

EBITDA R\$ 458.1 MILLION
GROWTH OF 26%



DURATEX

Annual Report **2006**

BOVESPA LEVEL 1 GREEN SEAL
ROE 18% ISO 14,001
VALUE ADDED +16%
COST REDUCTIONS
ETHICS AND RESPONSIBILITY
INVESTMENT IN THE SOCIAL AREA
INCREASED PRODUCTIVITY
DISTRIBUTION OF 34%
OF NET INCOME

Corporate Profile

A manufacturer of reconstituted wood panels (such as hardboard, particle board, MDF board, HDF board, SDF board and laminated flooring), focused mainly at the furniture industry and building segment, and fixtures and fittings (vitreous chinaware and metal fittings) for the housing segment, Duratex is a subsidiary of Itaúsa – Investimentos Itaú S.A. The second largest private-sector corporate group in Brazil, Itaúsa operates in the financial, insurance, chemicals and information technology sectors, as well as those sectors served by Duratex.

Founded in 1951, already as a listed company, Duratex joined Level 1 of Bovespa's Corporate Governance in 2005, as part of the process of improving its standards of corporate governance and strengthening its image with capital market agents.

Duratex is organized into two divisions: the Wood Division and the Deca Division, respectively responsible for 70% and 30% of the company's total sales volume. Duratex is a leader in the wood panels and bathroom fittings segments, with a leading position in the vitreous chinaware market.

The company has nine industrial plants: seven in the state of São Paulo, one in Rio Grande do Sul and another in Argentina, where its subsidiary, Deca Piazza, produces metal bathroom fittings. At the end of 2006, the company had 6,076 employees.

Duratex is seeking to expand its presence in the international market. The Wood Division, being a manufacturer of wood panels, has a market structure in the United States and Europe, based through its wholly-owned subsidiaries Duratex North America and Duratex Europe. The Deca Division exports to 34 countries, where its products are sold through 1,350 points of sales. Exports of vitreous chinaware are concentrated in products with a higher aggregate value.

Today, Duratex's nominal industrial production capacity is 1.5 million cubic meters of wood panels, 14.4 million pieces of metal bathroom fittings and 3.8 million pieces of vitreous chinaware.

The company has a forestry area of approximately 90,000 hectares, predominantly eucalyptus, which makes it currently self-sufficient in the supply of wood. The average logging-distance from the forests is approximately 55 km from the company's industrial units, the shortest in the sector.

The company's management of its forestry is attested to by the Green Seal certificate, awarded by the FSC (Forest Stewardship Council). Duratex received such certification for the first time in 1995, being the first company in Latin America to receive this approval. The company also carries an ISO 14,001 certification.

Mission

To offer high-performance products and services, in a safe and profitable manner, developing training and partnerships with clients, suppliers, communities and employees, generating value throughout its production chain.

Vision

To be a world-class leader, operating with social and environmental responsibility in the reconstituted wood product segment and the fixtures and fittings segment for the building industry, generating significant and permanent returns to shareholders and providing its employees, clients, consumers, suppliers and the community, with a feeling of well-being, satisfaction and self-realization.

Values

- **Integrity:** to behave in an ethical, just, consistent and transparent, in all that the company thinks, says and does.
- **Human appreciation:** 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 respect for 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, stimulating and promoting social programs, reuse of resources and sustainable development

1.5 billion

DURATEX'S NET REVENUES IN 2006

Main indicators

Shipments	2002	2003	2004	2005	2006	CAGR
Wood (in '000 m3)	881.2	905.6	1,050.8	1,040.4	1,218.5	8.4%
Deca (in '000 pieces)	14,523	13,318	13,747	12,825	13,981	-

Consolidated Performance (R\$ million)	2002	2003	2004	2005	2006	CAGR
Net Revenues	866.9	989.6	1,188.2	1,270.6	1,489.2	14.5%
Domestic Market	703.9	799.4	950.6	1,065.7	1,265.6	15.8%
Export Market	163.0	190.2	237.6	204.9	223.6	8.2%
EBITDA	213.3	232.2	320.6	362.6	458.1	21.1%
EBITDA margin (%)	24.6%	23.5%	27.0%	28.5%	30.8%	-
Net Income	71.7	64.0	125.3	137.1	226.0	33.2%
Net Margin (%)	8.3%	6.5%	10.5%	10.8%	15.2%	-
Earnings per Share (R\$)	0.62	0.55	1.06	1.17	1.78	30.2%
Value Added	610.1	658.3	761.1	865.3	1,001.5	13.2%
Return on Equity (ROE)	8.1%	7.0%	13.0%	13.5%	18.3%	-
Return on Invested Capital (ROIC)	8.4%	9.0%	10.2%	12.3%	16.1%	-

Dividends (R\$ million)	2002	2003	2004	2005	2006	CAGR
Gross dividend (accrual)	24.6	25.7	58.1	46.3	76.9	33.0%
Gross dividends (cash)	23.5	24.4	44.5	52.7	51.8	21.8%
Dividend/net income (pay-out)	34.2%	40.2%	46.4%	33.8%	34.0%	-
Dividend-yield (cash)	4.2%	4.0%	4.6%	3.6%	2.8%	-

Capital markets	2002	2003	2004	2005	2006	CAGR
Number of outstanding shares ('000)	117,791.0	117,827.2	117,827.2	117,827.2	128,125.8	-
Number of Trades	2,169	4,686	3,977	6,797	55,903	125.3%
Number of Shares Traded ('000)	22,742	43,139	42,525	28,137	82,593	38.0%
Volume Traded (R\$ million)	100.7	274	381.7	339.8	2,015.9	111.5%
Price at the End of the Period (R\$)	5.20	8.30	12.40	14.85	33.20	59.0%
Market Capitalization (R\$ million)	612.5	978.1	1,461.0	1,749.7	4,253.2	62.3%
Book Value per Share at the End of the Period (R\$)	7.78	8.01	8.41	8.95	10.89	8.8%

Annual Report 2006

Sustainable growth



DURATEX



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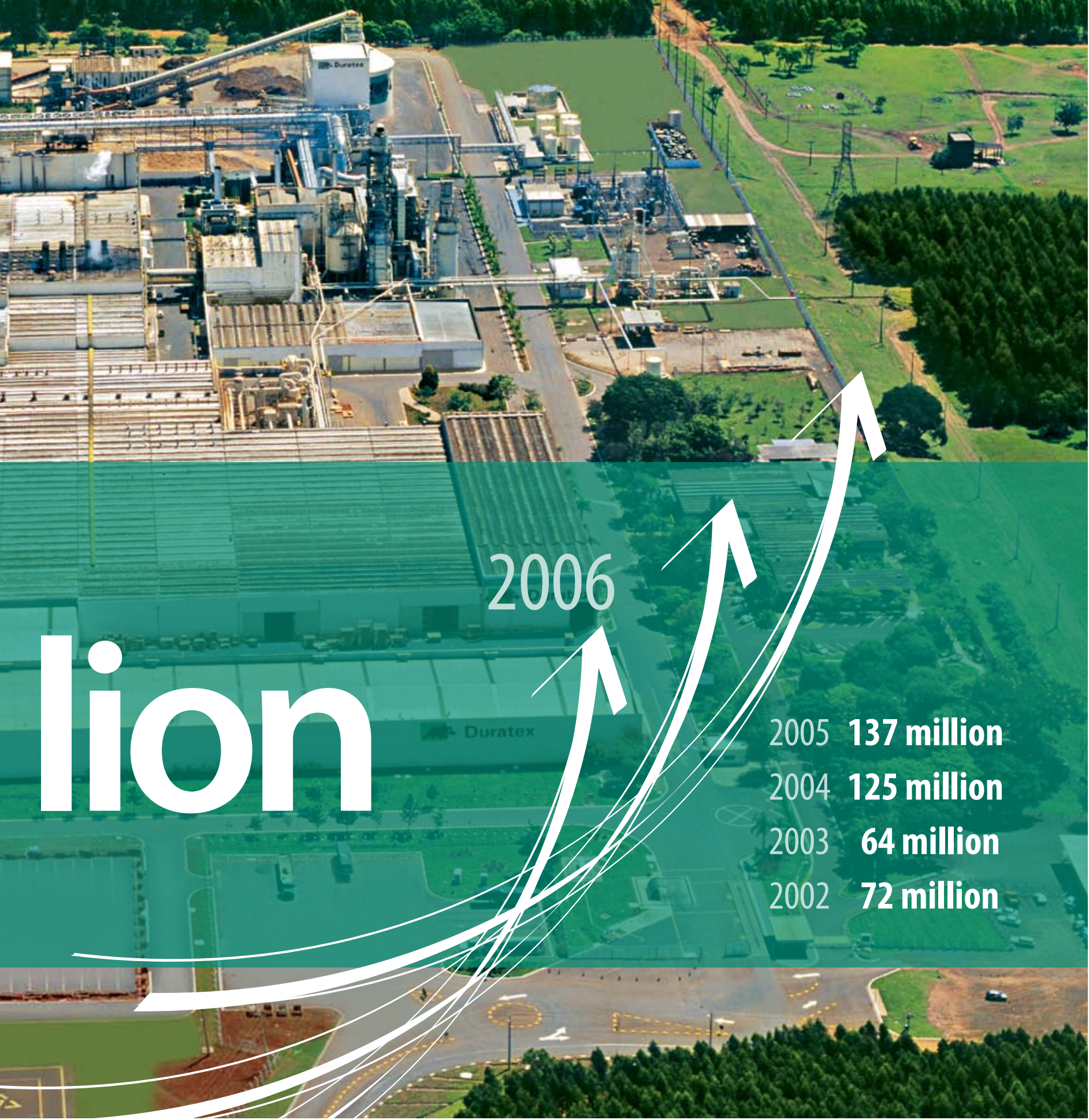


R\$ **226** mil

Duratex's net income in 2006



Sustainable Growth



2006

lion

2005 **137 million**
2004 **125 million**
2003 **64 million**
2002 **72 million**

MESSAGE FROM THE PRESIDENT

2006 was a record year for Duratex. Compared to 2005, gross revenues were up by 15%, to approximately R\$ 2 billion, net revenues rose to R\$ 1.5 billion, up 17%, and cash generation, according to the EBITDA concept, amounted to R\$ 458 million, up 26%. Net earnings leapt 65% to R\$ 226 million, representing a return on equity of 18%. The company's financial performance last year was therefore extremely satisfactory. 2006 was the year in which we managed, above all, to consolidate our strategy of sustainable growth, a concept which is present in all our actions – be they strategic or operational.

From an economic perspective, Duratex enjoyed a favorable macroeconomic environment. The year saw recovery in various sectors of the economy, in response to the continuing reduction in interest rates, growth in income level and greater availability of consumer credit and mortgage lending. Together, these factors were responsible for an increased level of activity in the furniture and building segments, areas in which most of our products are consumed.

The positive combination, however, would have had a limited effect if we had not been well prepared to reap the benefits. Always believing in the potential of the Brazilian market, the company carried out the investment needed to expand its production capacity, updating its technology, launching new product lines, acquiring land, planting forests and investing in environmental preservation. Since 2000, the company has made investment of more than R\$ 1 billion.

The results from Duratex's two divisions showed that the policy of investing to make our business sustainable, was correct. Last

year, compared to 2005, volumes in the Wood Division were up by 17%, with total sales amounting to 1.2 million m³. In the Deca Division, almost 14 million pieces were shipped, an increase of 9% on the same comparison.

On the export front, the exchange rate against the US dollar was very volatile, beginning 2006 at R\$ 2.34 and arriving at the end of the year at R\$ 2.14. Despite this, Duratex maintained its export revenues at US\$62 million. This result was due to the company's focus on the sale of higher aggregate value products.

Duratex's results are a source of pride for us, but they also reflect the past. More important, however, is to look ahead and this is what we would like to take the opportunity to do.

Due to the buoyant times in the building and furniture sectors, and our high level of capacity utilization in 2006, we have decided to carry out further investment, of approximately R\$ 850 million, which should significantly expand our production capacity, between 2007 and 2009, further consolidating our leadership in the sectors in which we operate.

These investments will be carried out with the concept of sustainability in mind, which is the common denominator in all Duratex's directives. Present at the economic, social and environmental level it is a key concept, without which it would be impossible to fulfill our mission and our commitment to generate value.

At the economic level, I would particularly like to emphasize, among other factors, the company's continuous investment policy, the transparency provided to the capital markets – which

R\$850 million

IN NEW INVESTMENT BETWEEN 2007 AND 2009

Sustainable Growth

allows us access to this important source of financing, the technological improvements we have implemented, our brand loyalty, large production scale, the recognized excellence of our products, the efficiency of our management methods and our self-sufficiency in wood.

At the social level, of particular note is our mutually enriching relationship with the neighboring communities close to the company's industrial units and forests, which involves a series of educational programs, professional training courses and sporting events. Internally, we have an advanced human resources policy which focuses on training and adding value to our professional staff.

