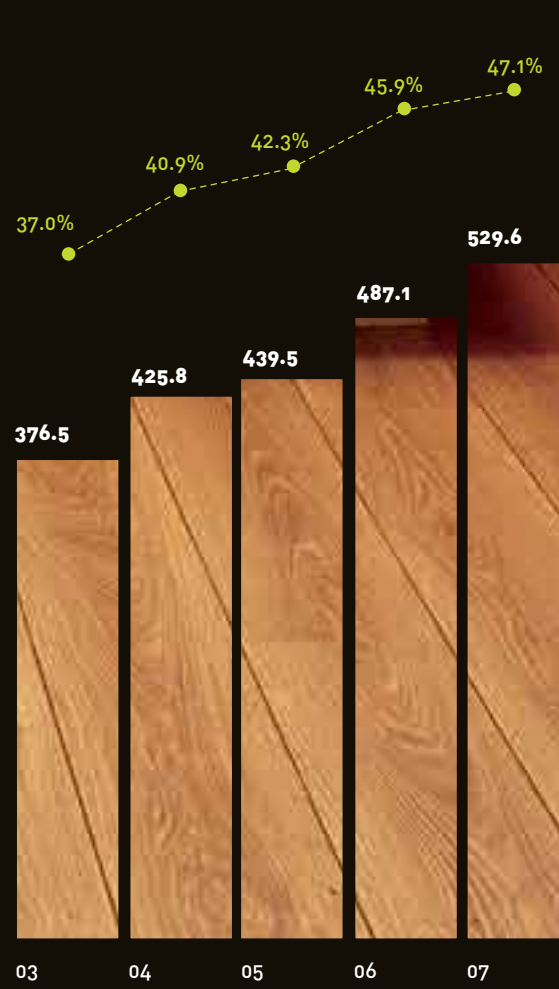
EBITDA (R\$ million) and EBITDA Margin

● EBITDA Margin %



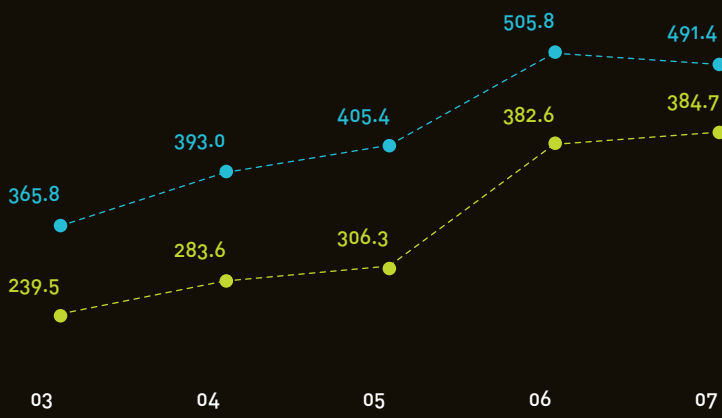
Cost (R\$ million) and Gross Margin

● Gross Margin %



Productivity – Wood Division

- Production (m³/worker)
- Net revenues (R\$'000/worker)



Destination of Exports (78 countries)



Breakdown of Wood Division costs

	Hardboard	MDP	MDF/HDF/SDF
			[%]
Labor	23.2%	11.0%	9.1%
Wood	28.4%	25.0%	24.0%
Raw material and other materials	26.8%	50.4%	50.5%
Electrical energy	9.9%	5.6%	8.4%
Fuel	8.7%	2.6%	1.6%
Depreciation	3.0%	5.4%	6.4%

EXPORT MARKET

The total value of the Wood Division's exports in the period came to US\$55.7 million, 7% higher than in 2006. Hardboard represented 91% of this total.

ADDED VALUE

One of the main ingredients in adding value is the emphasis on the quality and the varied line of products created to add value to the different consumption segments. In 2007, a campaign to raise the value of the brand was launched under the slogan "Wood is not all the same. Look for the Rhino" which highlighted the products' quality, safety and guarantees.

INVESTMENTS

The new plant in Agudos, to be inaugurated in 2009, is the main project within the R\$850 million investment plan Duratex announced for the period

between 2007 and 2009. The new MDF line will have enough capacity to produce 800,000 m³ per year. This is an increase of 125% in relation to the current installed capacity and will bring considerable gains of scale. There will be an increase of 35% in the coated area adding 8.5 m² meters coating capacity per year, which should boost the sales composition and, in turn, the unit prices.

INNOVATION

Eighty models and finishing accessories were launched during the year as part of the ongoing strategy of adding value to the sales composition. A segmentation strategy was used in the laminated floor segment to add more value to the product through a general remodeling of the Durafloor models. Unlike the previous separation by use of category – Home, Pro and Premium – the segmentation started to be

made according to the line in 2007. This led to the appearance of the Home, Studio, Design, Vintage, Nature and Premium lines which brought together 43 models and three textures.

The remodeling of the products was supplemented by a change in the sales management model, directing resources to the segmentation and expansion of the presence of boards in the kitchen and office furniture sections. Sales initiatives were increased for the Durafloor brand in home centers, specialist shops and builders.

AWARDS (GRI 2.10)

The highlight of the Wood Division's awards was the Pini Prize which it received for the sixth consecutive time with 52.66% of the votes. The Top Brand prize was won for the third consecutive time. Both awards were in the laminated floors category. Another important award was the Business Excellence Award for being the best company in the wood products sector, promoted by the Brazilian Economics Institute (Ibre) of the Fundação Getúlio Vargas (FGV). Among the evaluation criteria was the commercial and financial performance.



R\$410 million

WAS THE EBITDA RESULT FROM THE WOOD DIVISION IN 2007, AN INCREASE OF 16% OVER THE PREVIOUS YEAR.



SALES OF VITREOUS CHINA AND METAL FITTINGS ROSE BY 11% IN THE YEAR, BOOSTED BY THE GOOD PERIOD THE CIVIL CONSTRUCTION SECTOR IS EXPERIENCING, THE RATIONALIZING OF THE PRODUCTS LINE AND THE COMMERCIAL RESTRUCTURING.

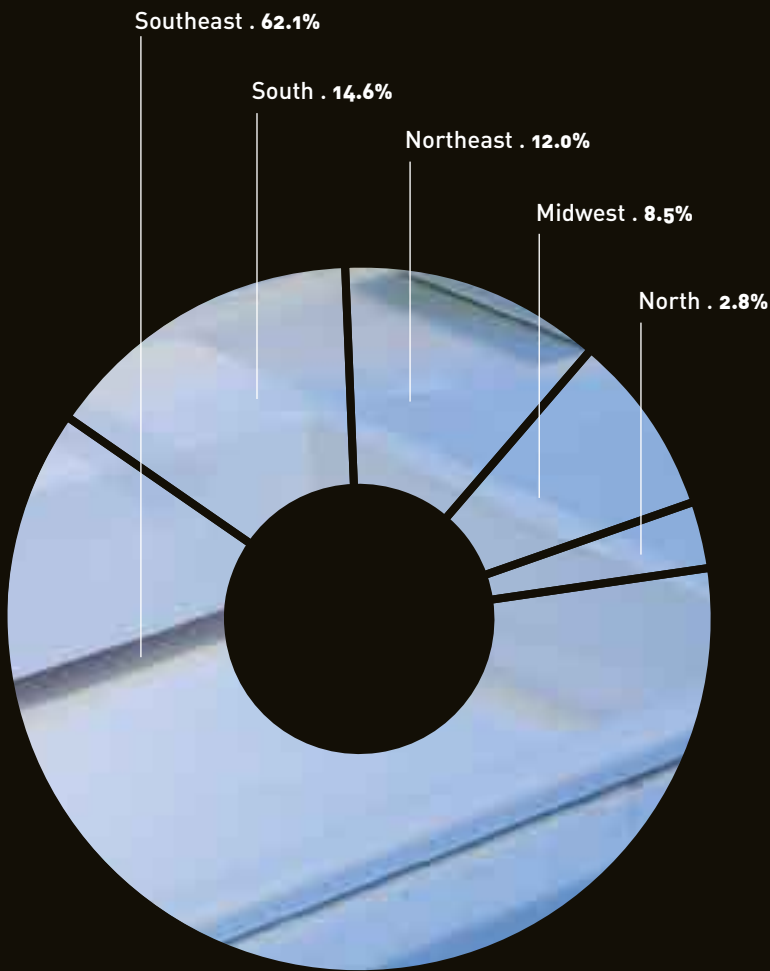
THE NET REVENUES OF R\$566 MILLION REGISTERED WERE 17% HIGHER THAN IN 2006, AND EBITDA ROSE TO R\$148.1 MILLION, WITH AN IMPROVEMENT IN THE SALES COMPOSITION.

DECA DIVISION

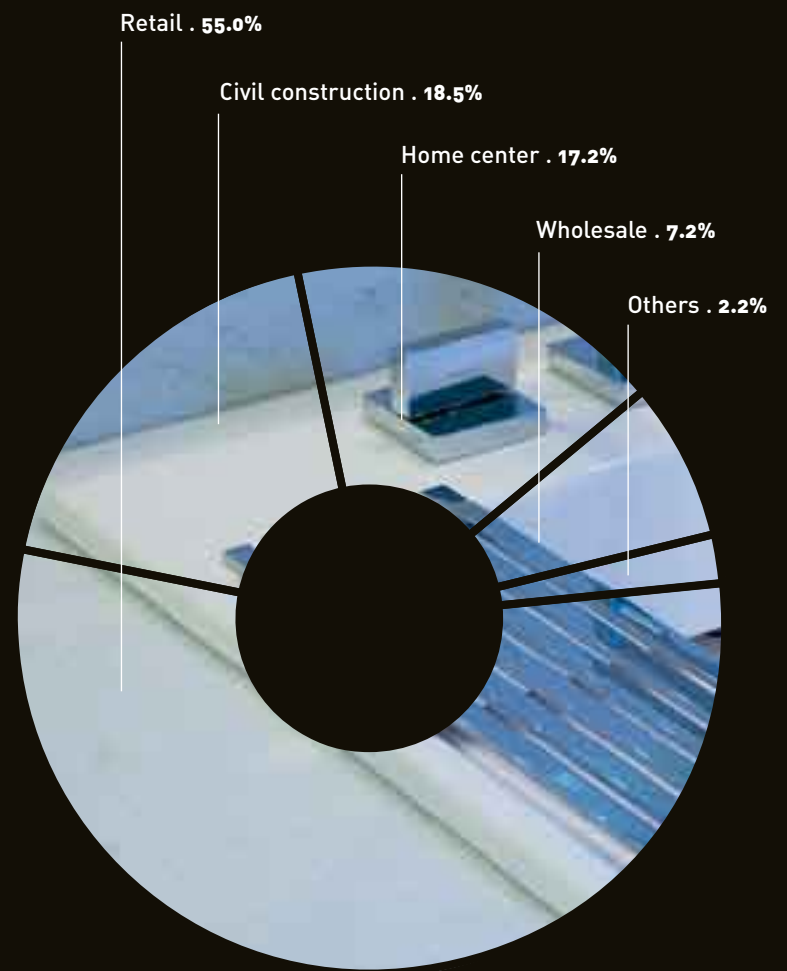




Sales Distribution on the Domestic Market (Region)



Sales Distribution on the Domestic Market (Channels)



DECA COMPLETED 60 YEARS OF EXISTENCE ON THE MARKET WITH THE LAUNCH OF 76 METAL FITTINGS AND 10 VITREOUS CHINA PRODUCTS FOR DIFFERENT CONSUMPTION SEGMENTS. THE HYDRA BRAND COMMEMORATED 75 YEARS WITH FOUR NEW VERSIONS OF THE FLUSHING VALVE, WHICH IS THE MARKET LEADER AND BRINGS TOGETHER AESTHETIC BEAUTY AND WATER SAVING FEATURES.

The Deca Division celebrated its 60 years in 2007 with the best performance in its history. It shipped 15,489 thousand pieces, representing an increase of 11% in relation to the previous year. The heating of the housing market, which got underway in 2005 was one of the main drivers of growth and was boosted by the greater availability of credit, longer payback periods, lower interest rates and the capitalization on the stock market of the companies in the sector. This formed a highly favorable background, reinforced by the big housing shortage in Brazil.