At the environmental level, the company carries the internationally recognized Green Seal certificate, granted by the rigorous Forest Stewardship Council (FSC), and ISO 14,001, granted by BVQI. These certifications attest not only to forest management, but also the entire wood manufacture industrial chain, obeying the most demanding environmental conservation standards, as well as permitting the sustainability of the company's operations. And on the industrial front, significant investments have been made in the environment, such as the building of effluent treatment stations, later transformed into areas of material re-use, and the purchase of filters and gas scrubbers, in addition to the strict observation of legal standards and regulations.

Our conviction that sustainability is the only way to grow, has been supported by public opinion and is reflected in the appreciation in our shares. In one year, Duratex's market capitalization has more than doubled, now amounting to R\$ 4.2 billion.

Expansion is a process. The investment of funds carried out up to now have fulfilled their purpose. Now, new investment is needed to lift the company up to new operating levels and create more value for our shareholders. To all our shareholders, as well as our employees, suppliers and clients, we offer our sincere gratitude for your support, commitment, partnership and confidence.



Paulo Setúbal
President



R\$ **827** mil

in investment in fixed assets over

lion

5 years



2006	105.4 million
2005	108.4 million
2004	136.8 million
2003	172.8 million
2002	303.5 million

Duratex has the best sustainable performance in the sector, based on the strategy of value creation. To consolidate its leadership, the company has drawn up a new investment plan, budgeted at R\$ 850 million, with the aim of expanding its production capacity, between 2007 and 2009, to supply the growing demand of the building and furniture industries.

To fulfill its objective of creating value in a sustainable manner, Duratex implements a combination of strategies to consolidate and build on its significant competitive advantages, in relation to its competitors. The company carries out its business with the objective of maintaining its leadership in all the markets in which it operates, with a competitive cost structure and products which meet the wishes of its clients, including those in international markets, where the company is seeking to increase its presence.

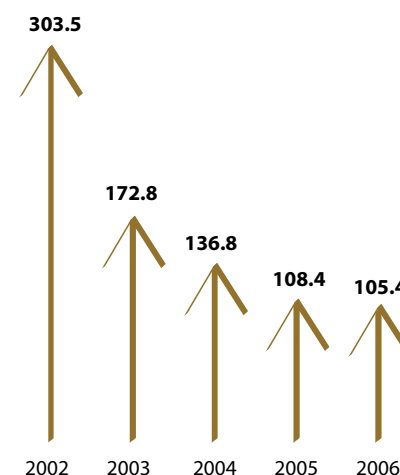
LEADERSHIP

Duratex is the market leader in the production of wood panels and bathroom fittings, as well as holding a leading position in the vitreous chinaware segment. The buoyant currently period being enjoyed by the furniture and building industries, the main consumers of our products, combined with a favorable combination of macroeconomic factors, has encouraged us to implement an investment plan focused on expanding production capacity in these segments, between 2007 and 2009, as a way of consolidating our leadership in the sector. This plan has the aim of expanding our operations in a sustainable manner, increasing our competitive advantages. These investments aim to increase production of MDF panels by 78% (33% for the Wood Division on a consolidated basis), production of metal fittings, by 33% and vitreous chinaware by 43%.

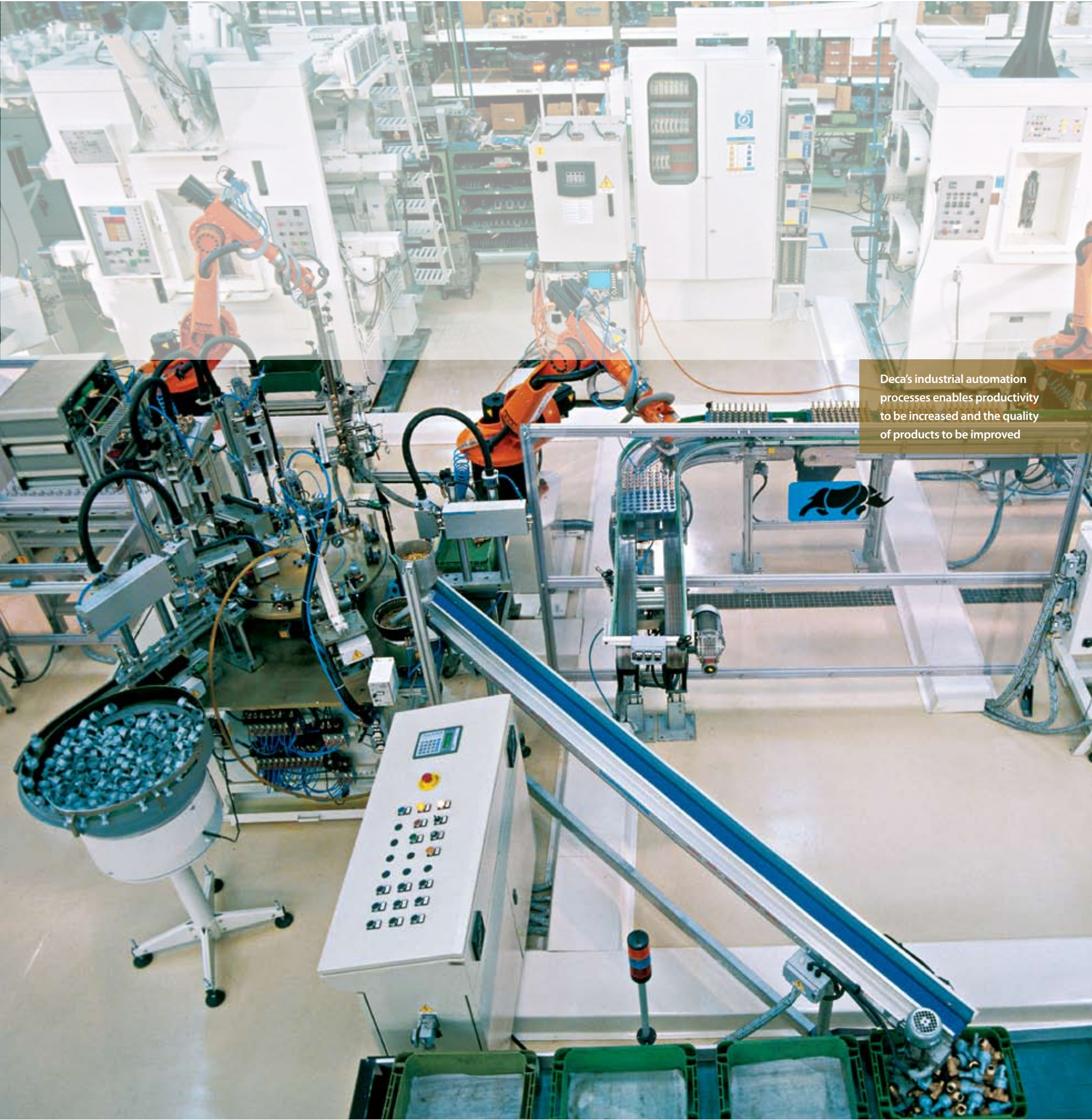
COSTS

Leadership without a lean cost structure would not be sensible. Duratex's production scale, combined with the complementary nature of the distribution channels of some products from the Wood Division, aimed at the building sector, as with those of Deca, provide it with great efficiency. Another point worth noting is the degree of verticalization which exists in the Wood Division, which is completely self-sufficient in wood supply,

CAPEX – Investment in Fixed Assets
(R\$ million)



Strategy



Deca's industrial automation processes enables productivity to be increased and the quality of products to be improved

through renewable forests. One peculiarity of this operation is the type of prevailing tree, eucalyptus, which has a faster growth cycle than pine, largely used by the competition, as well as having 30% higher productivity per planted hectare, per year.

Efforts to reduce costs have also been made through the carrying out of internal restructuring. Since 2000, Duratex has discontinued the operations of two plants which had a cost structure which was incompatible with the rest of its operations, without, however, losing production capacity since the other plants received additional investment to compensate. The redefinition of the system of freight contracting for the shipment of panels and the transport of wood from the forests of the plants, as well as the re-engineering of products with the aim of reducing the use of raw material, in the metal fittings segment, are examples of initiatives which enable the company to have a cost structure which is low, compared to the rest of the industry.

As part of the investment plan commented on earlier, there is a particular item which deserves special attention from a cost standpoint. The company is to purchase an ERP system (Enterprise Resource Planning), which will permit, among other advantages, the integration of all the computerized systems which support the company's operations, providing better data integrity. This will in this way create the conditions for implementing the methodology of fixed cost reduction, by using the Zero-Based Budgeting concept.

PRODUCTS

One of the directives of Duratex is to understand the demands of its clients and launch contemporary products ahead of the market, maintaining its pioneering position at the forefront of the market, with a higher aggregate value sales mix.

The re-engineering of products, with a focus on reducing the use of raw material, helps to maintain a low cost structure



1,350

NUMBER OF POINTS OF SALES FOR DECA'S PRODUCTS IN THE INTERNATIONAL MARKET

The Deca Division stands out in the market as a result of its extensive range of products which meet consumer necessities within the population's high and medium-income segments. Deca has a wide range of products and accessories, with bold designs and outstanding quality, present throughout Brazil.

The Wood Division aims to differentiate itself from the competition through the development of wood-effect finishes which cover its panels, applied through paint or application of designs on paper, through the Low Pressure process. The diversity of panels and standard sizes, due to its large scale of production, sets Duratex apart from its rivals.

As part of its investment plan announced in March 2007, is the purchase of a panel coating production line using Low Pressure technology, with a capacity of 8.5 million m², which is expected to add 35% to its existing capacity, as well as further equipment which will increase the production capacity of metal fittings and ceramic ware for the building industry with a higher aggregate value.

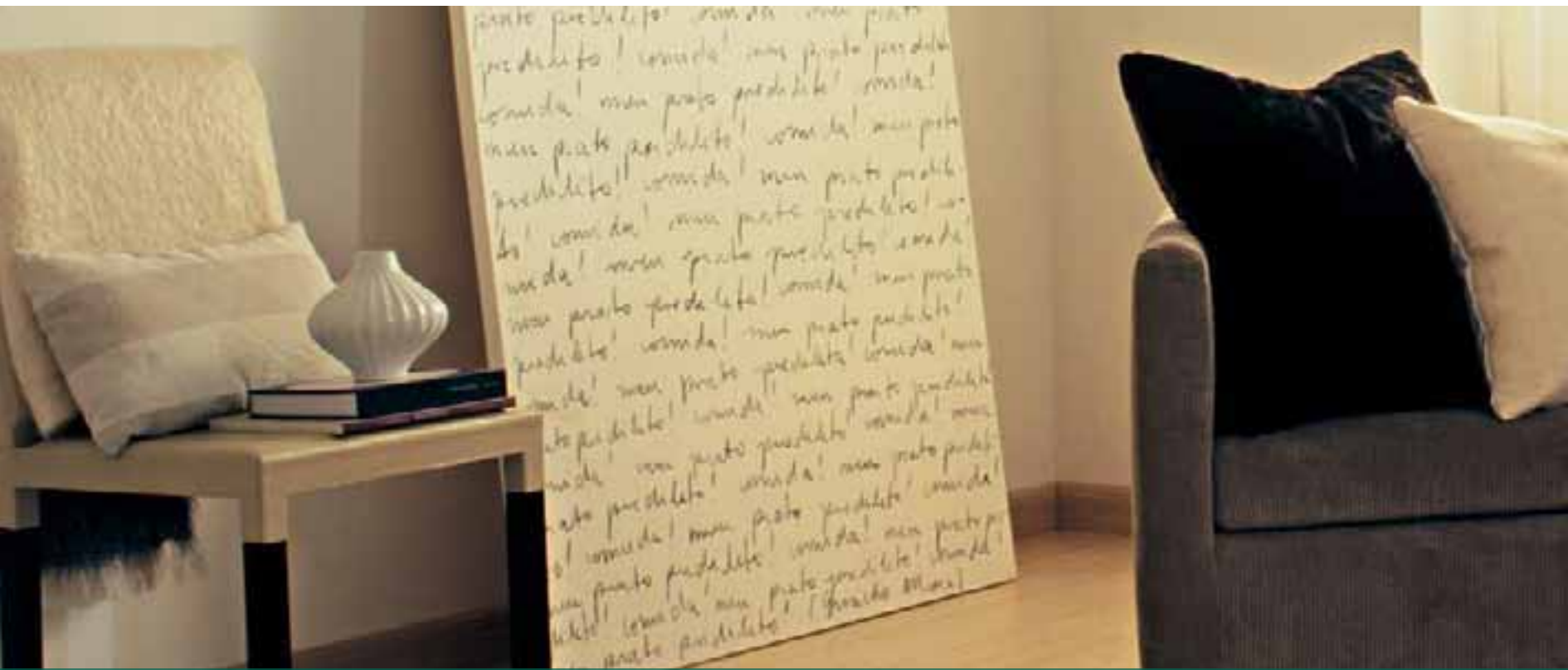
In 2006, 64 new patterns and accessories were launched by the Wood Division, while Deca launched 25 metal bathroom fitting products and 14 new vitreous china products.

EXPORT MARKET

The importance of increasing exports as a percentage of overall sales can be measured in terms of the degree by which it reduces our exposure to the Brazilian market's vulnerability, which is currently the main sales destination.