The increase of 17% in net revenues to R\$566.0 million was slightly higher than the average for the building material industry, which grew by 15.47% in comparison with 2006, according to the Brazilian Construction Materials Association (Abramat). EBITDA grew by 43% to R\$148.1 million, with an EBITDA margin of 26% (21% the previous year).

This result reflects the improvement in the sales breakdown, having the finishing goods volumes shipped increased by 22%. Exports rose by 6% to US\$10.4 million, highlighted by the export sales of vitreous china, which came to US\$7.6 million.

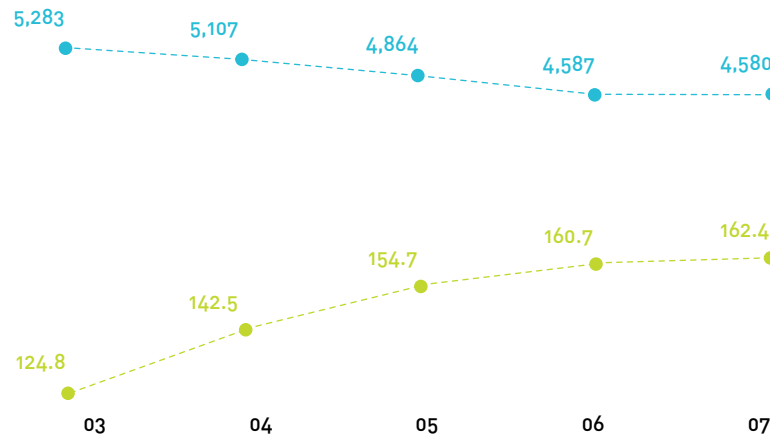
The Deca Division has four industrial units in Brazil – Metais São Paulo in the state capital, Metais Jundiaí, Cerâmica Jundiaí and Cerâmica São Leopoldo, as well as Deca Piazza in Argentina – and installed productive capacity of 18.2 million pieces. These products are sold with the Hydra brand, for the flushing valves, and Deca, for metal fittings and vitreous china and their respective accessories.

Breakdown of costs

	Metals	Vitreous China
Raw material and other materials	59.2%	41.0%
Labor	31.4%	44.5%
Depreciation	5.7%	10.3%
Electrical energy	3.3%	4.2%
Fuel	0.4%	9.2%

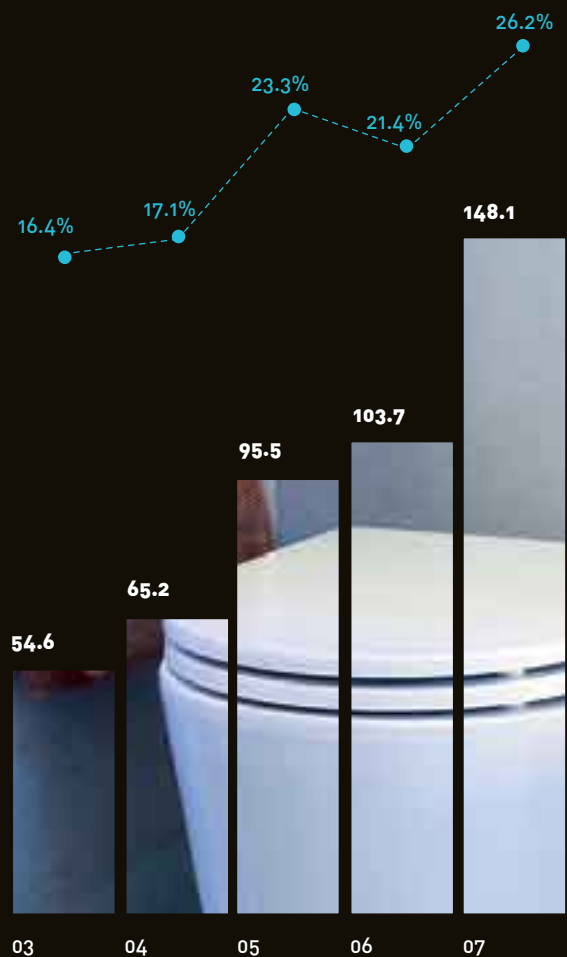
Productivity – Deca Division

- Production (parts/worker)
- Net Revenues (R\$'000/worker)



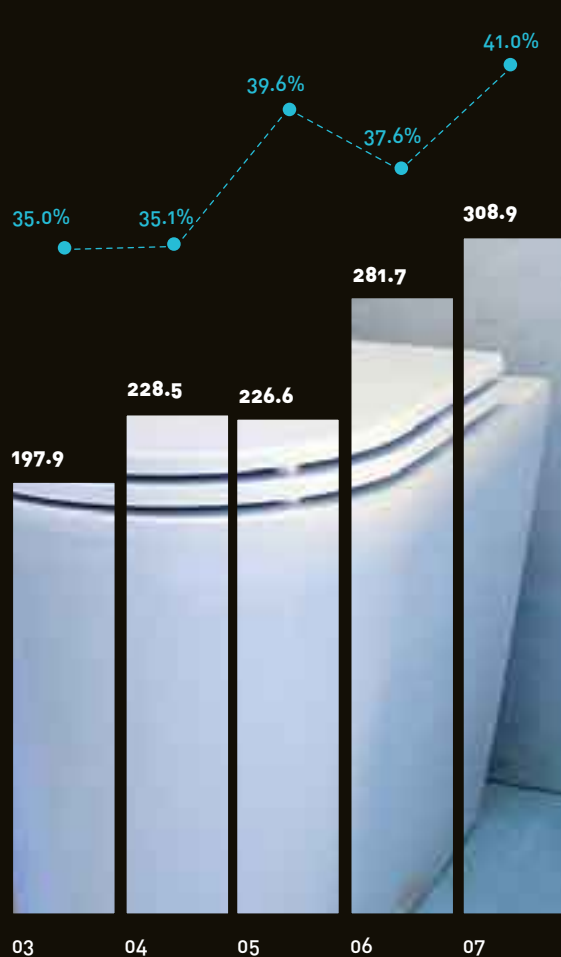
EBITDA (R\$ million) and EBITDA Margin

● EBITDA Margin %



Cost (R\$ million) and Gross Margin

● Gross Margin %





Destination of Exports



15.5 million

PARTS WERE SHIPPED IN 2007. THE VOLUME WAS 11% HIGHER THAN THE PREVIOUS YEAR AND HIGHLIGHTS THE GROWTH IN THE HOUSING INDUSTRY.

HIGHLIGHTS OF THE YEAR

The rationalization of the line of products and the commercial restructuring were decisive factors in the Company's good performance. Items for which there was little demand were removed from the catalogue and replaced by products with a contemporary design, including those directed at the more competitive market. Some lines in this sub-division even sold 100,000 items a month shortly after the launch, a volume which was higher than the total production capacity of some competitors.

The stake on the more competitive market was accompanied by initiatives directed at consumers of premium products who remain important in the Deca Division's strategy of segmentation. The Butique project, directed to architects, decorators and consumers with high purchasing power, has reached 46 stores. The target is to reach 100 exclusive specialist establishments offering differentiated attendance in 2008.

Obtaining a higher share of the higher consumption sector in the retail area has led to a wide-ranging commercial reorganization which got underway in 2006. The Company has invested in forming relationships with wholesalers, creating structured sales strategies to ensure the clients' success and the sustainability of the business. To do so, the Deca Division's sales force provides a broad advisory service focused on defining the best product mix for each region, supplying promotional material and training the sales force and opinion-formers. In 2007, it provided 26.5 hours of training per employee.

INVESTMENTS

At the beginning of the year, investments of R\$200 million were announced for the Deca Division for the period between 2007 and 2009. This will lead to the production of an extra 400,000 metal fittings per month – compared with the current level of 1.2 million – an increase of 33%. The installed capacity of the vitreous china area will be increased by 140,000 items per month, a rise of 44%.

The Company has also invested in training partnerships to provide technical assistance services and currently has 110 physical points and 300 registered professionals. More than 600 people from all over Brazil took part in courses in São Paulo on subjects such as attendance techniques, cleaning the products and becoming familiar with their features. The investment in training teams is one of the main ways of sustaining the Company's innovative ability since the uniqueness of the products requires professionals who know how to handle them.

INNOVATION

In 2007, the Deca Division placed 76 new metal fittings and 10 vitreous china products on the market. The emphasis was on the more competitive lines, such as the Max line, which was launched in August, 2007. Initial sales greatly exceeded the expectations of the sales area, highlighting the great growth potential within this high consumption segment.



The Hydra valve commemorated 75 years of existence and was renovated. It gained four new versions which combine its aesthetic appearance and ability to save water as a differential in preserving the environment. The HydraDuo valve has two kinds of action in which the user can choose a flush of either three or six liters of water. The HydraEco limits the water consumption to six liters, even when the button is pressed. The Retro valve, with a design inspired by the 1930's, also limits the volume of water, and the HydraPlus, which has a clean and sophisticated appearance relied on its 10 millimeters thickness box and three on the button.

EXPORTS

Duratex's strategy on the export market is to concentrate on products with higher added value, a tactic which was reflected in the sales in 2007. These rose by 14% over 2006 in terms of the number of pieces exported and brought revenues of US\$10.4 million.

At the end of 2007, the Company was exporting to 40 countries and was present in 1,400 sales points. Of these, 200 are in the United States, a focal point for the Deca Division. A number of projects took place during the year aimed at winning more of the premium segment and improving and strengthening the brand in the US. The line of products was given an overhaul and a massive investment was made in advertising, marketing and promotion. The sales teams underwent training sessions and partnerships were encouraged with builders and architects.

The Company also altered its participation in trade fairs. Instead of concentrating on more grandiose events, such as the Kitchen and Bath, which were more suitable at the time it was entering the market, it participated more widely in various initiatives with the aim of increasing sales volume. The prospects for 2008 are promising since the risk of the crisis in the American economy is unlikely to affect the high-end market.

AWARDS (GRI 2.10)

As well as winning the iF Product Design Award for the Contemporânea line of metal fittings, the Deca Division gained other important distinctions. It won in three categories in the 16th Anamaco Prize: Water Saving Metal Fittings, Metal Fittings and Flushing Systems. The winners were chosen by a survey of 1,432 stores throughout Brazil.

The Company also gained the Pini Prize, the result of a survey to which 1,800 readers of the publisher's magazines responded, with 56.40% preference in the Metal Fittings category and 66.54% in Vitreous China. The Design Market – Top 21 made an award for the Duo valve.



R\$ 1 488.1 million

WAS THE EBITDA RESULT OF THE DECA DIVISION, 43% HIGHER THAN THE PREVIOUS YEAR.

ANALYSIS OF RESULTS



THE COMBINATION OF A FAVORABLE ECONOMIC OUTLOOK AND INVESTMENTS MADE IN RECENT YEARS COMING TO MATURITY BROUGHT THE BEST RESULT IN DURATEX'S HISTORY IN 2007. GROSS REVENUES GREW BY 13% TO R\$2,226.2 MILLION; OPERATING CASH GENERATION CAME TO R\$558.1 MILLION, 22% HIGHER THAN IN 2006; AND NET INCOME INCREASED BY 41% TO R\$318.9 MILLION. THE PERFORMANCE ALSO REFLECTS THE GAINS OF EFFICIENCY AND THE MERCADOLOGICAL COMPOSITION OF HIGHER ADDED VALUE.

MACROECONOMIC SCENARIO

The year 2007 was marked by the good performance of the economy, driven by the fall in interest rates, greater availability of credit and increased salary mass. This brought a great expansion of the domestic market and was the main reason for the growth in GDP of 5.4%. Duratex's operating areas – finishing material for civil construction and the furniture industry – were highly favored by this outlook and the Company's results were boosted accordingly.

On the international front, there was an upturn in expectations at the beginning of the fourth quarter of 2007, arising from the unraveling of the high risk subprime mortgage crisis in the United States. This increased the uncertainty on the impact it would have on the American and world economies.

The combination of the high trade surplus and the external investments helped raise Brazil's foreign reserves to US\$180.3 billion at the end of the period. At the end of 2007, each US\$1.00 was trading at R\$1.7713 compared with R\$ 2.1380 in 2006, equivalent to a real appreciation of 20.7%.

RESULTS

Duratex's registered the best result in its history in 2007. The combination of the good period the Brazilian economy is experiencing and the coming to maturity of the Company's investments made over recent years were behind this performance.

REVENUES

As a result, gross revenues came to R\$2,226.2 million, an increase of 13% over 2006. Exports rose by 7% in the period to US\$66.1 million. Consolidated net revenues came to R\$1,670.6 million, 12% above the 2006 result.

There was an impressive increase of 41% in net income to R\$318.9 million in the year. This represents a return on equity (ROE) of 22% compared with 18% the previous year.

COSTS OF PRODUCTS SOLD

The cost of products sold came to R\$918.8 million, 9% higher than in 2006. This increase was due mainly to the rise in variable costs, equivalent to 60% of the total cost, arising from the higher shipments.

In relation to the net revenues, there was dilution of costs which amounted to 55% of revenues compared with 57% in 2006. This was equivalent to an increase in the gross margin from 43% to 45% in 2007.

OPERATING EXPENSES

The operating expenses totaled R\$276.4 million compared with R\$264.5 million in 2006 and represents an increase of 4%. Once again there was a dilution of the expenses in relation to the net revenues which boosted the operating margins.

EBITDA

Operating cash generation measured by the EBITDA method came to R\$558.1 million and was 22% higher than in 2006. The EBITDA margin amounted to 33% compared with 31% in 2006 and reflects the dilution of operating costs and expenses in relation to the higher sales.

NET INCOME

Net income registered an impressive increase of 41% and came to R\$318.9 million in the year. This represents a return on shareholders' equity (ROE) of 22% and compares with 18% in 2006.

DEBT

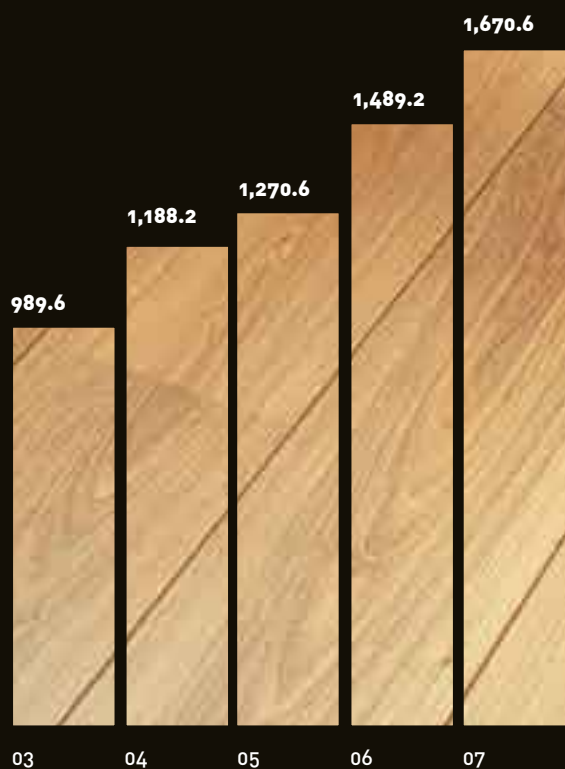
Duratex had net debt of R\$7.9 million at the end of 2007, equivalent to 0.5% of Shareholders' Equity and 0.01 times EBITDA. Due to the ongoing investment plan, the level of debt should increase in 2008. Most of the new loans will come from the BNDES.

GENERATION AND DISTRIBUTION OF WEALTH (EC1)

The added value in 2007 came to R\$1.1 billion, 13% higher than 2006, and was distributed as follows: to the government in the form of taxes and contributions (41.1%), lenders (5.5%), employees (25.3%), shareholders (13.6%) and reinvestments in the Company (14.5%).



Net Revenues . (R\$ million)



Debt . (R\$ million)

■ Debt (R\$ million)
 -●- Net debt/Shareholders' Equity (%)



22%

WAS THE RATE OF RETURN ON EQUITY (ROE) COMPARED WITH 18% THE PREVIOUS YEAR.

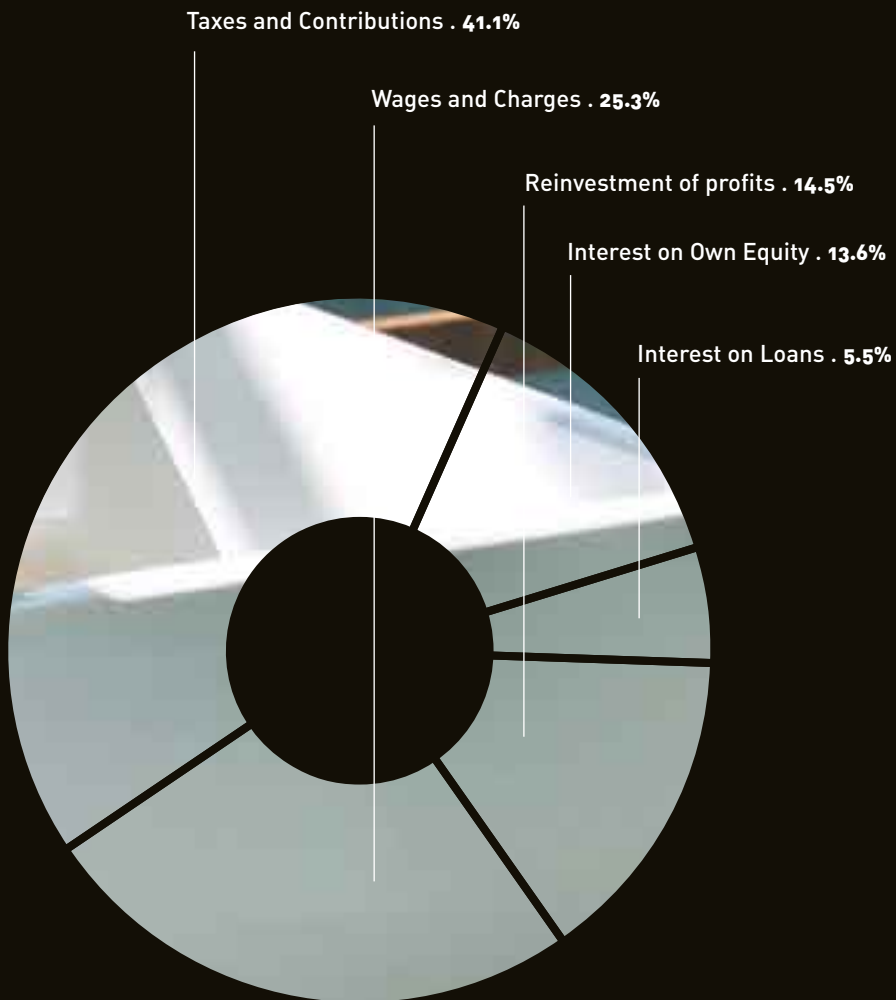
Consolidated added value statement (EC1)

	2003	2004	2005	2006	2007
Revenues	1,254.7	1,580.6	1,706.4	1,965.2	2,226.2
Provisions for Bad Debts	(5.7)	0.7	(4.2)	(6.5)	(3.8)
Input Acquired from Third Parties	(495.5)	(646.7)	(663.2)	(777.9)	(883.8)
Gross Added Value	753.5	934.6	1,039.0	1,180.8	1,338.7
Depreciation/Amortization/Depletion	(58.5)	(72.3)	(83.8)	(82.2)	(86.0)
Depreciation Revalued Goods	3.7	3.5	3.3	3.2	3.3
Net Added Value	698.7	865.8	958.6	1,101.8	1,255.9
Rev. (Expenses) Op. & Non-Op.	(40.4)	(104.7)	(93.2)	(100.3)	(119.3)
Added Value to be Distributed	658.3	761.1	865.4	1,001.5	1,136.6
Remuneration to the Workforce	197.0	218.0	240.3	261.1	287.7
Remuneration to the Government	255.6	326.1	361.6	415.0	467.4
Remuneration to the Shareholders	25.7	58.1	46.4	76.9	154.6
Remuneration of Loans	141.5	91.1	126.0	99.4	62.2
Transfer to Reserves	38.5	67.8	91.1	149.1	164.7

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R\$ 1.1 billion

WAS THE TOTAL ADDED VALUE IN THE PERIOD, AN INCREASE OF 13% OVER 2006.



→ →

R\$558.1 million



WAS THE EBITDA REGISTERED IN 2007, AN INCREASE OF 22% OVER THE PREVIOUS YEAR,
WITH AN EBITDA MARGIN OF 33%.

SHARES AS AN INVESTMENT



INCREASED LIQUIDITY, WITH AVERAGE DAILY TRADED VOLUME THREE TIMES HIGHER THAN THE PREVIOUS YEAR LED DURATEX SHARES TO BE INCLUDED IN THE MOST IMPORTANT BRAZILIAN STOCK INDEXES, THE IBOVESPA AND IBRX-50. THE FINANCIAL VOLUME TRADED CAME TO R\$6.6 BILLION, WITH AVERAGE DAILY VOLUME OF R\$26.2 MILLION. THE COMPANY'S MARKET VALUE AT THE END OF THE YEAR AMOUNTED TO R\$5.6 BILLION COMPARED WITH R\$4.2 BILLION AT THE END OF 2006.

Duratex's preferred shares, traded on the São Paulo Stock Exchange (Bovespa) under the ticker symbol DURA4, appreciated by 31% in 2007. The Ibovespa registered a variation of 44% during the same period. This result was mainly due to performance of shares of Vale and Petrobras, which jointly responded to 24% of the index. Without the shares of these two companies, the Ibovespa would have appreciated by 24%.

There were 152,405 trades on the spot market, involving more than 138 million preferred shares and a financial volume of R\$6.6 billion. Average daily trading came to R\$27.2 million, three times higher than in 2006. The entry to the Ibovespa and IBrX-50 indices, the most important on the domestic market, was due to this increase in liquidity. The Company's market value at the end of 2007 came to R\$5.6 billion, 33.3% higher than the R\$4.2 billion registered at the end of 2006.

Trades in Preferred Shares

Trades in Preferred Shares	2006	2007	Variation
Closing price (R\$)	33.20	43.50	31%
Ave. volume traded/month (R\$ million)	2,016	6,599	227.3%
# of trades (average per month)	55.9	152.4	172.6%



SHAREHOLDER REMUNERATION

In response to the record results in the year and the balanced financial situation, the Board of Directors proposed the gross payment of R\$154,568 thousand in the form of dividends and interest on own capital. This amount includes the distribution of an extraordinary dividend of R\$50,001 thousand, which occurred in November, 2007. As a result, the gross remuneration to the shareholder was equivalent to a unit value of R\$1.19 per share and 48% of the net income for the period.

Duratex has a differentiated policy of paying minimum dividends corresponding to 30% of the adjusted net income for the period. The Corporate Law for Listed Companies lays down a minimum payment of 25%.

DURA4	Financial Volume (R\$ million)	Number of Trades	Average Daily Financial Volume (R\$ million)
1997	102	2,369	0.4
1998	51	1,367	0.2
1999	68	1,278	0.3
2000	121	2,731	0.5
2001	88	2,163	0.3
2002	100	2,169	0.4
2003	274	4,686	1.1
2004	382	3,977	1.5
2005	340	6,797	1.3
2006	2,016	55,903	8.2
2007	6,599	152,405	27.2

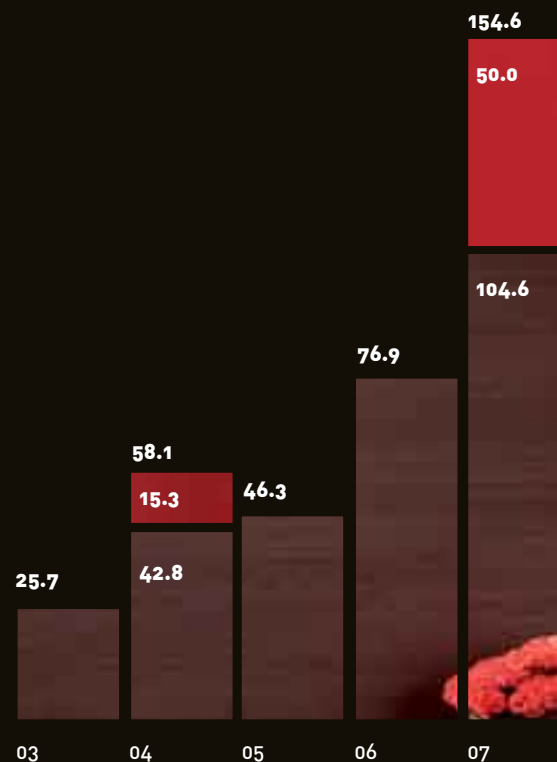


R\$ 154.6 million

WAS THE AMOUNT OF REMUNERATION MADE TO SHAREHOLDERS IN THE FORM OF DIVIDENDS AND INTEREST ON OWN EQUITY.