Duratex has structured sales operations for its wooden panels, particularly hardboard, in the United States, through Duratex North America, and in Belgium, through Duratex Europe. Two years ago, efforts were intensified in the Deca division to increase its exports to these markets, which have higher consumption scale for high-quality premium products, our main focus. The brand and the products exported have been well received by a large proportion of the market – the only problem being the lack of greater volume, which we intend to achieve over the long term.

14/15



R\$ **1 billion**
net revenues from the Wood

Wood



2006

Division

2005 **860 million**
2004 **807 million**
2003 **656 million**
2002 **564 million**

As a result of increased domestic demand from the furniture industry, total volumes shipped from the Wood Division in 2006 were 17% higher than in 2005, amounting to 1.2 million m³. As a result of this, there was a fixed costs dilution and an operating performance improvement having the division's EBITDA/Net Revenue ratio increased from 31%, in 2005, to 35% in 2006.

Having four industrial units in Brazil – Agudos, Botucatu, Itapetininga and Jundiaí – all in the state of São Paulo, the Wood Division has about one third of the installed industrial capacity in the Brazilian market, which ensures its leadership in the sector.

This area of Duratex's business has an integrated and verticalized operation, which is capable of producing the widest possible range of products, basically destined to the furniture and building industries. Among the main products are: MDF and HDF board, laminated flooring, hardboard and particleboard panels.

PERFORMANCE

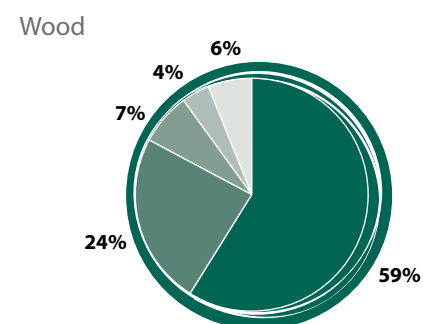
Volumes shipped increased by 17% in 2006, amounting to 1.2 million m³. The increase was led by the domestic furniture manufacturing market, responsible for approximately 60% of domestic shipments. The buoyant period being enjoyed in the economy at the moment is due to the greater availability of credit, linked to a general increase in family incomes. The recovery in the real-estate sector is likely to benefit this business area, since the new projects under development, will generate more demand for furniture by completion.

Exports amounted to US\$ 52 million (93% of the value obtained in 2005), but net revenues from the export market were up 3%.

Adding together the net revenues from the domestic and export markets, sales from the Wood Division amounted to R\$ 1 billion last year, up 17% on 2005.

The increase in shipments had a positive impact in terms of diluting fixed costs, improving the division's operational performance. Two indicators reflect this improvement: Gross

Distribution Channel – Domestic Market



Wood



Duratex was a pioneer in the manufacture of laminated flooring from MDF board in Brazil (Durafloor)

margin widened from 42% to 46%, while EBITDA increased by 33%, to R\$ 354 million, resulting in an EBITDA/Net Revenue ratio of 35% (compared to 31% the previous year).

INVESTMENTS

Over the past few years, Duratex has carried out major investments to expand its production capacity. Two new production plants have been built: one for the manufacture of particleboard panels, in Itapetininga, and another for MDF, HDF and SDF panels, in

Botucatu, both in the state of São Paulo.

Together with this expansion, investment has also been carried out in expanding panel coating capacity, with the aim of enriching the company's sales mix and improving profitability in this area.

These investments in expansion require corresponding investments in expanding the company's forestry area, in order

to maintain self-sufficiency in wood supply and also in the adoption of more modern technology for planting and maintenance, with the aim of improving the productivity of the eucalyptus forestry plantations.

The company's forestry operation is a major key element in terms of the sustainability of the business, due to the advantageous cost structure that it provides.

R\$354.4 million

EBITDA GENERATED BY THE WOOD DIVISION

Duratex's Wood division
launched 64 new patterns
in 2006



Wood

Costs associated with forestry are comparatively low due to a combination of three production factors: scale of production, mechanization of harvesting and logging distance from the plants. The production scale, with approximately 90,000 hectares of its own forest, is the largest in the sector. Mechanization is complete. The use of machinery reduces the cost of harvesting by up to half, compared to manual methods, which gives Duratex a major competitive advantage, being the only company to be entirely mechanized. With regard to the logging distance between the company's forests and its industrial units the average is 55 km, much shorter than its competitors. The proximity between forest and production plant is fundamental to the business, seeing that freight accounts for a third of the total cost of wood.

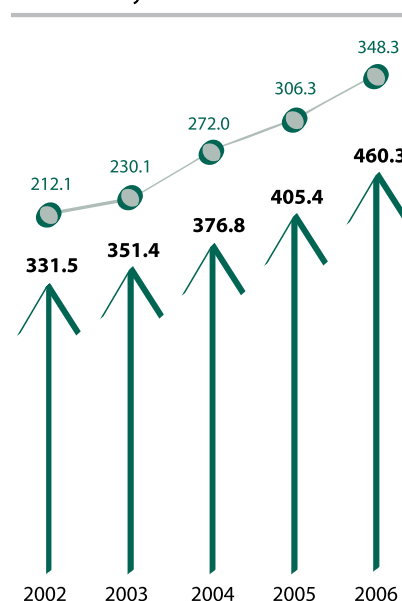
Another cost differential lies in the genetics technology for improving Duratex's forest productivity, a program that has already been running for three decades. Currently all the saplings planted are clones, which makes them more adapted, productive and resistant to pests and diseases.

NEW PRODUCTS

As part of its policy of investing in new products with a higher aggregate value, Duratex launched 64 new patterns in 2006.

In April, at Feicon, the international construction trade fair and the main event in the sector, the company officially unveiled its Design product line, of Durafloor. Developed based on professional requirements, this line is characterized by longitudinal seams,

Productivity – Wood



- Unitary production/employee
- Net revenues in R\$'000/employee

COSTS – WOOD

	Hardboard	Particle board	MDF/HDF/SDF
Labor	26%	13%	10%
Wood	23%	19%	17%
Raw materials and other materials	29%	52%	52%
Electricity	11%	6%	10%
Fuel	7%	3%	2%
Depreciation	4%	7%	9%
	100%	100%	100%

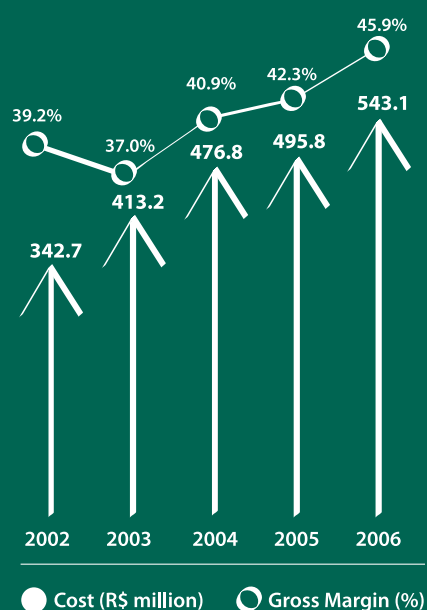
SHIPMENTS

(In m³)	2002	2003	2004	2005	2006
Standard	525,769	586,395	698,514	695,997	855,855
Coated	355,403	319,185	352,239	344,366	362,659

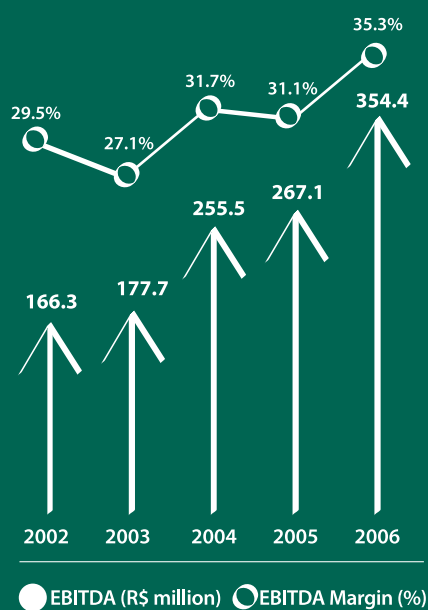
NET REVENUES (in R\$ million)

	2002	2003	2004	2005	2006
Domestic Market	412.6	484.9	609.3	687.3	825.6
Export Market	151.1	171.3	197.9	172.7	178.8
TOTAL	563.7	656.2	807.2	860.0	1,004.4

Cost X Gross Margin Wood Division



EBITDA X EBITDA Margin Wood Division



Wood

showing knots and wood grain patterns, and which, after installation, provides the surface with a natural looking texture of solid wood. During the fourth quarter, the Vintage line was launched, its difference being a seam at the side of its border. Both product lines have the same qualities as the other Durafloor products: quick installation, ease of maintenance, resistance and durability.

EXPORTS

Exports of hardboard sheet continue to be the flagship product of the Wood Division's export sales, accounting for 82% of total exports in this segment.

The main destinations continue to be the United States and Europe, both considered to be structured markets. Duratex also sells its products to countries in Africa and Asia, with the aim of using up production capacity and diluting costs. Last year, as a result of the exchange rate and more buoyant demand in Brazil, part of the company's exports, particularly MDF, were redirected to the domestic market.

AWARDS

Among the awards received by the Wood Division in 2006 of particular note was Pini, in the laminated flooring category.

The shipped volume of coated products represented 30% of the total

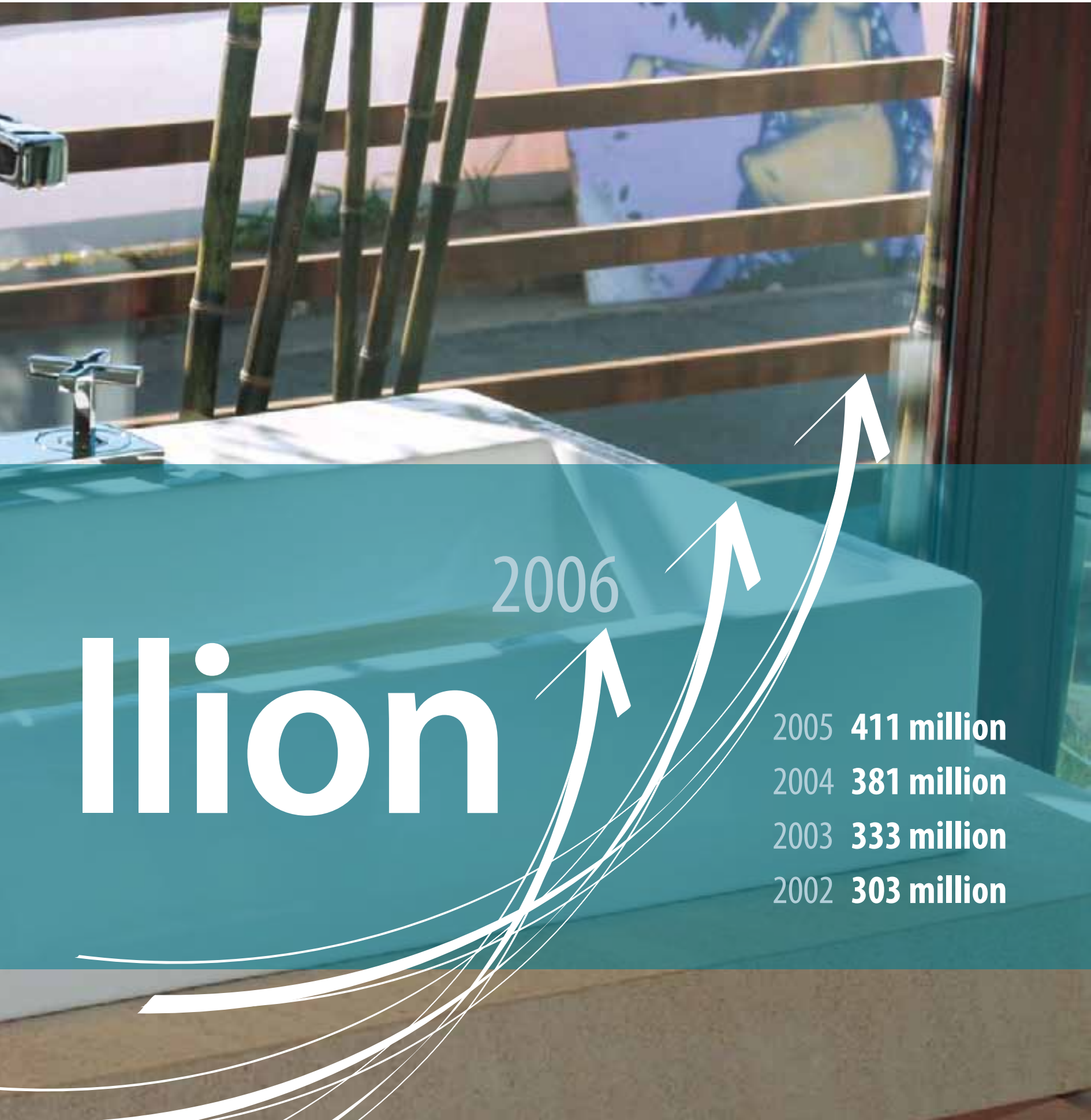


22/23



R\$ **485**mi

net revenues from the Deca Division



Illion

2006

- 2005 **411 million**
- 2004 **381 million**
- 2003 **333 million**
- 2002 **303 million**

In 2006, the amount shipped by the Deca Division was 9% higher than in 2005, amounting to 14 million pieces. Growth was more intense in the basic products segment, due to the current buoyant conditions being enjoyed by the building industry. EBITDA margin amounted to 21% in 2006, up 9% on the EBITDA for this division in 2005, amounting to R\$ 103.7 million.