	Accrual distribution (dividends and interest on capital) in R\$ million	Pay-out
2003	25.7	40.0%
2004	58.1	46.5%
2005	46.3	33.8%
2006	76.9	34.0%
2007	154.6	48.5%

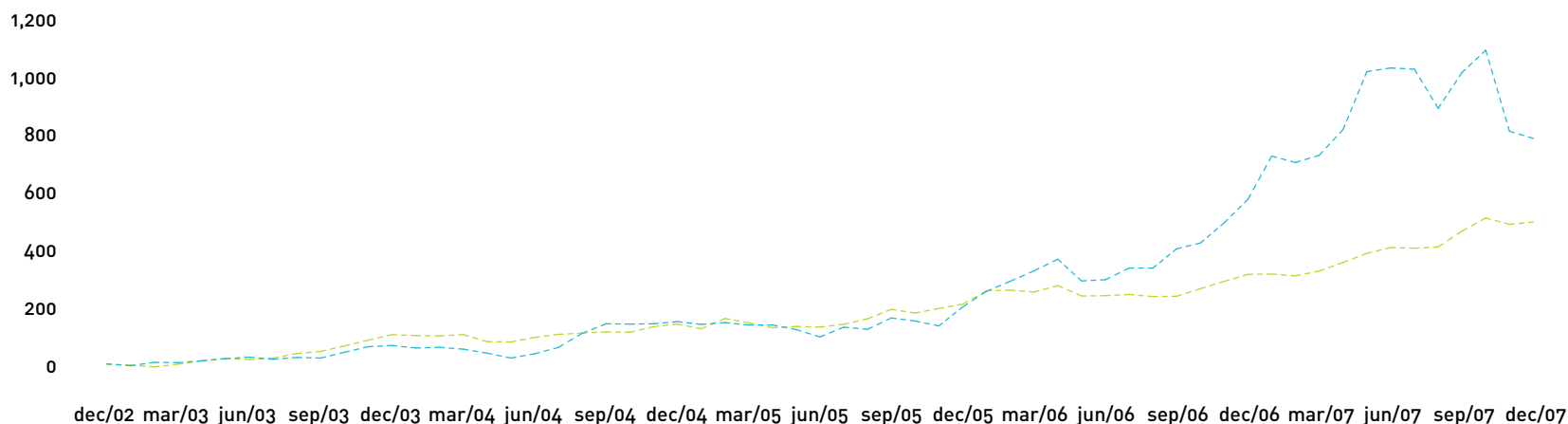
Dividends/Interest on Own Equity competence system
 Extraordinary Dividends



DURA4 vs Ibovespa – 5 years

Appreciation of DURA4 = 737% and Ibovespa = 467%

- Duratex
- Ibovespa



RISK MANAGEMENT



TO REDUCE THE VULNERABILITY OF THE OPERATIONS AND THE IMPACT OF ADVERSE FACTORS ON THE BUSINESS PERFORMANCE, DURATEX CARRIES OUT ANALYSIS AND PROCEDURES TO IDENTIFY, QUANTIFY AND MANAGE RISK RELATED TO MARKET, OPERATIONS, FINANCE, CREDIT, TECHNOLOGY, INPUT COSTS, IMAGE AND REPUTATION. THIS PROCESS IS CARRIED OUT BY THE RISKS AND ETHICS COMMITTEE WHICH CONSISTS OF EXECUTIVES FROM THE INDUSTRIAL COMPANIES WITHIN THE ITAÚSA GROUP (DURATEX, ITAUTEC AND ELEKEIROZ).

The very nature of Duratex's operations means it is subject to a series of risks which it attempts to identify, quantify and reduce any possible impact they may have on its performance.

These risks are segmented as market, operational, financial, credit, technology, cost of input, image and reputation. The following list gives a brief description of these risks and the measures taken to offset them.

MARKET

The demand for vitreous china and metal fittings and wood products depends on the level of activity of the civil construction and furniture sectors. These two areas performed consistently well in Brazil in 2007. This situation looks like continuing in 2008 as the projections for the macroeconomic indicators point to a growth in GDP of around 4.6% in the year.

The expanding market has been accompanied by growing competition but Duratex can rely on its leadership position in its operating areas – with the exception of vitreous china where, however, it holds an outstanding position in the premium lines.

As a way of ensuring its good results even in the face of different outlooks, the Company invests in products with higher added value and intensifies the segmentation of lines. This strategy

brought record results in the more competitive markets in 2007. These differentials are combined with innovation, a broad distribution and technical assistance network and training programs for retailers and users.

OPERATIONAL

The Company makes use of a regular package of instruments and programs to minimize the operating risks inherent to the industrial activity. The preventive maintenance of machinery and equipment, undertaken by the most modern kinds of software, is carried out with the maximum strictness to improve the efficiency of the processes, reduce costs and prevent any possible unscheduled stoppages on the lines. To protect its assets, the Company has various kinds of insurance coverage, such as all inclusive, international transport, anti-theft and general vehicle policies.

As it owns large amounts of land and forests, Duratex has its own fire brigades ready to intervene in case fires are detected. The monitoring system includes watchtowers and regular patrols of the areas.

FINANCIAL

The low level of debt, which showed a ratio of only 0.01 between the net debt and EBITDA at the end of 2007, and the good cash generation allow Duratex ample access to sources of financing under favorable conditions. Conservative, rigorous policies in the use of loans and cash management reduce the impact of the variation of interest rates on the results. Hedge operations are used to reduce the financial exposure to variations in the exchange rate.

The floating exchange rate in favor of the real hit the profitability of exports of the more basic products and led the Company to focus once again on products with higher added value. This new approach led to higher exports of products from the Deca Division, particularly to the United States and Europe. These products are directed at the higher consumption segments and are more flexible in terms of price and, therefore, are less dependent on the exchange rate. On the other hand, the appreciation of the real brings positive effects in relation to costs in dollar terms which represent approximately 30% of total costs.



CREDIT

Duratex has a Credit Committee which meets regularly to discuss issues related to the prevention of credit risks. The large, wide-ranging client base reduces the Company's dependence on a particular buyer or market segment. The Deca Division has approximately 8,400 active clients and the Wood Division, 2,500. The default ratio on December 31, 2007, measured by the total volume of unpaid loans, came to 2.3% of revenues. Cases of default are analyzed individually and this committee is responsible for dealing with them.

TECHNOLOGY

Technological innovation is an important part of the Company's strategy and it invests constantly and intensely in research and development of products. The Company's position as market leader in its main operating segments gives it a differentiated return and gains of scale. As the technologies which are available do not change constantly, there is a low risk of obsolescence.

COSTS OF INPUT

The prices of raw material, such as resins, paper, paints and metals used by the Deca and Wood Divisions are subjects to fluctuations on the international markets. Although Duratex has no type of defense against this risk, it would be affected in a similar way as the other companies in its segment and its position would not be any worse than theirs. Energy is purchased through short and long-term contracts directly on the free market and is subject to the spot price at that moment.

The main input for the manufacture of boards, wood, is supplied by Duraflora S.A., a wholly-owned subsidiary of Duratex. The permanent investment in the acquisition of land and the genetic improvement of the seedlings and the adoption of modern planting and harvesting gives the Company the highest degree of productivity in the sector. In 2007, 10,000 hectares was planted compared with 8,000 in 2006.

IMAGE AND REPUTATION

Taking care of its image and reputation is an essential part of the business and Duratex often goes well beyond the federal, state and municipal legal requirements regulating the companies. All the products are tested individually and follow the official regulations to the letter. In the environmental area, Duratex became the first company in Latin America, in 1995, to obtain certification of the Forest Stewardship Council (FSC). In 2007, it concluded the process of joining the Chicago Climate Exchange on which it should sell its carbon credits. This was only possible as the Company became Carbon Free, i.e. its forestry base absorbs more greenhouse gases than its industrial operations generate and allows the excess to be traded. Duratex also holds ISO 14001 certification. In this context, the Company follows the Principle of Precaution, under which efficient and economically viable measures to prevent the threat of serious or irreversible damage to the environment or human health must be implemented without any delay. **(GRI 4.11)**



10,000 hectares
OF FORESTS WERE PLANTED IN 2007 TO SUPPLY THE WOOD NEEDS OF THE
INDUSTRIAL PLANTS.



10,900 clients

REPRESENT A LARGE, BROAD BASE FOR THE SALE OF THE PRODUCTS FROM THE WOOD AND DECA DIVISIONS.

PERSONNEL MANAGEMENT

In 2007, Duratex's 6,785 employees received a copy of the Code of Ethics and Conduct, which is being publicized through an intense training program to enable the staff to become more familiar with its content. This process should involve all employees in 2008. This is the kind of approach which marks the Company's human resources policy and aims to promote a healthy working environment, free of any kind of discrimination and marked by appreciating the employees. To do so, the Company pursues and allies itself with the best market practices as an essential part of business sustainability.

The close relationship and intense collaboration guides a number of initiatives. One of these is a decision-taking process which involves representatives of the various participant areas. Based on a survey carried out in 2006, a diagnosis was made of the relationship between the Company and the employees which highlighted the needs for a better understanding of the criteria of promotion and other areas of human resources. In 2007, the Company began to encourage engagement with employees and called on all those interested to take part in defining programs to meet these needs.



THE DEVELOPMENT AND TRAINING OF EMPLOYEES IS THE PRIORITY FOR THE HUMAN RESOURCES DEPARTMENT, WHICH AIMS TO PROMOTE A HEALTHY WORKING ENVIRONMENT ALIGNED TO RESPECTING AND APPRECIATING INDIVIDUALS. DURATEX REGARDS PEOPLE AS ONE OF ITS MOST IMPORTANT ASSETS AND BELIEVES THEY SHOULD BE CONTINUALLY PREPARED TO RESPOND TO THE MARKET CHALLENGES IN TECHNICAL AND MANAGERIAL ASPECTS. ENGAGEMENT INITIATIVES WITH NEW PARTICIPATION CHANNELS GAINED FORCE IN 2007.

The incentive to the employees is also made through events and awards. The plants at Agudos, vitreous china and metals in Jundiaí and metals in São Paulo paid tribute to 15 employees who had completed 25 years with the Company. The Golden Rhino event which recognized the outstanding sales teams in the year was held for the 10th time. During the award ceremony, at which all the Company's main executives took part, 20 employees received awards in the individual and team categories.

EMPLOYMENT

On December 31, 2007 Duratex had 6,785 of its own employees in Brazil and 184 abroad, 8% higher than the previous year. The increase is related to the hiring of workers who had previously provided outsourced services and the greater need for labor due to the improvement in the levels of industrial occupation arising from the good economic moment and prospects.

Employees by kind of contract (LA1)

	2005	2006	2007
Brazil	6,120	6,311	7,009
Employees	5,890	6,076	6,785
Statutory	12	11	12
Interns	69	63	98
Outsourced	149	161	114
Abroad	171	198	198
Employees	73	171	184
Statutory	-	-	-
Interns	-	5	-
Outsourced	98	22	14

Distribution of employees by region (LA1)

Brazil	6,785
South	474
Southeast	6,311
Abroad	198
Argentina	188
North America	7
Europe	3
Total	6,993

The turnover rate in 2007 came to 14.6%, considering an average annual number of workers of 6,479.