Sales of vitreous chinaware and metal fittings produced by the Deca Division in 2006 were influenced by the real-estate recovery start, a process which is giving clear signs of intensifying.

Deca, of which the Hydra brand is a part of, for flushing valves, operates in four industrial units in Brazil, and one in Argentina, Decca Piazza.

PERFORMANCE

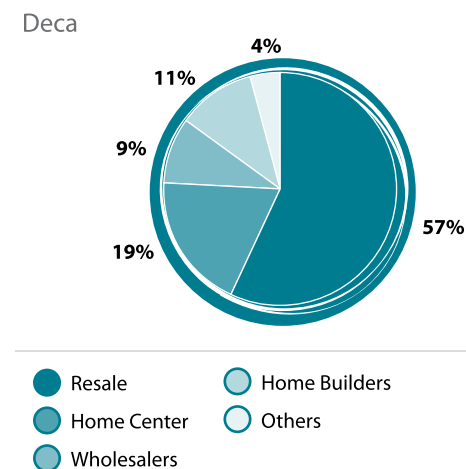
In 2006, there was a 9% increase in volume shipped, with 14 million pieces. The increase in the basic products and fixtures and fittings segments amounted to 11% and 7%, respectively. Net revenues amounted to R\$ 485 million, up 18% on 2005. EBITDA from this area was up 9% when compared to 2005, amounting to R\$ 103.7 million, corresponding to an EBITDA margin of 21%.

Sales growth during the year was more intense in the basic product lines, being incorporated in developments under construction. In turn, demand for products with a higher aggregate value, used during the period nearing the completion of these developments, is likely to increase over the next few months. The challenge, from now onwards, is to expand production of this division, to meet increased demand from the expected faster expansion in the real estate sector.

INVESTMENTS

In the last few years, investments have been carried out by Deca to expand its production capacity and updating the technology used. In the area of metal bathroom fittings, of particular note was the automation of the casting procedure and the production process for

Distribution Channel – Domestic Market



Deca



14 new products were
launched during the year in
the vitreous china segment



Hydra valves. In the area of vitreous chinaware, oil-fired kilns were replaced with more modern gas-powered ones, as well as the purchase of equipment for high-pressure casting, which has a high level of productivity. Currently, this division now has an extensive range of modern equipment, which permits a high degree of industrial automation and large production scale.

NEW PRODUCTS

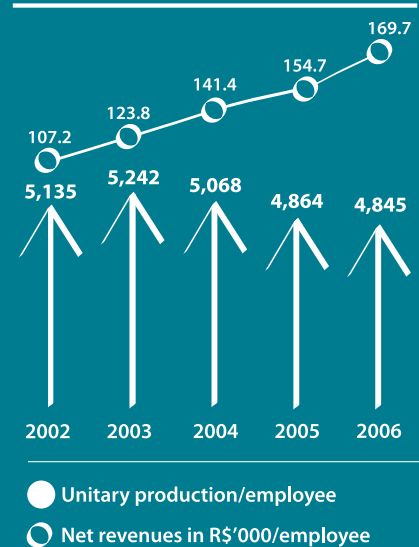
Having outstanding modern and bold designs, Deca continued its policy of launching new products, staying ahead of the competition. Among the more notable of these were water saving products, such as the Duo, shown in the adjacent photograph, and products aimed at the middle-income markets such as the Fast kitchen tap, shown on the following page. In 2006, the Division launched 25 new metal products and 14 new vitreous china products on the market.

Among the more outstanding items released last year, are the following metal fitting lines: Aspen, Targa, Prata and Spot products, in the competitive segment, and the Quadratta and Stick products, in the premium segment.

EXPORTS

Exports from the Deca Division increased by 54% last year amounting to total of US\$ 9.8 million. This result was due to the implementation of a policy which aim to increase Deca's presence in the global market for premium products, which have a higher aggregate value. In this way, Deca, which exported to 18 countries in 2003, today exports to 34 countries, and its products can be found in more than 1,350 points of sales (double the number in 2005).

Productivity – Deca



COSTS – DECA

	Metal Fittings	Vitreous Chinaware
Labor	33%	45%
Raw Materials and other material	57%	32%
Electricity	4%	4%
Fuel	0%	9%
Depreciation	6%	10%
	100%	100%



R\$ 104 million

EBTIDA GENERATED BY THE DECA DIVISION

In the United States, Deca has been introducing its brand through participation at trade fairs. For three years running, the company has participated at Kitchen & Bath, the largest trade fair in the US, with one of the 10 largest stands of more than 1000 participants at the event. Having presented its products to the American market, the next step, which is now beginning, is to participate at business fairs, such as those in the hotel, construction and decoration sectors.

Exports of vitreous chinaware accounted for 80% of Deca's exports. The remainder consisted of metal fittings.

Up to last year, one of the aims of seeking new markets internationally was to increase the company's production capacity utilization, with a consequent dilution in fixed costs. Exports therefore were concentrated in Mercosul countries. From 2007, Deca put into practice the second phase in its export strategy, consisting of more selective sales, resulting in increased profitability. This is now the direction that exports are taking, with the redirecting of sales from countries in Mercosul (who purchase more basic products) to the USA and Europe (which import premium items).



Deca won the Anamaco award in the Metal Bathroom Fittings and Metal Water Savings Devices categories

AWARDS

Deca won several important awards in 2006. One of these, again, was the Anamaco prize, in the category of Metal Bathroom Fittings and Metal Water Saving Devices. This award was the result of research carried out with suppliers of construction materials throughout Brazil, which took into account criteria such as quality, price, service, technical assistance and commercial ethics.

Deca also obtained, for the second time, the iF Product Design award, one of the main global awards in the industrial design area, granted since 1953, in Hannover, Germany, for the Slim Deca valve finishing.

The company also received the Pini award, in the vitreous china and metal bathroom fittings categories, and was awarded second place at the 20th edition of the Museu da Casa Brasileira Design Awards, with the Slow Close seat.

In the environmental area, Deca was awarded 2nd place at the FIESP awards for Conservation and Reuse of Water, in the Medium and Large size company category.

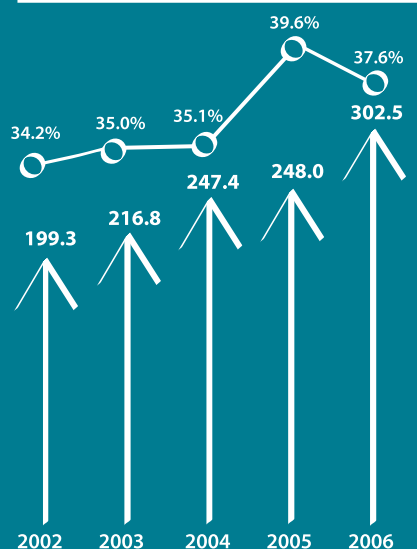
SHIPMENTS (in '000 pieces)

	2002	2003	2004	2005	2006
Basic	7,083	6,491	6,649	6,484	7,178
Finishing	7,440	6,827	7,098	6,341	6,803

NET REVENUES (R\$ million)

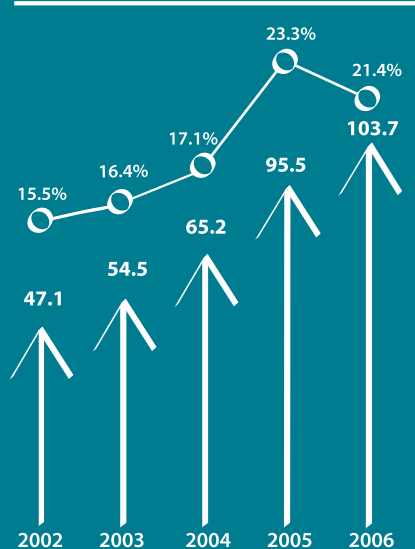
	2002	2003	2004	2005	2006
Domestic Market	291.3	314.5	352.4	378.4	440.0
Export Market	11.9	18.9	28.6	32.2	44.7
TOTAL	303.2	333.4	381.0	410.6	484.7

Cost X Gross Margin Deca Division



● Cost (R\$ million) ● Gross Margin (%)

EBITDA X EBITDA Margin Deca Division



● EBITDA (R\$ million) ● EBITDA Margin (%)

30/31



R\$ **77** mill
in total dividends distributed

2006

ion
for 2006

2005 46 million
2004 58 million
2003 26 million
2002 25 million



Improved operational performance and the higher liquidity in Duratex's shares led to the company's preferred shares appreciating by 124% in 2006. Average daily volume for the company's shares was six times higher than in 2005.

Having prepared itself over the last two years to meet stronger demand, in 2006 Duratex captured the benefits, with the recoveries in sectors of the economy that had a direct influence on its product line.

The improvement in results was substantial, in an analysis of any of the figures.

REVENUES

Gross Revenues amounted to R\$ 1,965.2 million, up 15% on 2005. Consolidated net revenues increased by 17% to R\$ 1,489.2 million.

This was the result of a favorable combination of factors in the domestic market, particularly in the building and furniture manufacturing segments, the main consumers of the company's products. Having a higher production capacity, the result of its investment policy, Duratex is now able to benefit from the positive economic environment.

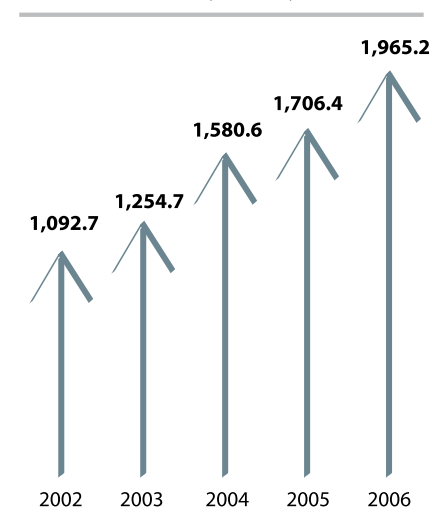
At the Wood Division, shipments were 17% up on the previous year, shipments of wood panels exceeding 1.2 million m³. At the Deca Division, almost 14 million pieces were sold, up 9% on 2005.

On the export front, Duratex's total exports amounted to US\$ 62 million in 2006, almost unchanged on the previous year, despite the appreciation in the exchange rate, which has an adverse effect on the sector.

COSTS AND EXPENSES

The growth in sales, naturally, had the effect of increasing variable costs and expenses. COGS increased from R\$ 743.8 million in 2005, to R\$ 845.6 million in 2006. Sales expenses

Gross Revenues (R\$ million)



Results

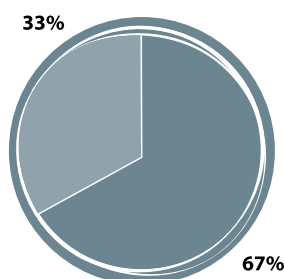


Thanks to its investment policy, Duratex can now benefit from the positive effects of the improved economic scenario

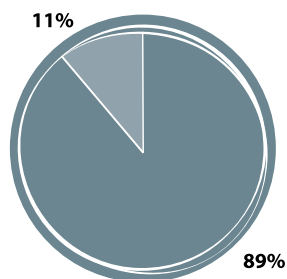
R\$458 million

EBITDA GENERATED BY DURATEX DURING 2006

Origin of Revenue

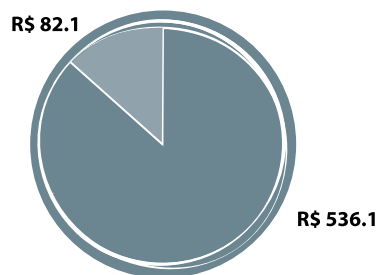


● Deca ● Wood



● Export Market ● Domestic Market

Debt (R\$ million)



● Foreign Currency ● Domestic Currency

increased from R\$ 175.2 million to R\$ 179.6 million. However, the increase in costs and expenses were diluted by both a higher capacity utilization rate and a reduction in fixed costs and expenses, which enabled Gross Margin to widen from 41% to 43%, and EBITDA margin to widen from 29% to 31%.

EBITDA (earnings before interest, taxes, depreciation and amortization)

Operational cash generation, as measured according to the EBITDA concept, amounted to R\$ 458.1 million, up 26% on the year.

The figures confirm the buoyant moment in the economy being enjoyed by the company as a result of the improved economic scenario.

NET EARNINGS

The growth in volumes shipped, reflected in revenues, combined with efforts to rationalize operations, enabled the company to achieve a jump of 65% in net earnings in 2006, which amounted to R\$ 226 million, which signifies a return on equity of 18%.

The result is even more impressive when looking at pre-tax profits, which increased from R\$ 219.4 million to R\$ 346.9 million, up 58%.

INDEBTEDNESS

As at the end of 2006, the company had a net debt of R\$ 43.6 million. This debt is equivalent to 3% of the company's net worth and represents less than 10% of the EBITDA for the period.

This is a debt profile compatible with the company's investment program announced in March 2007, and which is to be implemented during the period between 2007 and 2009.

CAPITAL MARKETS

Duratex's preferred shares appreciated by 124% during 2006. For the same period, the Bovespa Index appreciated by 33%. The appreciation curve in Duratex's shares saw an upward shift compared to the market average in mid-2004. And from then onwards, this distance has increased.

Results

This performance is the result of a combination of improved operational performance by Duratex, as well as the substantial increase in the liquidity of the company's shares. In 2006, average daily trading volume amounted to R\$ 8.2 million, six times higher than in the previous year.

This increase in share liquidity was the result of a secondary issue of preferred shares, worth R\$ 410 million, which was carried out in April 2006. Together with this, there was a primary issue of ordinary shares, of R\$ 195 million, with the aim of capitalizing the company to cope with a new cycle of expansion.

As a result of this, Duratex's market capitalization increased by 147% in the year, rising to R\$ 4.2 billion.

Other highlights of 2006 were:

- A capital increase through the incorporation of profit and capital reserves, worth R\$ 383 million;
- 100% Stock Dividend in the proportion of one new share for every outstanding share.

DIVIDENDS

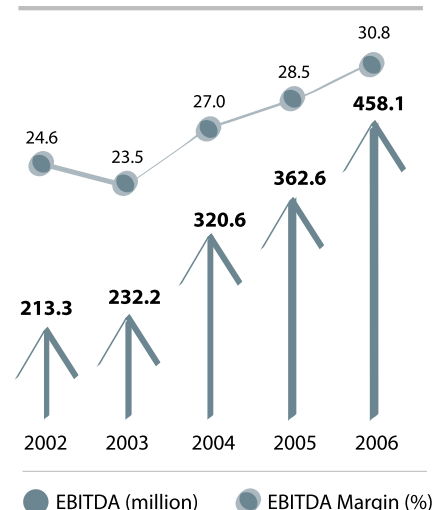
The dividend declared for the financial year 2006, paid in the form of interest-on-equity, amounted to a total of R\$ 76.9 million, equivalent to R\$ 0.60 per share, or 34% of net income in the period. This remuneration distributed to shareholders was 52% higher than that distributed on earnings in 2005.

It should be pointed out that Duratex has a differentiated minimum dividend policy, with a minimum payout of 30% of adjusted net income in the period. Compared to this, the law establishes a minimum percentage payout of 25%.

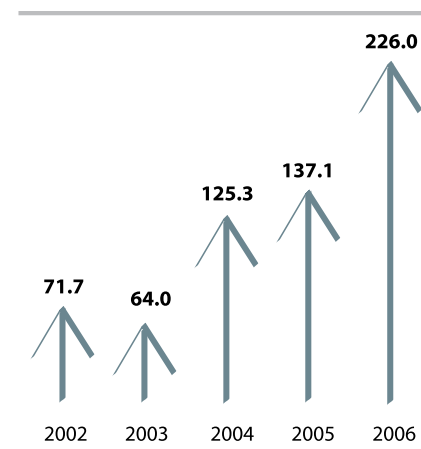
VALUE ADDED

Value added amounted to R\$ 1.0 billion in 2006, up 15.7% on the previous year.

EBITDA X EBITDA Margin

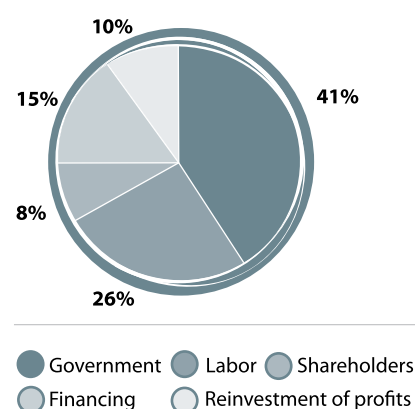


Net Income (R\$ million)

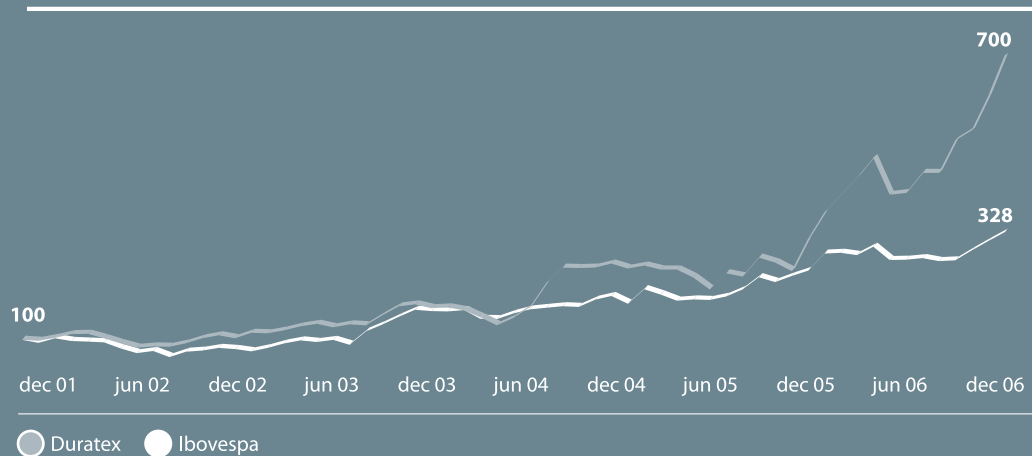


Distribution of Added Value (DVA)

In 2006: R\$ 1.0 billion



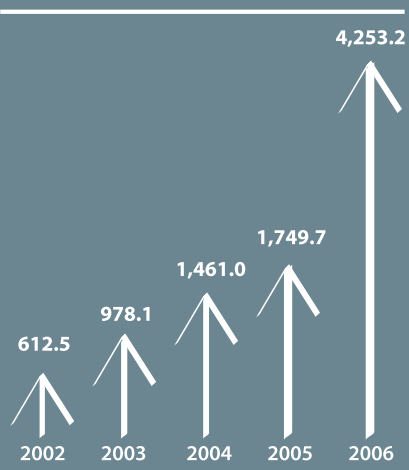
Duratex x Ibovespa (100 base)



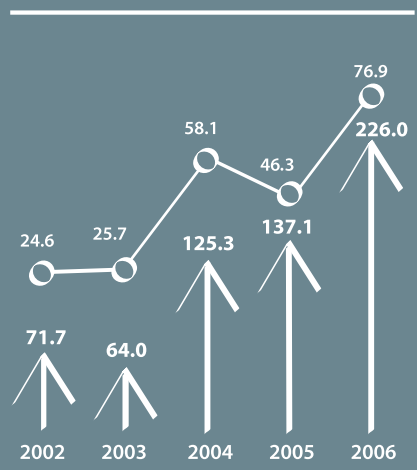
Trading of Duratex's Preferred Shares on Bovespa

	2005	2006	Var. %
Closing Price (R\$)	14.85	33.20	124%
Average Daily Trading Volume (R\$ million)	1.4	8.2	501%
Average Share Price (R\$)	12.4	23.6	91%
Number of Trades (average/day)	27	226	738%

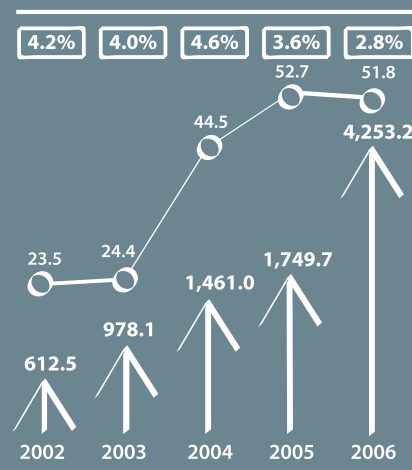
Market Value (R\$ million)



Dividends and Net Income (R\$ million)



Dividend Yield (R\$ million)



● Net Income ○ Provisioned Dividends

● Market Value ○ Dividends Paid
 □ Dividend Yield

Results



Its production scale
is one of Duratex's
differentials



R\$ **4.2** bill

Duratex's market capitalization

Deca

Transparency



ion

2006

- 2005 **1.7 billion**
- 2004 **1.5 billion**
- 2003 **978 million**
- 2002 **612 million**

The adoption of differentiated Corporate Governance practices, the increase in share liquidity, through the secondary issue of shares, and the record results reported in 2006, all contributed to shareholders creation of value.

Corporate Governance, according to the definition by the Brazilian Institute for Corporate Governance (IBGC), is the system by which companies are managed and monitored, with the aim of increasing the value of the company, facilitating its access to capital and contributing to its sustainability. To this end, governance creates mechanisms which align the interests of the controlling shareholders, executives and minority shareholders.

The guiding principle for companies who adopt good corporate governance practices is based on transparency, accountability and equal treatment in the disclosure of information. In 2006, Duratex completed its first year under Level 1 of the corporate governance section of the São Paulo Stock Exchange (Bovespa), which presupposes a series of minimum requirements, such as: maintenance of a minimum free float of 25%, publication of the contracts existing between related parties, publication of the company's cash flow statement and the carryout of at least one public meeting a year at the time of reporting its results, among other items.

The process of perfecting its relationship with shareholders at Duratex has been ongoing over the past few years, in anticipation of joining Level 1 of Corporate Governance. Among the initiatives taken in this regard, of particular note are the following:

- Extension of tag-along rights to preferred shares, which in the event of the sale of control of the company, minority shareholders receive 80% of the value paid to the controlling shareholders;
- Increase in the minimum dividend distribution, from the minimum 25% required by law, to 30% of adjusted net earnings;

Transparency



- Quarterly publication of results via conference call and web conference;
- Holding of annual meetings for the reporting of results with capital market analysts. In 2006, the company held its 20th consecutive meeting of this type;
- Adoption of a disclosure policy for acts and material events;
- Modernization of the corporate web site, an important communication channel.

ADMINISTRATION

The management of Duratex is carried out by its Fiscal Board, Board of Auditors, and Executive Board.

The Board of Directors is responsible for general business policy, long-term strategy and management supervision. The board members are elected by the shareholders at the Annual General Meeting, for a period of one year, with reelection allowed. In 2006, the board consisted of nine members, one of them being the Chairman and three being Vice-Presidents. Last year an independent board member was elected. At the meetings, carried out quarterly, decisions are taken based on an absolute majority, the Chairman having the casting vote in the event of an impasse.

The Fiscal Board, a body of a non-permanent nature, has the function of inspecting the operations of the managers and evaluating the information reported at the Annual General Meeting. It consists of a minimum of three and a maximum of five members, with a mandate



Duratex holds annual meetings for the reporting of its results with capital market analysts. In 2006 the company held its 20th consecutive annual meeting.



Transparency

of one year. In 2006, the board of auditors maintained three effective members, one of them being a representative of minority shareholders, and an equal number of substitutes.

The Executive Board is responsible for the business management and for carrying out the Board of Directors decisions. In 2006, it was composed of a chairman, three vice-presidents, three executive directors and four managing directors. The executive board meets once a week, and on an extraordinary basis whenever necessary.

COMMITTEES

In 2006 there were six committees, which were created in the previous year, functioning within the company. They are: Corporate Intelligence, Risks and Ethics, Corporate Governance, Talent Management, Operational Excellence and Commercial Excellence. The committees have the participation of executives from the industrial companies of the Itaúsa group (Duratex, Itautec and Elekeiroz). The objective is to disseminate the best practices adopted in the company, promote synergy, reduce costs and generate value for shareholders.

Duratex maintains a Stock Option Committee, elected by the Board of Directors, whose task it is to define the executives variable remuneration. The process is based on the plan of granting options of shares, introduced with the aim of aligning the interests of the shareholders and the executives in the quest for sustainable and growing earnings.

INVESTOR RELATIONS

The company's main communication channels with shareholders, through roadshows, national and international events and conference calls in 2006 reached a target public of about 1,100 analysts and investors.

The site, which can be accessed through the address www.duratex.com.br, has been reformulated to make navigation easier and provide more information. The page displays news about the company on the Internet and announces the conference calls for the quarterly results reporting. These conference calls, after they have been held, are posted on the site for consultation. There are also windows for the Deca and Wood divisions, with a presentation of their products. The site also has an institutional video, a message from company president and a summary of the company's policy in relation to social and environmental responsibility.

Last year, the site registered 277,000 hits, an increase of 35% over the previous year.

EXTERNAL AUDITORS

The external auditors, chosen by the Board of Directors based on the principle of independence, continue to be PricewaterhouseCoopers.

SHAREHOLDING STRUCTURE

At the end of 2006, the company's paid-up capital amounted to R\$ 916 million, represented by 128,125,760 outstanding shares, being 53,267,508 common shares and 74,858,252 preferred shares.

BOARD OF DIRECTORS

CHAIRMAN

Olavo Egydio Setúbal – engineer, graduated from the Polytechnic School of the University of São Paulo (USP), in 1945. Currently he is the administrator of the companies: Itaúsa – Investimentos Itaú S.A., Banco Itaú Holding Financeira S.A., Itaotec S.A., Elekeiroz S.A. and Fundação Itaúsa Industrial. He has been Minister for Foreign Relations, Mayor of São Paulo, a member of the National Monetary Council (CMN), a member of the National Board of Private-Sector Insurance Companies and a member of the Institute of Technological Research.