Turnover rate (LA2)

	Turnover
Gender	
Men	13.4%
Women	1.1%
Age range	
To 20	2.2%
21-25	5.0%
26-30	3.0%
31-35	1.6%
36-40	0.9%
41-45	0.7%
46-50	0.4%
51-55	0.3%
Over 56	0.4%

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Duratex seeks to hire workers who live close to its plants as a way of encouraging the social development of the regions where it operates. (EC7)

In 2007, Duratex paid a total of R\$169.9 million in remuneration to its employees plus R\$95.1 million in mandatory social contributions and R\$28.6 million in benefits such as medical assistance, transport, meals and private pension plan. The lowest annual salary paid by the Company, which came to R\$5,528.17, was 1.2 times higher than the minimum wage of R\$4,560.00 applicable at the time. (EC5)

Variable remuneration, defined under the rules of the Results Participation Plan (PLR), came to R\$ 19.8 million. The aim of the program is to encourage employees to obtain better results and improve teamwork. It takes into account factors such as absenteeism, improvement and numbers of accidents at work, along with performance indicators related to the Company's productivity, quality and the costs of each plant.

Among the benefits granted to employees which are not extended to outsourced workers are: supplementary retirement pension plan, personal and special loans, help with funeral expenses, pension agreement, group life insurance and personal accident policy, medical assistance extended to relatives, meals, basic food basket, communal transport (in some regions) and sales

of products at special prices and conditions. Besides this, the Company gives toys to employees' children aged up to 13 on parties at the end of the year, as well as a Christmas hamper. (LA3)

Duratex and its subsidiaries are part of the group of sponsors of the Fundação Itaúsa Industrial, a non-profit body which administers private plans to provide savings benefits or extra income similar to that of the Social Security. It operates a Defined Benefit Plan (BD) and a Defined Contribution Plan (CD). At the end of 2007, the Fundação Itaúsa Industrial had assets of R\$1,361.1 million and was ranked 24th among the largest private pension plans in Brazil within this criterion. (EC3)

a. Defined Benefit Plan – BD

The Plan covers the following benefits: a supplementary pension based on the contribution time, age, invalidity, monthly income for life, award on retirement and payment for death. New participants cannot join this plan. In February 2007, approval was given for the unification of the BD DX Plans (Duratex), BD Itaútec and BD Itaúsa, under the name of the Defined Benefit Plan (Plan BD).

b. Defined Contribution Plan – CD-PAI

This plan is available to all employees and had 5,077 members on December 31, 2007. The regulations of the CD Plan require the sponsors to make a contribution of between 50% and 100% of the amount paid in by the employees.

RELATIONS WITH THE COMPANY

In 2007, the Duratex companies signed 10 collective pay agreements directly with the labor unions and three collective working agreements with employers' associations. These represented the industrial plants and covered 100% of employees. No strikes or stoppages were registered in any of the Company's plants. Duratex follows the guidelines of the International Labor Organization (ILO) in relation to union freedom, the right to collective bargaining and internal representation. The relationship with the labor unions was enhanced during the year with the nomination of a representative from each plant to maintain contacts with them throughout the year to encourage greater relations and a proactive attitude. (LA4, HR5)



6,785

WAS THE NUMBER OF THE COMPANY'S OWN EMPLOYEES AT THE END OF 2007.

The units adopted suggestion programs to encourage staff participation. The Kaizen Improvement Suggestion Program in the Wood Division and Forestry Area encouraged workers to suggest ways of improving operations, equipment and initiatives which would help conserve the environment, safety at work and reduce costs. Around 390 suggestions were made in the Forestry Area in 2007. A program to encourage visits to other plants to help integrate employees and exchange experience was maintained.

Health and safety (LA7)

Duratex	2005	2006	2007
Accidents with stoppage	111	101	107
Accidents without stoppage	97	97	39
Days lost per stoppage	1,057	810	1,386
Days lost transported	6,032	5,188	3,282
Days computed and debited	0	0	6,000
Days total	7,089	5,998	10,668
Absenteeism – Attested	0.73%	0.59%	0.78%
Absenteeism – Accidents	0.07%	0.06%	0.09%
Deaths related to work	0	0	1
Frequency ratio of accidents (days lost/HHT ¹)	7.5	5.8	5.9
Serious rate of accidents (ACM ² /HHT ¹)	574.9	474.2	795.4

1. Accident with medical stoppage

2. Man hours worked

QUALITY OF LIFE AND SAFETY

Concern with health, the quality of life and the safety of employees is a permanent issue in all the Company's units. The constant training initiatives and measures adopted are reflected in the reduction in the number of accidents on a yearly basis. There were 146 such accidents in 2007, 13% less than in 2006. This was above the goal of a reduction of 6%.

The initiatives include publicizing concepts on ergonomics to prevent incorrect postures in the workplace which can cause health problems. A lecture program was launched in the health area in 2007 to improve the way of using the medical attendance provided by the health plan which has its value related to use. (LA8)

The Company encourages employees to practice sport, not only for the benefits it brings in terms of the quality of life but also for the professional improvement it brings by strengthening teamwork and willingness. The Botucatu plant is regarded as the model, with approximately 60% of employees practicing sport. In 2007, they beat records in the Industrial Games organized by the Social Service for Industry organization (Sesi), and won 33 trophies. They took 44% of the first place prizes in the whole competition, 31% in second place and 19% in third. Another example was the Central Administration team in Avenida Paulista in São Paulo which has a gymnasium and is frequented by 20% of its staff.

The Company believes the emotional welfare of its employees is also essential for productivity and the quality of life. The programs range from actions to improve the daily professional life to more wide-ranging ones including relatives. Examples include visits to the plants and forestry areas in Agudos and Lençóis Paulista. This project aims to bring the worker and his family closer to the Company and benefited 38 employees and 231 relatives in 2007. There was an investment of R\$3,000 in mementoes and meals. The Open Doors project at the Deca



Division plants led to 268 people visiting the metal fittings plants in São Paulo and the vitreous china unit in São Leopoldo (RS).

Other highlights in 2007 included corporate events held to mark Secretary's Day, Mother's Day, Father's Day and a party to celebrate 60 years of Deca's existence. On October 26, the Metais São Paulo, Metais Planidil, Louças Jundiaí and Louças Sul plants served lunch with a special menu to the accompaniment of live music to mark the anniversary of the division which is responsible for production of metal fittings and vitreous china.

TRAINING AND EDUCATION

In 2007, Duratex directed R\$1.1 million to employee training and skill building, including continuing education, language and post-education courses. The courses had 61,121 participations, with an average of 30.4 hours per employee. The improvement, formation and recycling are constant, with the participation of internal and external professionals whose ability is recognized on the market. **(LA10)**

One of the most outstanding of these training programs is the Formation Center at São Leopoldo which serves apprentices and professionals. Six employees took part in the foreign visits program and took part in international trade fairs, met clients and suppliers and also participated in meetings.

Synergy is a continuing education program scheduled to last a year and a half which started in August. It aims to develop specific abilities in the Personnel Management area, train the participants in leadership positions, improve communication

and interpersonal relationships, performance and employability. The program takes place in the Head Office and all the industrial units of the Deca Division and involved 280 participants and 200 hours of training in each plant. The target public at Head Office consists of analysts and managers who take part in monthly meetings. It is directed at supervisors, engineers, analysts, technicians and others in the industrial plants.

The process of training and disclosing the Code of Ethics and Conduct, which was initiated in September, 2007, should reach all employees in 2008.

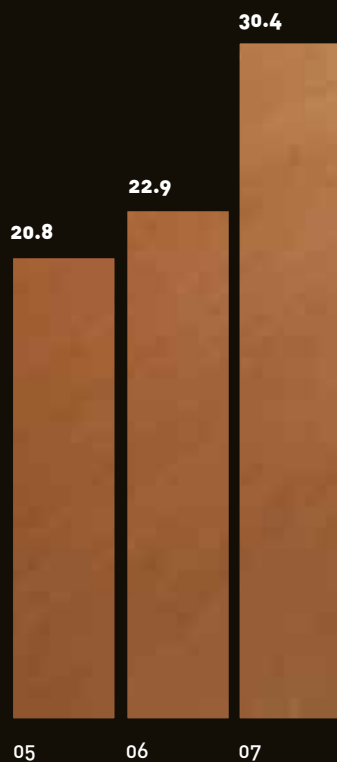
Wood Division – In 2007, 896 training sessions were held which amounted to 11,611 participations and 74,194 hours, with an average of 37.3 hours per employee in the four industrial units. The amount invested in the year came to R\$478,000 and the focus was maintained on activities related to technical and operational improvement of the workers as well as training leaders.

Forestry Area – The on the job training model was introduced to the forest planting area and brought excellent results. Around 90% of the operational training involves this method. The training of Multipliers, Maintenance Mechanics and Environment Themes are specific to the area. There are also courses for managers on aspects related to the Sustainability Program, selective collection, the Environmental Management System and technical training on the FSC certification (Forest Stewardship Council).

Deca Division – Investments of R\$409,000 in improving workers' skills were made in 2007. This came to a total of 92,480 hours and involved 42,044 participations in courses. The average number of hours training per person annually came to 26.5. Other training and development courses and programs included: 5 minutes on safety, Lessons on a Theme, on the job training, Leadership Training and Development, Motivation, Deca for You, Quality Policy, TPM Methodology, Self Control and Integration. A special course for the Commercial area called Continued Educational Development (DEC) was started in September, 2007 and involves around 200 participants. Its objective is to provide initiatives which help employees to develop their skills in a consistent, planned way.



61,121 participations
IN PROFESSIONAL TRAINING PROGRAMS, AN AVERAGE OF 30.4 HOURS PER EMPLOYEE.



Employees: investment in training

	2006	2007
Amount invested (R\$)	813,722.26	1,115,531.00
Hours of training per employee/year	22.9	30.4
# of employees trained	44,356	61,621
# of study grants conceded to employees	37	52
Amounts invested in study grants (R\$)	136,192.16	119,147.10



The training policy also involves actions directed at outsourced workers who handle the Company's products or who are, in some way, opinion formers among consumers. This practice helps develop the professional skills of these important partners and strengthens the relationship. Training programs involving approximately 31,000 participations were held at an investment of around R\$1 million. Those benefiting included hydraulic installers, carpenters, architects, decorators, layers of laminated floors, receptionists and retail store owners, amongst others.

DIVERSITY

Of the 6,785 employees, 601 are women, equivalent to 8.85% of the total headcount. The overwhelming masculine presence is explained by the heavy kind of activity the Company is involved in where most of the labor force in the forestry areas and industrial plants are men. The wages paid per functional category are equal between the sexes and the differences seen by race are related to the degree of specialization and function exercised. No case of discrimination was registered in 2007. (HR4)

Wage breakdown by gender (LA14)

Average Wages (LA 14)

Men (total)	R\$ 2,401.84
Black/mixed race	R\$ 1,831.80
White	R\$ 2,530.81
Others	R\$ 3,381.48
Women (total)	R\$ 2,519.17
Black/mixed race	R\$ 1,113.05
White	R\$ 2,643.61
Others	R\$ 3,548.42

Diversity Indicators (LA14)

Duratex	2006	2007	
# of women	495	601	8.9%
# of black and mixed race women	42	53	0.8%
# of women managers	2	2	0.0%
# of women directors	0	0	0.0%
# of black and mixed race employees	1,083	1,211	17.8%
# of black and mixed race directors	0	0	0.0%
# of workers handicapped/special needs	232	247	3.6%
Workers aged more than 45	800	993	14.6%



31,000 participations

IN TRAINING PROGRAMS FOR PARTNERS AT AN INVESTMENT OF R\$1 MILLION.



8.9%

IS THE PROPORTION OF WOMEN EMPLOYEES, DUE TO THE NATURE OF THE OPERATING SECTOR WHICH INVOLVES HEAVY WORK.

DURATEX'S RELATIONSHIP WITH THE COMMUNITY, CLIENTS, CONSUMERS, SUPPLIERS, GOVERNMENT AND SOCIETY IS MARKED BY ETHICAL STANDARDS OF QUALITY, TRANSPARENCY AND RESPECT. IT IS CONSTANTLY SEEKING TO TRANSFORM ITS COMMITMENTS INTO CLEAR INITIATIVES AIMED AT GROWTH AND VALUE CREATION FOR ALL ITS PUBLIC GROUPS.