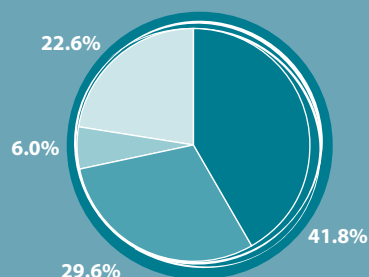
VICE-PRESIDENTS

Laerte Setúbal Filho – civil engineer, graduated from the Polytechnic School of the University of São Paulo (USP), in 1949. He has been administrator of the Brazilian Foreign Trade Association (AEB), the Brazilian Forestry Society (SBS), the Institute of Labor Rationalisation (Idort), the Institute of Forestry Research and Studies (Ipef), the Industry Federation of São Paulo (Fiesp), Scânia do Brasil S.A., Vidraria Santa Marina, Siemens S.A., Lion Empreendimentos, Sambra S.A., Caterpillar do Brasil and Eternit S.A.

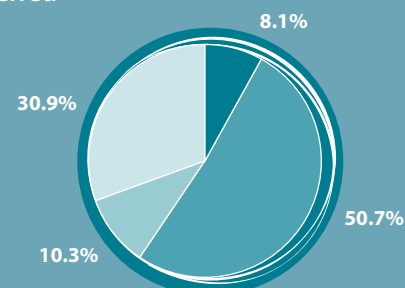
Maria de Lourdes Egydio Villela – psychologist, graduated from the Pontifical Catholic University of São Paulo (PUC SP), in 1971. She is currently a vice president on the Board

Shareholder Structure as of December, 31 of 2006

Consolidated



Preferred



● Itaúsa ● Foreign Investors ● Pension Funds ● Other Investors

Transparency

of Directors of Itaúsa – Investimentos Itaú S.A., President of the São Paulo Museum of Modern Art (MAM) and the Itaú Cultural Institute and Ambassador of Boa Vontade, part of Unesco. Founder and chairman of the community association Despertar e Faça Parte – a Brazilian Voluntary Institute and the Volunteer Centre of São Paulo.

Paulo Setúbal – electrical engineer, graduated from the Industrial Engineering Faculty (FEI), in 1971, with a postgraduate degree in finance from the Getulio Vargas Foundation (FGV), in 1974. He is also an administrator of the companies: Itaúsa – Investimentos Itaú S.A., Itautec S.A., Elekeiroz S.A. and Fundação Itaúsa Industrial.

BOARD MEMBERS

Alfredo Egydio Arruda Villela Filho – mechanical engineer, graduated from the Mauá Institute of Technology, in 1992, with a postgraduate degree in Business Administration from the Getulio Vargas Foundation. He is currently an administrator of the companies: Itaúsa – Investimentos Itaú S.A., Banco Itaú Holding Financeira S.A. and Itautec S.A.

Jair Ribeiro da Silva Neto – lawyer, graduated in law from the University of São Paulo, and in the economy from FAAP with a masters law degree from the University of California – Berkeley. A businessman, he was founder of Banco Patrimônio and was an executive at Banco Chase Manhattan, in Brazil and New York. His activities are involved in the area of foreign trade, information technology, culture and education.

Jairo Cupertino – engineer, graduated from the Polytechnic School of the University of São Paulo (USP). He was the Chief Executive Officer of Itautec Philco up to 1995. Currently he is an administrator of the companies: Itaúsa – Investimentos Itaú S.A., Itautec S.A. and Elekeiroz S.A.

José Carlos Moraes Abreu – lawyer, graduated from the University of São Paulo, in 1944. He is also an administrator of the companies: Itaúsa – Investimentos Itaú S.A., Banco Itaú Holding Financeira S.A., Itautec S.A. and Elekeiroz S.A. He was formerly



R\$916 million
THE PAID-UP CAPITAL OF THE COMPANY

277,000

HITS REGISTERED ON THE SITE

a member of the National Monetary Council (CMN), the São Paulo Association of Banks, the Brazilian Bank Federation, the Brazilian Association of Leasing Companies and a member of the board of Libra Bank Ltd. (London).

Olavo Egydio Setúbal Jr. – company administrator, graduated from the Armando Álvares Penteado foundation (Faap). Currently he is an administrator of the companies: Itaú Seguros, Banerj Seguros, Cia. de Seguros Gralha Azul, Bemge Seguradora, Paraná Cia. de Seguros and Gralha Azul S.A.

EXECUTIVE BOARD

CHAIRMAN

Paulo Setúbal – electrical engineer, graduated from the Industrial Engineering Faculty in 1971, with a postgraduate degree in finance from the Getulio Vargas foundation (FGV), in 1974. Currently he is also an administrator of the companies: Itaúsa – Investimentos Itaú S.A., Itautec S.A., Elekeiroz S.A. and Fundação Itaúsa Industrial.

EXECUTIVE VICE PRESIDENTS

Guilherme Archer de Castilho – Company administrator, graduated from the Mackenzie University. Currently he is an administrator of Itautec S.A. and Itaúsa Empreendimentos.

Plínio do Amaral Pinheiro – Company administrator, graduated from the Getulio Vargas Foundation (FGV) in 1975. He is also currently an administrator of the Itaúsa Industrial Foundation and the Brazilian Association of Listed Companies (Abrasca) and Investor Relations Director of Duratex S.A.

Raul Penteado – lawyer, graduated from the Mackenzie University. Currently he is an administrator of Itautec S.A. and the Itaúsa Industrial Foundation.

EXECUTIVE DIRECTORS

Carlos Alberto Tenório Nobre – Metallurgical Engineer, graduated from the Polytechnic School of the University of São Paulo (USP), in 1969, he has a bachelor's degree in business administration from the Mackenzie University, in 1977.

Enrique Judas Manubens – Mechanical production engineer, graduated from the Industrial Engineering Faculty (FEI), in 1972, he has a degree in business administration from the Mackenzie University. Currently he is also an administrator of the Brazilian Wood Panel Industry Association (Abipa) and the Brazilian High Resistance Laminated Flooring Industry Association (Abiplar).

Transparency

Mário Colombelli Filho – Agricultural engineer, graduated from the Luiz de Queiroz School of Agriculture (Esalq/USP) in 1972. He also has a bachelor's degree in business administration from the Anchieta Faculty.

DIRECTORS

Alexandre Coelho N. Nascimento – graduated in Accounting Science and business administration from the Machado Sobrinho Faculty, with a postgraduate degree in economic engineering from the same institution. He is also currently a director of the Brazilian Panel Industry Association.

Antonio Joaquim de Oliveira – Forestry engineer, graduated from the University of Viçosa, in 1984, with a Masters' degree in economy and forestry planning from the same institution, in 1986. Specialist in strategic business management from the Getulio Vargas Foundation, in 1994.

Antonio Massinelli – lawyer, graduated in law from the Pontifical Catholic University of São Paulo (PUC SP), in 1982, with specialization in Civil Lawsuits from the University Extension Centre – CEU, in 1994. Currently he is also a director of the Association of Private-Sector Corporate Pension Funds (Apep).

Flávio Dias Soares – business administrator, graduated from the Armando Álvares Penteado foundation (Faap), with a postgraduate degree in finance from the University of São Paulo (USP).

Duratex's disclosure policy for acts and/or material events involves publication of reports in various newspapers



An aerial view from a helicopter showing a vast green landscape with rolling hills and a small town in the distance. The helicopter's rotor blades and fuselage are visible in the foreground and right side of the frame.

44,000
training opportunities offered

Risk Management



2006

by Duratex

2005 25,000

2004 41,000

2003 37,000

2002 34,000

Duratex maintains an intense training program for its employees and professionals who deal directly with its products, such as architects, decorators, joiners and plumbers.

Duratex always acts in a manner to promote initiatives to reduce the impact of negative factors on its results. Last year, operations in this area were intensified, with the use of another instrument with this objective: the Risks and Ethics Committee, created last year and which involve the participation of executives from the industrial units of the Itaúsa group.

The risks to which the company is subject come from its industrial operation, the price of its inputs, exchange-rate parity, the influence of interest rates, the political environment and the importance given to technology. The object of the company is to mitigate and, wherever possible, neutralize these risks.

MARKETS

The evolution in the domestic market for metal fittings, vitreous chinaware and wood products depends on the general growth in the economy, and in particular the expansion in the building and furniture industries. Last year, the economic scenario was favorable for Duratex's products. Being the leader in the segments in which it operates (with the exception of vitreous chinaware), the company benefited extensively from the situation.

A risk management policy, however, should not be based on factors which are outside the company's control. A buoyant market favors the company, but it would not be advisable to project a growth strategy relying only on a scenario influenced by macroeconomic factors.

As a result, Duratex increasingly intensifies its efforts in segments with a higher aggregate value, less susceptible to fluctuations in the economy. As well as this, in order to reduce its dependence on the domestic market, the company is maintaining a policy of establishing and consolidating markets for its exports, particularly vitreous chinaware products, focused at the high-end consumer segment.

Risk Management



Training in the prevention of accidents is part of the daily operational routine of Duratex's employees

OPERATIONS

Operational risks are inherent in industrial activity. To mitigate them, the company adopts a preventative maintenance program for its machinery and equipment (TPM – Total Productive Management). Duratex also has a series of insurance policies, such as an all risks coverage policy, which protects the company's assets.

INPUTS

Input prices represent a systematic risk, affecting the entire sector. Therefore, although it is unable to protect itself from such price fluctuations, Duratex does not run the risk of seeing any alteration in its market position relative to its competitors.

In the case of Deca, which depends on the price of metals, such as copper, approximately one fourth of its raw material costs are affected by the international market quotation of this metal. In the case of the Wood Division, Duratex has a differentiated policy, based on its own wood supply, with the shortest logging distance in the industry.

EXCHANGE RATE

The value of the Brazilian Real compared to the US Dollar has an effect on the company's exports and its financial result. The financial impact is low, because Duratex has a low level of foreign currency denominated debt, just 13% of the total.

The influence on exports is greater, as the company has a policy of maintaining its presence in international markets. A strong local currency, as seen in 2006, has the effect of reducing the competitiveness of Brazilian products in foreign markets.

Duratex adopts a program of preventative maintenance for its machinery and equipment



Risk Management

13,000

APPROXIMATE NUMBER OF DURATEX'S ACTIVE CLIENTS

Duratex is seeking to minimize the negative effect of a strong local currency by expanding its exports through the growing sale of Deca products, which are less sensitive to exchange-rate movements. Sales which most feel the effect of a strong local currency are those of any lower aggregate value coming from the Wood Division.

Hedge (financial operation to protect against price fluctuation and reduce business risk) is provided by export receivables and Duratex's own assets abroad.

INTEREST RATES

The company enjoys a low level of net indebtedness, which stands at about 3% of its net worth and 10% of EBITDA. As a result, the company has access to sources of finance at favorable conditions. Rigorous cash management and financial investments dispenses with the need for the use of other protection instruments against the impact of interest rate variation.

CREDIT

The wide diversity of Duratex's clientele contributes to spreading credit risk thinly. The company does not depend on any individual clients or any specific market segments. In the case of Deca, its portfolio consists of more than 10,000 clients, while the portfolio of the Wood Division, has more than 3,000. The provision for bad debts last year remained at 0.1% of sales in the domestic market.

ENVIRONMENTAL

The seriousness with which Duratex views the preservation of the environment leads the company to frequently exceed the environmental standards imposed by Municipal, State and Federal legislation.

The company has been certified with the most important international seals of approval, which attest to its rigorous environmental policy. Among these are the certification by the Forest Stewardship Council, an organization from which Duratex receives the Green Seal certificate, which attests to sustainable forestry management, as well as ISO 14,001 certification.

TECHNOLOGY

One of Duratex's differentials is its level of technological innovation, which is always at the forefront of the company's rivals. Every year the company launches dozens of new products, which protects it against the risk of obsolescence. All products are tested individually.



R\$ **153 mil**

the remuneration paid to Duratex's

Responsibility

lion
employees

2006

2005 **140 million**
2004 **134 million**
2003 **116 million**
2002 **105 million**



To fulfill its mission and commitment to generating value for its various public audiences, Duratex employs the concept of sustainability in all its operations at three distinct levels: economic, social and environmental. In addition to its social programs, the company promotes initiatives which aimed to improve human resources and environmental management.

HUMAN RESOURCES

Duratex believes that it will only achieve its objectives of generating value with the sustainability of its operations with the full support and participation of its team of employees. These, in turn, must be committed and motivated to help the company achieve its mission. Therefore, investments in the quality of living and training and recognition initiatives are a constant part of Duratex's management strategy. In 2006, in a year when sales volume expanded significantly, Duratex's workforce increased in size to 6,076 by the end of the financial year.

Remuneration and benefits

The remuneration of Duratex's employees amounted to R\$ 153 million in 2006, in addition to the R\$ 85 million in obligatory social contributions and R\$ 25 million in benefits, such as: food, medical assistance, transport and supplementary pension fund.

In addition to this, there is a policy of variable remuneration, which includes recognition and awards for professionals in the sales area.

Profit-sharing

Employees' share of the company's profits increased in 2006, both in absolute terms as well as in relation to the gross payroll. The employee profit-sharing plan, which benefits all employees, distributed R\$ 14 million (in 2005, the amount was R\$ 11.7 million), which represented 9.2% of the payroll (8.3%, last year).

The object of the plan is to encourage employees to work together as a team and integrate them into the company's business. For the plan, the company takes into account the

Responsibility



The Piatan Environmental Experience Area, in Agudos (SP), received more than 6,000 visitors in 2006

profitability of the business, productivity, quality, and unit costs, while on the employee side, absenteeism, improvements achieved and the number of accidents in the workplace.

Supplementary pension

The company's private supplementary pension plan managed by the Itaúsa Industrial Foundation, a non-profit organization, has completed the process of signing employees up to the Defined Contribution Plan. Almost all of them (96%) have switched over from the Defined Benefit Plan to the Defined Contribution Plan.

The plan, which has already 600 beneficiaries, consists of funds invested by employees and the company. Up to 2005, the company contributed with half of the amount contributed by the employee. From this year, both are in equal proportion. In other words, the company doubled its contribution.

Training and development

Duratex invested R\$ 1.1 million in the training of 44,356 professional staff last year. The figures reflect the company's efforts to continually improve its employees' skills.

The company intensified its training efforts in its industrial plants, offering more courses on safety and the operation of machinery, which are carried out by volunteers. It continued its professionalization courses in its dealer network and technical assistance support, as well as providing courses for joiners and plumbers. Duratex also continued to provide assistance for language courses.

Health and safety

As a result of its major preoccupation with occupational safety, the number of accidents in Duratex's plants continues to be low. The company maintains its internal firefighting teams, which are supported by the work of Cipa (Internal Commissions for Accident Prevention) and who also pays attention to ergonomics, in order to avoid employee's problems of repetitive strain injury from unsatisfactory posture at work.

Duratex also attributes importance to physical activity. It encourages the practice of sports, such as football at its Botucatu unit, whose team has enjoyed success in regional tournaments. At its headquarters, in Avenida Paulista, in São Paulo, the company maintains a gym.

R\$ 1.1 million
SPENT ON TRAINING

In addition, the emotional aspect of its employees also receives special attention. At Deca, the employees approved the initiative of the installation of a noticeboard, the Emotional State, which portrays the mood of the day. The noticeboard has three areas: green, yellow and red. In arriving at work, the

Responsibility

SEGMENT	# EMPLOYEES
Deca	3,017
Wood	1,825
Forestry	800
Corporate office	434
TOTAL	6,076

BY GENDER	PART. %
Masculine	91.8%
Feminine	8.2%

ETHNICITY	PART. %
White	81.8%
Coloured	13.2%
Black	4.6%
Yellow	0.3%
Indigenous	0.1%

LENGTH OF SERVICE	PART. %
Up to 5 years	47.9%
From 6 to 10 years	20.2%
From 11 to 20 years	21.1%
More than 20 years	10.8%

SCHOOLING		PART. %
Primary	Incomplete	23.2%
	Complete	15.8%
High School	Incomplete	8.5%
	Complete	37.0%
Higher education	Incomplete	4.0%
	Complete	9.4%
Postgraduate	Incomplete	0.2%
	Complete	1.9%

AGE BRACKET	PART. %
Up to 19 years	2.8%
20 to 29 years	35.8%
30 to 39 years	32.1%
40 to 49 years	21.7%
Over 50 years	7.6%

REMUNERATION (R\$ MILLION)	2004	2005	2006
Salaries	133.7	140.2	153.0
Charges State Pension Contributions	69.3	77.8	84.8
Supplementary Pension	0.4	1.4	3.5
Benefits	20.4	22.7	21.2
Employee profit-sharing	9.3	11.7	14.0
TOTAL	233.1	253.8	276.5

BENEFIT DISTRIBUTION	PART. %
Health	33.0%
Food	32.6%
Transport	19.0%
Supplementary Pension	12.5%
Education	0.7%
Others	2.2%

TRAINING/DEVELOPMENT	2005	2006
Amount Invested	917,134.37	813,722.26
Number of employees trained	33,894	44,356
Number of professional development hours per employee	344,366	362,659
% of gross sales invested in development and education	0.05%	0.04%
Participation in courses seminars	Events	– 2,523
	Participants	– 44,356
Student grants provided	44	37

SUPPLEMENTARY PENSION	2005	2006
Number of beneficiaries	5,103	4,827
Total spent on program (R\$'000)	1,452.4	3,472.9
Number of beneficiaries already retired receiving benefit	582	605
Total beneficiaries payroll and benefits paid (R\$'000)	4,611.5	6,619.3

ACCIDENTS IN THE WORKPLACE	2004	2005	2006
Total number of employees	255	208	168

employee places his or her photograph in one of the three, depending on their emotional state: Green, if everything is fine; yellow, if there is some minor problem; red, if there is a serious problem. In this latter case, the employee will be sought out by a supervisor, which will discover what the problem is, to provide the necessary support.

Relationship with unions

With regard to freedom to join a union, the rights to collective negotiation and internal representation of employees, the company encourages and follows the guidelines of the ILO (International Labor Organization). Collective labor rules are negotiated directly with the unions, with an annual agreement being entered into.

Last year, as in previous years, there were no strikes or shutdowns at Duratex.

Communication and participation

There are various ways for employees to keep themselves informed about the activities of Duratex. The communication channels range from simple announcement noticeboard which are spread throughout the company, to the Duratex magazine, distributed to everyone.

The company also maintains its RH Escuta (human resources listens) service, which receives criticisms and phrases, preserving the identity of the person that makes the contact. Many employees use this channel to request information. Replies are displayed on notice boards to be shared.

RELATIONSHIP WITH CONSUMERS

Duratex maintains a relationship with its consumers and customers that is of the same quality as the excellent level of its products. The company's aim is to win the public's preference, with its high customer confidence index.

CONSUMER SERVICE - 2006

DECA	2006
Total number of calls received by SAC	97,726
% complaints in relation to the total number of calls received by SAC	0.27%
% number of complaints not dealt with by SAC	0.04%
Average telephone waiting time for SAC before call is answered	0.57 min

WOOD	2006
Total number of calls received by SAC	28,013
% of complaints in relation to the total number of calls received by SAC	7.2%
% number of complaints not dealt with by SAC	0%
Average telephone waiting time for SAC before call is answered	5 s

Responsibility

To take care of this relationship, Duratex maintains a consumer queries service channel (SAC). Last year this consumer service channel dealt with 97,726 customer queries from the Deca Division and 28,013 from the Wood Division.

In the Wood Division, 7.2% of the calls received were related to complaints. In the two previous years, this percentage had been above 11%. This drop indicates greater satisfaction with the company's products and services. Every complaint was passed through the appropriate channels and the waiting time for calls to be answered was five seconds on average.

In the Deca Division, 0.27% of the calls received were related to complaints, the same level as the previous year. All the complaints were dealt with. The average waiting time for calls to be answered dropped from 70 seconds in 2005 to 34 seconds in 2006.

SOCIAL INITIATIVES

Duratex is conscious of its role as a company in society and believes that corporate citizenship and investments in social inclusion projects are the only ways to perpetuate and integrate its business into the lives of the communities where it operates. The social initiatives of Duratex involved investment of R\$ 2 million in 2006. These initiatives, defined by all the employees, concentrate on programs focused on the communities neighboring the company's industrial plants. The two main training focuses were young people and environmental education.

Duratex supports cultural and social projects, contributing to organizations such as Apae (Association of Parents and Persons with Intellectual Disabilities), League of Catholic Ladies and others.

In 2006, 36 began and 29 completed the joinery course at the Tide Setúbal Cabinetmaking School



The following are the main programs.

Tide Setúbal Cabinetmaking School

The Tide Setúbal Cabinetmaking School in Agudos, came into being through a partnership between Duratex, the municipal authority and Senai (National Industrial Apprentice Service). Started seven years ago, the school provides specialist training for apprentice joiners in the town, in a region already recognized for its furniture production.

R\$ 14 million

DISTRIBUTED IN PROFIT SHARING

The courses offered to youngsters from 14 years of age. In 2006, 36 pupils began and 29 of these completed the course.

Buscando o Futuro (Quest for the Future)

The social inclusion program, Quest for the Future, aims to provide guidance and raise the awareness of students from within the public school network, which are coursing the last year of high school, to help them to be generally competitive in the labor market.

Carried out on the premises of the industrial units, the program offers 40 places for each intake and involves a monitored company visit. In 2006, 73 pupils from São Paulo and Jundiaí participated in the program.

Projeto Bem-Querer

With support from Duratex and CMDCA (Municipal Council for the Children and Adolescents

Environmental activities have the aim of preserving flora and fauna in the area



Responsibility

Rights), two organizations who help needy were benefited by the Projeto Bem-Querer in 2006. These organizations are the WCF-Brasil Institute, in São José dos Campos, linked to the World Childhood Foundation, created by Queen Silvia, from Sweden, and Casa Hope, in São Paulo.

These organizations received R\$170,000 and R\$80,000, respectively, in funds from Duratex, which resulted from tax incentives (law for the support of children and adolescents).

Piatan Environmental Experience Area (AVAP)

The Piatan Environmental Experience Area has the aim of preserving local flora and fauna, being used for environmental educational activities.

Frequented by students, teachers, representatives of public bodies, customers and employees, as well as people from various countries, the Piatan Nature Reserve has been maintained by Duratex in Agudos (SP), since 1996, and received 6,085 visitors in 2006.

All the work carried out in the location was revisioned in 2006 by taking into consideration the increased awareness of public opinion towards the reforestation activity. Thus, the AVAP central theme has become the sustainable wood production, based on forestry management and the innumerable applications of this raw material in everyone's day-to-day lives.

Educational Program

Duratex distributed 60 school kits to pupils who are part of the company's Educational Program for the Resistance to Drugs and Violence (Proerd), run by volunteer policeman for pupils in the 4th series of primary School, in the public education network.



Sport and solidarity

The Botucatu plant personnel combined sport and solidarity in 2006, with the holding of two internal football tournaments: Romildo Alfredo Fortuna and José Rubens Lopes Mausano.

At these tournaments, milk and disposable nappies were distributed and donated to two local institutions: Obra Social Madre Marina Videmari, which carries out social work in needy communities, and Asilo Padre Euclides.

Education for a Better Future

The project Education for a Better Future, aims to encourage and provide the opportunity to employees, above all those who work in the countryside, to return to the classroom. The project, developed by Duratex's forestry division, offers seminars and guidelines and distributes enrolment forms, folders and school kits.

Duratex was able to reschedule working hours and modify bus routes, as well as providing support and encouragement for its employees to make the most of these schooling opportunities. In 2006, the project had 200 employees envoled.

5S Solidário

Introduced in all Deca units, the Japanese 5S method attributes worth to concepts such as organization ("seiri"), tidiness ("seilton"), cleanliness ("seiso"), standardization ("seiketsu") and discipline ("shitshuke").

At the Louças Sul unit, the concept gave rise to the 5S Solidarity Campaign. Employees encourage the collection of second-hand clothes, which subsequently were exchanged for non-perishable foods, at a bazaar carried out in the unit itself.

ENVIRONMENTAL INITIATIVES

Environmental preservation and the reduction in the effects of industrial activity are Duratex's constant concerns. The company is aware that the sustainability of its businesses is intimately connected to its capacity for perpetuating the natural environment in which its business finds itself.

In 2006 Duratex's environmental initiatives represented an investment of R\$ 10 million. Environmental policy covers the forestry and industrial areas.

Forestry area

Environmental management is part of Duratex's quality program. The investments in the sector, which aim to improve production conditions and maintain environmental sustainability, support the forestry certifications. Funds are also spent on the purchase of filters and the building of effluent treatment stations and areas for the recovery of materials. The company

Responsibility



Duratex maintains at the Agudos unit in São Paulo the Durafloor Training Center

Forestry management practices implemented by Duratex increase productivity and conserve the environment



Responsibility

not only conserves its own areas, but also promotes programs to raise the awareness of employers and external public audiences.

Duratex maintains 90,000 hectares of forestry, whose sustainability is evidenced by its ISO 14,001 certification and the Green Seal from the FSC (Forest Stewardship Council). The first attests to the existence of an environmental management system on the farms of Botucatu and the sapling Plantation at Lençóis Paulista, both in São Paulo. The second is proof of the adoption of environmentally correct, socially just and economically viable practices within the company's timberland areas.

Duratex's concern to limit the impact of its activity on the environment is also reflected in its dominion in cloning techniques for saplings and its involvement in the Eucalypt genome project.

Among the company's forestry management practices, which aim to increase productivity and conserve the environment, of particular note are the following:

R\$ 10 million
INVESTED IN ENVIRONMENTAL INITIATIVES

Minimum Cultivation – the practice, introduced 10 years ago by Duratex, is based on carrying out planting over residues of previous plants. In this way, organic residue protects the soil which is also relatively little disturbed, align the slow and continuous availability of nutrients from a layer of organic recycled material. The technique also optimizes the water supply management of the forests.