STRATEGIC ACTING





community



TRAINING YOUNG PEOPLE FOR WORK AND ENVIRONMENTAL EDUCATION ARE THE THEMES WHICH DURATEX FOCUSES ON IN THE COMMUNITIES WHERE IT IS ACTIVE TO IDENTIFY IN THESE INITIATIVES THE BEST WAY OF PROMOTING SOCIAL INCLUSION AND SUSTAINABLE DEVELOPMENT. THE MAIN INITIATIVES ARE THE TIDE SETÚBAL SCHOOL AND THE PIATAN, ENVIRONMENTAL AREA, BOTH IN AGUDOS.



Duratex centers its social initiatives on training young people and in environmental education as it believes this is the best way of promoting social inclusion and making a positive contribution to the communities in which it operates. Investments of R\$2.6 million in social initiatives were made in 2007 compared with R\$2 million the previous year. **(EC8)**

The Tide Setúbal Municipal School of Carpentry in Agudos, upstate São Paulo, provides training for the labor force in the region which is a well-known important furniture-making center. The school is a partnership with the municipal government and the National Industrial Apprenticeship Service (Senai). Thirty-one students graduated in the year and R\$24,800 was invested in the program.

The Piatan Environment Living Program, also in Agudos, is used for environmental education activities and involves a broad public group ranging from students to ecology professionals from other countries, as well as representatives of the public authorities and clients. It was completely overhauled in 2007 and received 7,000 visitors. The project makes public presentations on the theme of the Sustained Production of Wood from Forest Plantations for pupils at basic education level, films, replicas, boards and models of equipment show the stages of the productive chain of the Duratex boards, highlighting the measures taken to conserve the soil, water, air and biodiversity. The idea is to help develop environmental awareness among the visitors.

Engaging employees in social actions is one of the Company's greatest triumphs. The Itapetininga unit runs the Solidarity in Focus program which promotes regular internal campaigns. One of its initiatives in 2007 was the Geriatric Diaper collection project which began on World Solidarity Day (January 31). The diapers collected by the employees were given to the São Vicente de Paula old folks home in Itapetininga which has existed since 1912 and looks after more than 90 old people. The Botucatu employees organized a visit of old people from the local branch of the Social Service for Industry (Sesi).

By donating 1% of its income tax to the Municipal Councils for the Rights of the Child and Adolescent (CMDCA), the Company benefited programs to protect children and adolescents. The initiative was directed at the Councils in the towns of Botucatu, Jundiaí, Agudos, Itapetininga, Araçoiaba da Serra in São Paulo state and city and in the towns of Bento Gonçalves and São Leopoldo in southern Brazil.

In 2007, Duratex passed on R\$485,000 to the Bem-Querer project which looks after needy children. The donations were transferred into the account of the Municipal Councils for the Rights of the Child and Adolescent which, for their part, passed the resources on to the bodies which benefited from the project. These are registered in the Municipal, State or Federal Councils for the Rights of the Child and Adolescent. The Bem-Querer project does not exist as an entity as such. Instead Duratex checks the transfers made by the Municipal Fund and how these resources are used by the bodies.



R\$2.6 million

WAS INVESTED IN SOCIAL INITIATIVES, 30% MORE THAN IN 2006.



suppliers



Duratex had 5,461 active suppliers at the end of 2007. Approximately 11% of purchases were made through suppliers within the towns where the plants are located. Under Duratex's Code of Ethics and Conduct, suppliers are expected to follow the same principles of legality and ethical behavior adopted by the Company at the risk of ending the relationship. [\(EC6\)](#)

11%

OF PURCHASES WERE MADE FROM LOCAL SUPPLIERS IN THE AREAS WHERE THE INDUSTRIAL PLANTS ARE LOCATED.



government and society

BESIDES THE TAX AND CONTRIBUTION PAYMENTS MADE TO THE FEDERAL, STATE AND MUNICIPAL GOVERNMENTS, WHICH ADDED TO R\$467.4 MILLION DURING THE PERIOD, DURATEX CONTRIBUTES WITH SOCIETY BY PROVIDING PROFESSIONAL TRAINING AND PARTICIPATING IN THE DEVELOPMENT AND FORMULATION OF PUBLIC POLICIES.

In 2007, the Company registered no legal actions against it for unfair competitive, trust or monopoly practices nor incurred any non-monetary sanctions for not conforming with legislation. The fiscal penalties incurred in the period amounted to R\$283,000, the only "significant" part of which related to an undue ICMS tax credit, amounting to R\$270,000. **(S07 and S08)**

No business unit was subjected to evaluation of the risks related to corruption. **(S02)**

Duratex is an active participant in associations, sector bodies and other organizations which play an important role in developing and formulating public policies. These include: Brazilian Association of Closed Private Pension Plans (Abrapp), Brazilian Association of Listed Companies (Abrasca), Brazilian Institute of Investor Relations (Ibri), Institute for Development (Iedi), Federation and Center of Industries of São Paulo State (Fiesp/Ciesp), Institute Forestry Research and Studies (Ipef), Society of Forestry Investigation (SIF),

Scientific Certification Systems, Brazilian Furniture Industry Association (Abimóvel), Brazilian Wooden Board Association (Abipa), Brazilian Association of Highly Resistant Laminated Floors (Abiplar), Brazilian Pulp and Paper Association (Abipla) and Forest Stewardship Council (FSC). **(GRI 4.13)**

clients and consumers



THE PURSUIT OF SATISFACTION WITH THE QUALITY OF THE SERVICES AND PRODUCTS IS THE BASE ON WHICH DURATEX FORMS ITS RELATIONSHIP WITH CLIENTS AND CONSUMERS. THE AIM IS TO WIN NEW LEVELS OF TRUST AND PREFERENCE FOR THE COMPANY'S BRANDS. THIS PROCESS IS ACCOMPANIED BY REGULAR SURVEYS TO IDENTIFY POSSIBLE POINTS FOR IMPROVEMENT.

Duratex promotes and strengthens relations of trusts with its clients through actions which aim to appreciate the value of the brands and ensure their sustainability. In 2007, the consolidation of the guidelines and rules which regulate the relationship with clients led to a performance which was more aligned to consumers' demands.

Training and developing the skills of employees and opinion formers – such as carpenters, hydraulic installers and laminated floor layers, as well as receptionists – represented an investment of R\$2.1 million and involved 92,000 professionals.

One example of the structured training program is the Knowing is Selling Cycle which was given in a number of Brazilian towns and cities during the year and involved 1,562 participants. The aim of the program is to train salespeople, receptionists and retailers on how to sell the Durafloor products.

The cycle consists of two modules. The first presents themes such as the changing scenario, salesperson's approach, kind of consumers, the technological impact of selling products and services, expectations of the modern consumer and the need for the salespeople to be constantly up to date, amongst others. The second concerns Duratex and the Itaúsa holding company and provides information on the operations of the Wood Division, the preservation of the environment, reforestation, news about Durafloor and its accessories – such as the Microban, the DuraSilent undercover, Click installation system – and the correct way to look after the floor. This module presents all the Durafloor lines, models, uses and applications and tips on combinations with walls and furniture. Not only does this approach standardize the information about the Durafloor

products for the market but also discloses information about Duratex.

Due to the success of the first phase, a second stage of the cycle will be held in 2008 in places which were not included during the year. A similar program was also drawn up for the board area, with 40 lectures programmed for 2008.

In 2007, Duratex's Technical Assistance and Attendance service registered 39,149 calls, 25,986 received and 13,163 made; 2,556 contacts via e-mail; 3,756 letters sent; and 4,070 owner registration cards.

Consumer attendance service – Durafloor

	2006	2007
Total calls attended by the Consumer Attendance Service (SAC)	28,013	25,986
% of complaints of all calls attended	7.2%	8.0%
% of complaints not attended by the SAC	0%	0%
Average waiting time on the phone before start of attendance	5s	5s

Consumer attendance service – Deca Division

	2006	2007
Total calls attended by the Consumer Attendance Service (SAC)	97,726	92,845
% of complaints of all calls attended	0.27%	0.24%
% of complaints not attended by the SAC	0.04%	0.05%
Average waiting time on the phone before start of attendance	34s	115s

Consultations on registration, training, retail data, technical information and guarantees, amongst other queries, corresponded to 57% of the contacts; 23% were requests; 8%, complaints; and 12%, other type.

There were a total of 2,301 complaints involving Durafloor, Durawall and accessories. The classification is by inadequate use (25.6%), inadequate installation (24.76%), fabrication problems (13.8%), no problems (32.96%) and sales or technical decisions (2.88%). The performance ratio of the Durafloor in relation to the amount reclaimed in reais came to 0.19% and that of accessories to 0.09%.

A survey carried out by Deca's Consumer Attendance Services and through post cards sent out with the technical assistance service showed that the degree of satisfaction in 2007 came to 92%. This highlights the high degree of trust and satisfaction by consumers in relation to the Division's product lines and services. The call center attended a total of 92,845 calls, of which 56% related to finding authorized technical attendance posts, 25% sought information about products, 8% sales information, 6% information on spare parts and only 0.24% related to complaints.

The Consumer Attendance area also carries out an audit of the orders for technical assistance services and the attendance sector enters into contact with the consumer to assess the quality of the service provided. **(PR5)**

Besides rigorously observing the domestic and international laws, rules and codes related to the disclosure by publicity, promotions or sponsorship, Duratex lays down some principles in its Code of Ethics and Conduct. The Company's advertising does not use material produced by child labor and ensures the veracity of the information. No claims or complaints related to the violation of the self-regulatory publicity codes or actions of publicity, promotion and sponsorship nor client privacy violation were registered. **(PR6, PR7 and PR8)**



ENVIRONMENTAL MANAGEMENT

All Duratex's actions are carried out in line with its commitment to sustainability. The year 2007 was particularly successful in initiatives related to the rational use of natural resources and environmental conservation. These ranged from the creation of a permanent nature reserve in Lençóis Paulista (SP) to the consolidation of the Environmental Policy. Investments of R\$13 million were made in actions directed at the environment, mainly for waste treatment, the collection of waste and maintaining forestry areas.

One of the main initiatives was the entry into the carbon credits market through the Chicago Climate Exchange (CCX). This process involved an external audit and a commitment to reduce carbon emissions in relation to the base year 2000 which was carried out. The Company was also a founding member of the Green Building Council Brazil, a non-profit voluntary body which is present in a number of countries and encourages the civil construction industry to adopt concepts of sustainability. **(GRI EC2)**

The creation and application of the Environmental Policy was undertaken by the Social, Environmental and Cultural Committee, which was created in 2007. The team is also responsible for inspecting and ensuring commitment to all the guidelines laid down in the document. No significant penalties or non-monetary sanctions resulting from the failure to conform to the environmental laws and regulations were registered. **(EN28)**

ENVIRONMENTAL RESPONSIBILITY IS ONE OF THE VALUES DURATEX ASSUMES THROUGH ITS COMMITMENT TO REUSE RESOURCES AND UNDERTAKE SUSTAINABLE DEVELOPMENT THROUGH AN ENVIRONMENTAL POLICY. THE ACTIVITIES IN THE FORESTRY AREA AND THE INDUSTRIAL PLANTS ARE CARRIED OUT IN SUCH A WAY AS TO HAVE THE LOWEST IMPACT ON NATURE. NATIVE WOODLANDS ARE PRESERVED, MINIMUM CULTIVATION IS PRACTICED, WATER, ENERGY AND INPUT CONSUMPTION IS RATIONALIZED AND WASTE GENERATION REDUCED.

BIODIVERSITY

The Forestry Area celebrated its 50th anniversary with the creation of the Olavo Egydio Setúbal Nature Preservation Reserve. This is a permanent reserve covering approximately 600 hectares located on the Rio Claro estate in Lençóis Paulista in upstate São Paulo. The area has a rich biodiversity, including more than 130 species of identified trees, 3 species of primates and 283 species of birds, as well as other forms of life. A total of 94,000 hectares of the Company's own lands are used for reforestation activities and 18,000 hectares are either protected areas or have high biodiversity. **(EN11 and EN13)**

The Company develops projects in partnership with universities to survey and monitor changes in biodiversity. There are no significant negative impacts in the biodiversity and the Company does not carry out any operations in the conservation areas. The conservation of the native vegetation, protection of the fauna, the control of poaching and fire prevention and fighting have a positive impact on the biodiversity. **(EN11)**

By acquiring lands, which had previously been used for pasture and turning them into conservation areas, the Company has helped improve the network of protected areas in the regions where it operates. Duratex's policy does not involve cutting down woodland for its planted forests which is carried out only in areas already affected by previous farming or stock-raising activities. Forest fires are combated by preventive

measures, which include permanent vigilance system and raising the awareness of employees and local communities.

The animal species, which inhabit the Duratex reserves, are protected and are not threatened by the Company's activities. The Agudos and Lençóis Paulista estates have extensive preserved stretches of the semi-arid land known as Cerrado and the Atlantic rainforest interspaced with plantations of eucalyptus. Animals which feature on the national and state lists of species threatened with extinction – such as the puma, the king vulture, the broad-nosed alligator and the great anteater – can be found fairly easily in the two areas. The Company's reserves contain a total of 38 endangered species on the state list and 8 on the federal list. There are 31 species on the World Conservation Union list, the most endangered of which is the capuchin monkey. **(EN15)**

PRACTICES **(EN12 and EN14)**

Duratex's activities prove that it is possible to combine nature preservation with sustainable business and above average productivity.

The development of new techniques, constant research – the Company invests R\$1.5 million a year on the gene improvement project – and other improvement initiatives over the half century have led to an increase in productivity of 160% in the forestry area. This represents a gain for the shareholder and sustains the industrial expansion.

Total investments and spending on environmental protection by type **(EN30)**

	(R\$'000)		
	2006	2007	Var.
Waste treatment	6,204	8,398	35%
Residue collection	1,652	1,647	-
Forest preservation	850	894	5%
AVAP certification	175	386	120%
Others	1,366	2,292	68%
TOTAL	10,247	13,617	33%



The practice of minimum cultivation, which has been carried out for 11 years, uses the waste of previous cuttings for the new plantations. The organic remains protect the soil, which in turn, raises its potential capacity by being rotated and allows the gradual, continuous access to nutrients through an organic cover in recycling. This method is also better for handling the water resources.

The use of fertilizers and agro chemicals is defined by strict controls and restrictions. The analysis of the soil and the needs of the eucalypti determine the best fertilizer, which instead of being scattered, is applied in the seedling. This method brings environmental gains and rational use of the product. The constant monitoring of the forests by nutritional and forest protection technicians leads to the best conclusions and most efficient actions to be taken.

The Integrated Pest Management system involves a series of measures to ensure the productivity of the forests and conservation of the environment. It begins with the genetic improvement which helps the most resistant trees and passes on to the preservation of the native woodland which houses the natural enemies of the pests. When agro chemical have to be used, products with lower toxicity are chosen in line with the regulations governing environmental safety and human protection.

Conserving the native woodland not only preserves species threatened with extinction but maintains the natural predators of the

various pests which can arrive with reforestation. In places where the natural vegetation and fauna are preserved, for example, the saúva leaf-cutting ant – which attacks the trees – finds it difficult to thrive. For every 1,000 female ants of productive age, which takes flight and settle, only three manage to create a new ant lair.

All the planted seedlings were cloned in 2007 for the first time. This ensures greater protection against pests and disease and, therefore, less use of pesticides, which are harmful to the environment. It also leads to a better use of water since the clones are selected in such a way as to tolerate the lack of water better. Duratex began planting with gel in 2006 and the practice was established in all the forestry units in 2007.

The planting is carried out in the driest period of the year and during the summer and the hot spell, which occurs in the Brazilian winter. The gel is an absorbent polymer, which retains the water it comes into contact with and transforms it into gel. Each gram of polymer can retain up to 300 ml of water, which saves water and helps preserve the reservoirs and water basins.

GREEN SEAL

Duratex has always been historically committed to protecting the environment. This pioneering approach has been recognized by the public and environmental protection bodies. Duratex was the first company in Latin America to win the Green Seal certification for its planted forests

in 1995. It was also the first to obtain the Green Seal of the Forest Stewardship Council (FSC) in 1996, which was renewed in 2007. It also has the ISO 14001 certification.

The Forestry Area broke records both in acquiring new land and planting new regions in 2007. It purchased 9,400 hectares and planted 10,000 hectares of forest.

ENERGY

Energy consumption in 2007 totaled 7,117,404 GJ, an increase of 7% over the previous year. **(EN3)**

Renewable sources – wood biomass and wood waste – correspond to 51% of the Company's energy matrix while 28% comes from fuels derived from petroleum. The electrical energy which comes from a local concession holder is equivalent to 21% of total consumption. This composition brings two important gains – economic and environmental – due to the lower volume of atmospheric emissions.

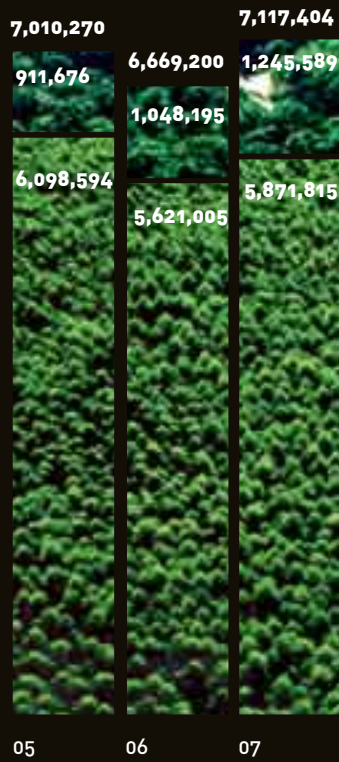
In the Wood Division, the use of oil in the energy matrix was reduced to 79,263 tons due to the greater use of biomass. The boiler system was upgraded and brought an increase of 189,777 tons in the use of biomass in this energy network. **(EN5)**



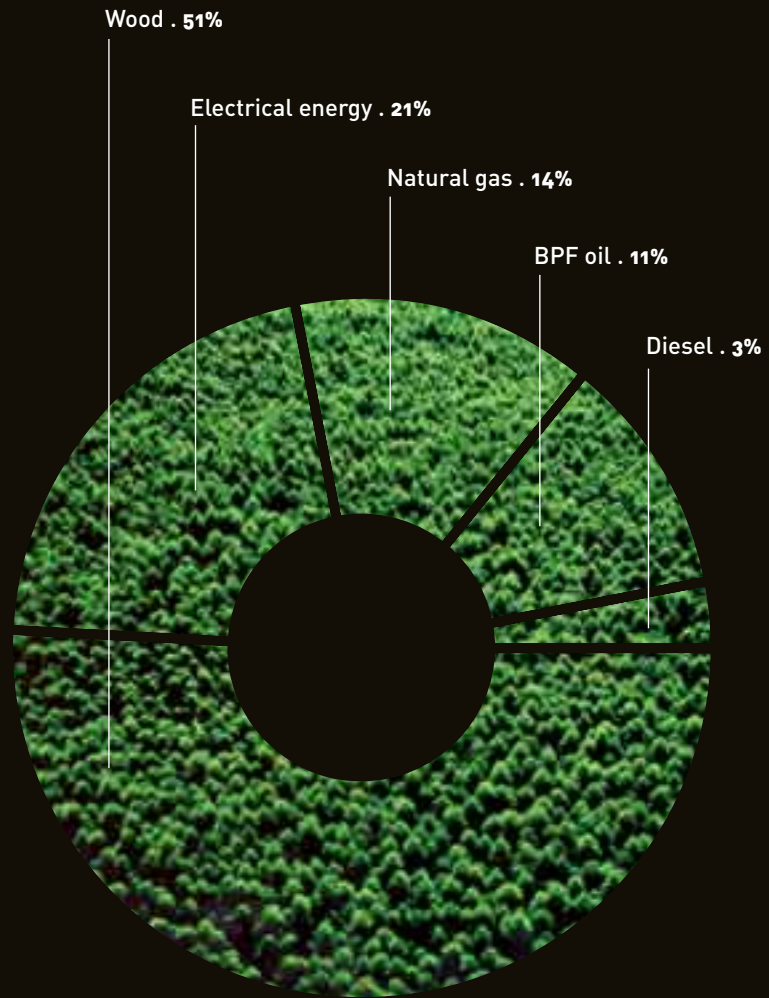
R\$ 13.6 million

IN INVESTMENTS AND SPENDING ON ENVIRONMENTAL PROTECTION WAS MADE IN 2007.

Direct energy consumption (GJ) (EN3)



Deca
Wood



Energy Matrix



51%

OF THE ENERGY MATRIX IS REPRESENTED BY RENEWABLE SOURCES WHICH COME FROM BIOMASS AND WOOD WASTE.

WATER

A number of initiatives are directed at reducing water consumption which came to 4.8 million m³ in 2007. This volume comes from the public supply system (4%), artesian wells (14%) and rivers (82%). Removing the water from the artesian wells and the water bodies is carried out in line with the requirements of the environmental bodies and does not represent any large volume in relation to the annual leakage from these sources. In 2007, the Company re-used 35% of the water consumed and recycled 4%. **(EN8, EN9 and EN10)**

In the eucalyptus nursery at Lençóis Paulista, the construction of a system to collect rainwater supplies the daily consumption of 200 liters, which was previously obtained from an artesian well.

The new system has a deposit of 1.2 million liters and a plastic cover with gutters to capture the rain. The Louças Jundiaí plant was ranked second in the Fiesp Water Conservation and Reuse Awards, granted by the Federation of Industries of São Paulo State, for its Materials Recovery Area project. As well as recovering and reusing the water, the initiative reuses the ceramic paste present in the liquid through the process of finishing the parts and washing the floor and

equipment. This area also received an award at the 5th Brazilian Environmental Benchmarking Program and became part of the Good Practices Bank of the project.

The internal measures to save natural resources are complemented by external initiatives. One example is the Hydra Run to Save Water which was held on March 4 at São Paulo University (USP). The event brought together 10,000 people, including architects, decorators, businesspeople, opinion formers, retailers and the general public. Duratex distributed leaflets and displayed banners on the rational use of water all along the track.

ATMOSPHERIC EMISSIONS

Duratex carried out a survey in 2007 of its emissions of CO₂ (carbon dioxide). To undertake this work, it contracted an independent specialist company, ICF International. The survey showed that a total of 119,940 tons of CO₂ had been emitted in 2006. This was a reduction of 16% over 2000, the first year the survey was held. The figure included emissions from the industrial activity and the transport of wood. A survey of 2007 will take place in 2008. **(EN16 and EN29)**

The study was drawn up in parallel with another one to verify the amount of greenhouse gases sequestered from the atmosphere by the Company's forestry base. This job was undertaken by another independent specialist company, FBDS – Fundação Brasileira para o Desenvolvimento Sustentável. The survey showed that the forestry base was responsible for absorbing 1,653,007 tons of CO₂, which gives Duratex the status of a Carbon Free company. This result allowed the Company to join the Chicago Climate Exchange on which carbon credits are traded.

Duratex has invested in replacing technologies over the years, particularly in the vitreous china segment. It has replaced oil-burning kilns by more modern ones powered by natural gas. New filters and gas cleaning equipment have also been installed in the plants and led to the reduction in the Company's emissions. **(EN18)**

RESIDUES AND WASTE

Total weight of waste (tons)

Consolidated conforming to NBR 10.004

Waste Class I	1,616
Waste Class II A	119,649
Waste Class II B	18,854



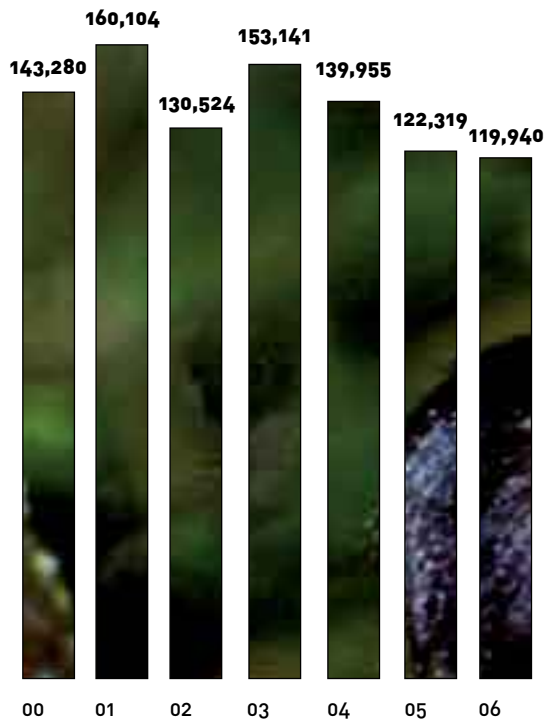
Total water by source m³/year **(EN8)**

	2005	2006	2007	
River	3,587,948	3,536,931	3,931,422	82%
Artesian well	617,722	692,330	675,339	14%
Concession	154,868	164,816	188,548	4%
Total	4,360,538	4,394,077	4,795,309	

Percentage and total volume of water recycled and reused **(EN10)**

Total (m³)	39%	1,893,753
Reused	35%	
Recycled	4%	

Emission of CO₂ . (tons) . (EN3)



The figures for 2007 were to be raised in 2008.



Total weight of waste, by type and method of disposal (ton) (EN22)

Wood	Dangerous (1.4%) and not dangerous (98.6%)	106,313
Deca	Dangerous (0.6%) and not dangerous (99.4%)	33,704
Total		140,017

The handling of the waste and residues aims to reduce consumption of raw materials and the impact from the industrial activities. The wastes are treated at the Materials Recovery Areas (ARMs) and used again in the productive process. No significant leakages of any kind were registered during the year. (EN23)

The materials are controlled and audits made of the companies contracted to dispose of the waste in landfills. In the Wood Division, metals and

boards which are rejected by the quality control are returned to the process and the leftover wood is also used again as biomass in the generation of calorific energy. The metal waste in the Deca Division is recast.

Some of the residues are sold as by-products. This is the case with the sludge, which is used in the fertilizer industry and nickel hydroxide used by the chemical industry.

Total disposal of water (m³/year) by quality and destination (EN21)

Treatment in ETE (sludge) and disposed in public network	203,995
Parshall waste – Treatment of Ph and sent to emitting plant (Jundiaí) and irrigation field (Botucatu)	3,140,849
Treatment in ETE: sludge, DBO treatment (105 mg/l average and sent through the water course)	211,604
Total	3,556,448

Dangerous waste transported (EN24)

Residue	Destination	Quantity
Used oil	Refined again	13,940 liters
Industrial towels	Washed/reused	4,046 units
Drums impregnated by hydrocarbonates	Recovered	327 units
Filters/sleeves impregnated by hydrocarbonates	Co-processing	5.92 tons
Toxic agrochemical packaging	Official centers	38,679 units

Source: Internal residue report registered by Cetesb and Cadri for destination



ANNUAL SOCIAL BALANCE SHEET 2007 (UNAUDITED)

1 – Calculation Base	2007 Amount (R\$'000)	2006 Amount (R\$'000)
Net Revenues (NR)	1,670.6	1,489.2
Operating Result (OR)	475.4	379.1
Gross Payroll (GP)	169.9	153.0

2 – Internal Social Indicators	Amount ('000)	% GP	% NR	Amount ('000)	% GP	% NR
Meals	11.0	6.5%	0.7%	9.1	5.9%	0.6%
Mandatory social charges	95.1	56.0%	5.7%	84.8	55.4%	5.7%
Private pension plan	4.5	2.7%	0.3%	3.5	2.3%	0.2%
Health	9.9	5.8%	0.6%	9.2	6.0%	0.6%
Health and safety at work	6.5	3.9%	0.4%	5.3	3.5%	0.4%
Education	0.1	0.1%	0.0%	0.1	0.1%	0.0%
Culture	0.0	0.0%	0.0%	0.0	0.0%	0.0%
Training and development	0.0	0.0%	0.0%	0.0	0.0%	0.0%
Day care and child assistance	0.0	0.0%	0.0%	0.0	0.0%	0.0%
Profit/results sharing	19.8	11.2%	1.1%	14.0	9.2%	0.9%
Other benefits	0.0	0.0%	0.0%	7.3	4.8%	0.5%
Total – Internal social indicators	146.9	86.5%	8.8%	133.3	87.1%	9.0%

3 – External Social Indicators	Amount ('000)	% OR	% NR	Amount ('000)	%OR	% NR
Education	0.0	0.0%	0.0%	0.0	0.0%	0.0%
Culture	0.0	0.0%	0.0%	0.0	0.0%	0.0%
Health and sanitation	0.0	0.0%	0.0%	0.0	0.0%	0.0%
Sport	0.0	0.0%	0.0%	0.0	0.0%	0.0%
Combating hunger/food security	0.0	0.0%	0.0%	0.0	0.0%	0.0%
Others	0.0	0.0%	0.0%	0.0	0.0%	0.0%
Total contributions to society	0.0	0.0%	0.0%	0.0	0.0%	0.0%
Taxes (excl. social charges)	667.2	140.3%	40.0%	568.3	150.0%	38.2%
Total – External social indicators	667.2	140.3%	40.0%	568.3	150.0%	38.2%

4 – Environmental Indicators	Amount ('000)	% OR	% NR	Amount ('000)	%OR	% NR
Investments related to operations/production	13.6	2.9%	0.8%	10.0	2.6%	0.7%
Investments	2.6	0.6%	0.2%	2.0	0.5%	0.1%
Total investments in the environment	16.2	3.4%	1.0%	12.0	3.2%	0.8%

In setting "annual goals" to reduce waste, in the production/operations to increase the efficiency in the use of natural resources, the Company:

() has no goals	() has no goals
() complies 0% to 50%	() complies 0% to 50%
() complies 51% to 75%	() complies 51% to 75%
(X) complies 76% to 100%	(X) complies 76% to 100%

5 – Workforce Indicators	2007	2006
# of employees at year end	6,785	6,076
# of employees hired in the year	1,644	1,066
# of outsourced employees	114	161
# of interns	98	63
# of employees over 45	993	800
# of women employees	601	495
% of management positions held by women	12.80%	7.10%
# of black employees	1,211	1,083
% of management positions held by black employees	9.10%	4.96%
# of handicapped or employees with special needs	247	232

6 – Information on corporate citizenship	2007	Goals 2008
Ratio between the highest and lowest remuneration	76.67	77.44
Total number of accidents at work	146	168
The social and environmental policies developed by the Company were established by:	2007 <input type="checkbox"/> senior management <input type="checkbox"/> senior and middle management <input checked="" type="checkbox"/> all employees	<input type="checkbox"/> senior management <input type="checkbox"/> senior and middle management <input type="checkbox"/> all employees
The health and safety standards in the working environment were established by: senior and middle management	2007 <input type="checkbox"/> senior management <input type="checkbox"/> senior and middle management <input checked="" type="checkbox"/> all employees <input type="checkbox"/> all + CIA safety committee	<input type="checkbox"/> senior management <input type="checkbox"/> senior and middle management <input type="checkbox"/> all employees <input type="checkbox"/> all + CIA safety committee
In relation to labor union freedom, the right of collective bargaining and internal representation of the workers, the Company:	2007 <input type="checkbox"/> is not involved <input type="checkbox"/> follows the ILO norms <input checked="" type="checkbox"/> encourages and follows ILO norms	<input type="checkbox"/> will not be involved <input type="checkbox"/> will follow the ILO norms <input type="checkbox"/> will encourage and follow ILO norms
The private pension plans includes:	2007 <input type="checkbox"/> senior management <input type="checkbox"/> senior and middle management <input checked="" type="checkbox"/> all employees	<input type="checkbox"/> senior management <input type="checkbox"/> senior and middle management <input type="checkbox"/> all employees
The profit/result sharing includes:	2007 <input type="checkbox"/> senior management <input type="checkbox"/> senior and middle management <input checked="" type="checkbox"/> all employees	<input type="checkbox"/> senior management <input type="checkbox"/> senior and middle management <input type="checkbox"/> all employees
In selecting suppliers, the same ethical, social and environmental standards adopted by the Company are:	2007 <input type="checkbox"/> are not considered <input type="checkbox"/> are suggested <input checked="" type="checkbox"/> are required	<input type="checkbox"/> will not be considered <input type="checkbox"/> will be suggested <input type="checkbox"/> will be required
In relation to employee participation in voluntary work programs, the Company:	2007 <input type="checkbox"/> is not involved <input type="checkbox"/> supports <input type="checkbox"/> organizes and encourages	<input type="checkbox"/> will not be involved <input type="checkbox"/> will support <input type="checkbox"/> will support and encourage
Total number of consumer complaints and criticism:	2007 In Company 2,420 at the Procon consumer defense body 14 Legal proceedings 23	Goal 2008 In Company _____ at the Procon _____ Legal proceedings _____
% of complaints and criticism attended or resolved	2007 In Company 96% at the Procon 86% Legal proceedings 30%	Goal 2008 In Company _____% at the Procon _____% Legal proceedings _____%
Total added value to distribute (R\$'000)	In 2007: 1,136,617	In 2006: 1,001,540
Distribution of Added Value (DAA): (EC1)	41% government 25% employees 14% shareholders 6% third parties 14% retained	41% government 26% employees 8% shareholders 15% third parties 10% retained

7 – Other information

Amounts included unduly have been altered



GRI SUMMARY

- Information supplied completely
- Information supplied partly
- * Information not supplied

		Page	Level of application
Vision and strategy			
1.1	Statement by CEO	4	•
1.2	Main impacts, risks and opportunities	-	*
Organizational profile			
2.1	Name of organization	back	•
2.2	Main brands, products and/or services	back	•
2.3	Operating structure	back	•
2.4	Location of head office	back	•
2.5	Number of countries in which the organization operates	back	•
2.6	Legal form of ownership and nature	back	•
2.7	Markets attended	back	•
2.8	Size of organization	back	•
2.9	Main changes	back	•
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3.2	Date of previous report	1	•
3.3	Frequency of publication of reports	1	•
3.4	Contact details	1	•
Scope and limit of report			
3.5	Process for defining content	1	•
3.6	Limit of report	1	•
3.7	Limit(s) to scope	1	•
3.8	Base for consideration of joint ventures and subsidiaries	1	•
3.9	Techniques for measuring figures	1	•
3.10	Reformulation of information published previously	1	•
3.11	Changes in scope, limits or method of measuring	1	•
3.12	Summary of GRI content	66	•
3.13	External verification of figures	1	•
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4.4	Mechanisms for recommendations to the governance bodies	7, 9	•
4.5	Ratio between remuneration and performance of the organization	7	•
4.6	Processes to prevent conflicts of interest	-	*
4.7	Processes to qualify members of the Board	-	*
4.8	Mission, Vision, Principles, Values and Code of Conduct	back	•
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4.10	Process for self-assessment of the performance of the Board	-	*
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4.11	Principle of precaution	40	•
4.12	Charters, principles or other external initiatives	-	*
4.13	Participation in associations	55	•
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		Page	Level of application
<ul style="list-style-type: none"> • Information supplied completely ◦ Information supplied partly * Information not supplied 			
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<ul style="list-style-type: none"> • Information supplied completely ◦ Information supplied partly * Information not supplied 		Page	Level of application
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		Page	Level of application
• Information supplied completely			
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GRI Level of Application

	C	C+	B	B+	A	A+
Self Declared						
Examined by Third Parties						
Examined by GRI						



CORPORATE INFORMATION

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Chairman

Olavo Egydio Setúbal

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Paulo Setúbal Neto

Members

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José Carlos Moraes Abreu

Olavo Egydio Setúbal Jr.

FISCAL COUNCIL

Chairman

Paulo Ricardo Moraes Amaral

Members

Iran Siqueira Lima

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EXECUTIVE MANAGEMENT

Chief Executive Officer

Paulo Setúbal Neto

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Plínio do Amaral Pinheiro

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Metal: Cubo Line

Porcelain: Special semi-enclosed square wash basin

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Durafloor Design Carvalho Creta

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Durafloor Home Amêndola Curaçao

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Furniture in MDF with Low Pressure finishing by Adresse designed by Studio Bola

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Furniture in MDP with Low Pressure finishing by Kitchens designed by José Bonetti

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Metal: Cubo Line

Porcelain: Square tub with round wash basin in setting created by Denise Zuba

Metal: Square overhead shower fitting

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Metal: Dream Line, square soap dispenser

Porcelain: Wash basin with concealed valve in setting created by Antônio Ferreira Junior and Mário Celso Bernardes

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Metal: Contemporânea Line

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Event sponsored by Deca

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Durafloor Nature Carvalho Viena in setting created by Vanessa Guimarães

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