Fertilising – fertilizers are chosen based on soil analysis and the nutritional requirements of eucalyptus trees. Instead of being spread, the fertilizers are applied directly to the saplings, causing environmental gains and savings in the use of this input.

Monitoring – the forests are monitored using nutrition and forestry protection techniques. In this fashion it is possible to detect any needs for adjustment in fertilizer requirements and identify any pests or diseases as soon as they appear.

Pest management – to guarantee the productivity of its forests and conserve the environment Duratex uses integrated pest management. The process begins from the genetic improvement, after which the most resistant trees are selected to be planted. The conservation of native forest, which harbors the natural enemies of the pests, also contributes to biological control. In terms of the use of pesticides, it is imperative to use products with the least possible toxicity, in accordance with environmental and occupational safety standards.

Fire prevention – permanent surveillance systems and the raising of the awareness of employees and local communities, contribute to prevent and combat forestry fire hazards.

Industrial area

Duratex's environmental management is extended to the industrial sector, with monitoring of the performance of each unit on three fronts: treatment and reuse of effluents, destination of solid residues, and the reduction in atmospheric emissions.

1) From 2004, investment in effluent treatment stations has transformed them into areas for the recovery of materials. This means that the effluent treated, before being returned to the public system, is reused in the production processes and in the maintenance of plants.

2) Solid residues, such as discarded metals and wooden panels, can be reused in the production processes, which reduces the consumption of raw material. Metal residues are re-melted and the wood scraps are used as biomass for the generation of heat at the plants. The residues are also sold, as in the case of nickel hydroxide, used in the chemical industry and galvanic mud, used in the fertilizer industry.

Disposable materials are classified and sent to satisfactory landfill sites, so as not to cause any environmental impact.

3) Atmospheric emissions are reduced through the installation of filters and gas scrubbers in the production units. The company has also invested in the replacement of oil powered furnaces with those powered by natural gas, which have less gas emissions.

The sustainability of Duratex's forests is attested to by the ISO 14,001 and Green Seal certificates



Responsibility

Use of water

Deca, represented by the Cerâmica II unit in Jundiaí/SP, won second place in the FIESP (Federation of Industries in the State of São Paulo) Awards for Conservation and Reuse of Water in the medium and large-size company category, participating with its Material Recovery Program, which as well as the benefits of the recovery and reuse of water, also allows the reuse of solid waste as a raw material.

In the same area, Deca has developed a series of products for rational use of water, such as taps, flushing valves, urinals and toilet bowls, used in areas with a large flow of people, such as hospitals, shopping centers, offices and hotels.

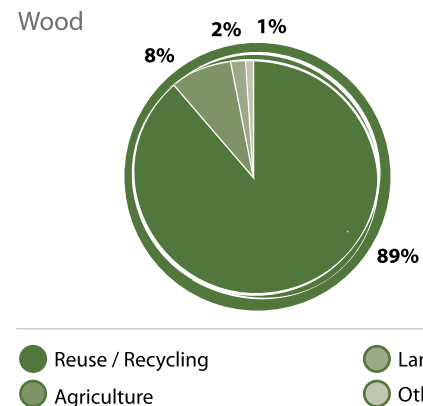
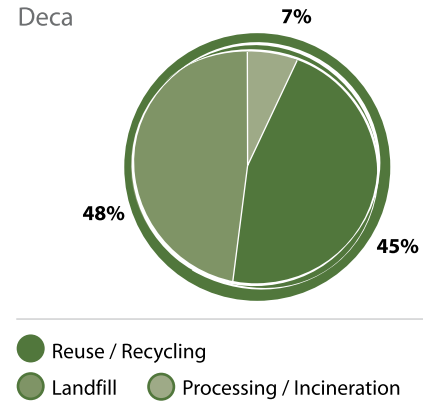
Among the various products in this area, there is Decalux. It is a water flow device run with an electrical or battery-operated system, that automatically triggers a sensor liberating the water flow. This product line offers an economy of up to 75% for taps and 80% for urinal valves, when compared to conventional products.

Another two economy water lines are Decamatic and Decamatic Eco, both with the ability to reduce water consumption by 55%, in the case of taps and 80%, in the case of urinals.

Deca also has water flow restrictors which save up to 60% for taps and 80% in showers.

Investing in these products, Deca has shown that it is in tune with the concern about rational use of water.

Industrial Residues



Duratex's environmental management monitors the performance of each of its industrial units, as in Agudos (SP)



Water consumption

Aware of the need for the increasingly rational and efficient use of water, Duratex has been reducing its consumption over the last few years.

In the Wood Division, the company has obtained a lower level of consumption after the start-up of the "dry" process at the plant in Botucatu, in São Paulo. As a result of this, in 2004 water consumption fell to 3.6 cubic meters per cubic meter of product. This level was maintained the following year and, in 2006, fell to 3.0 cubic meters of water per cubic meter of products, as a result of more efficiency in the use and reuse of water.

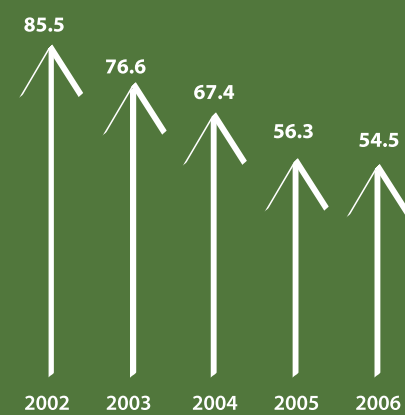
In the Deca Division, water consumption also experienced a declining trend. Last year the average was 54.5 liters per piece, compared to 56.3 liters the previous year.

Electricity consumption

More than two thirds of the electricity matrix of the Wood Division is based on renewable sources. Last year, wood residues (the biomass which is not used in the industrial process) accounted for 43% of the total, with wood cut specifically for this purpose accounting for 26%. The use of renewable sources of electric power has dual importance: from an economic standpoint, it has a lower cost; while from an environmental standpoint, it results in less atmospheric emissions.

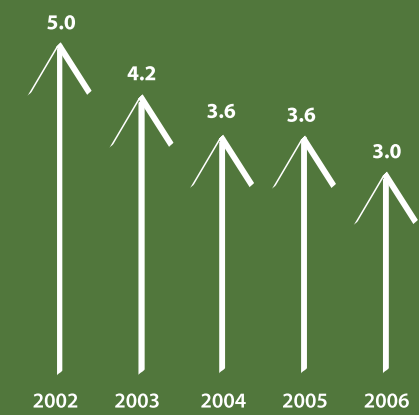
In the Deca Division, electricity consumption fell from 1,016 kw per piece in 2005, to 992 kw per piece in 2006.

Water consumption - Deca Division



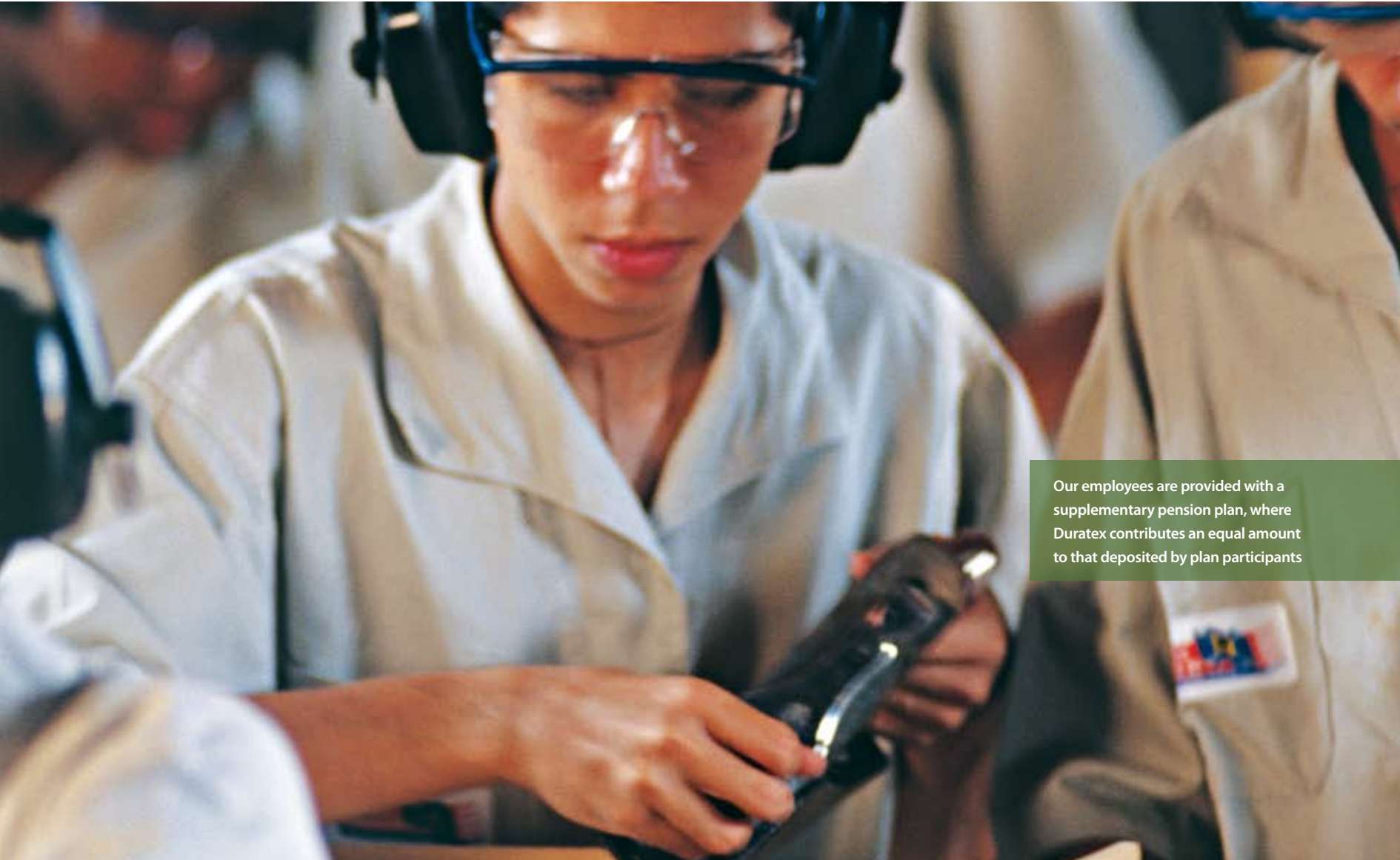
● In liters/piece

Water consumption - Wood Division



● In m³/m³

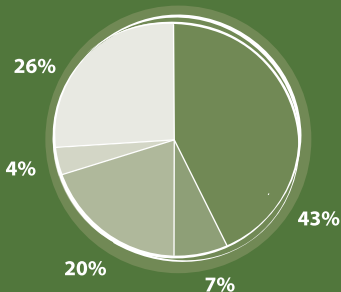
Responsibility



Our employees are provided with a supplementary pension plan, where Duratex contributes an equal amount to that deposited by plan participants

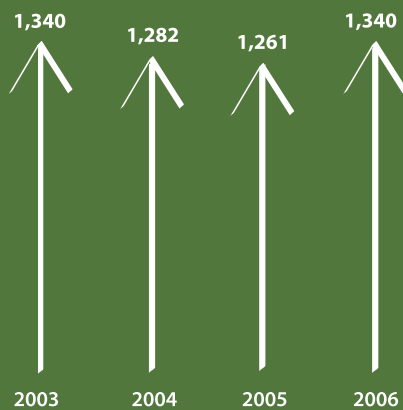
Energy Matrix

Wood



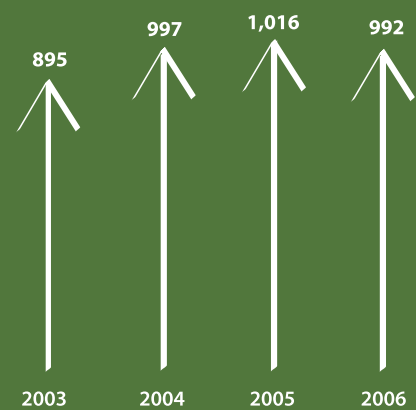
- Wood residue
- Natural gas
- Electric power
- Oil
- Own energy

Energy Consumption - Wood Division



● In Gcal/m³

Energy Consumption - Deca Division



● In kW/piece

SOCIAL INDICATORS – IBASE MODEL

1 - Calculation Base	2006 amount (R\$ million)			2005 amount (R\$ million)		
Net Revenue (NR)	1,489.2			1,270.6		
Operating Profit (OP)	379.1			282.2		
Gross Payroll (GP)	153.0			140.2		
2 - Internal Social Indicators	Amount (R\$ million)	% of GP	% of NR	Amount (R\$ million)	% of GP	% of NR
Food	9.1	5.9%	0.6%	8.2	5.8%	0.6%
Compulsory Social Charges	84.8	55.4%	5.7%	77.8	55.5%	6.1%
Private Pension Scheme	3.5	2.3%	0.2%	1.4	1.0%	0.1%
Health	9.2	6.0%	0.6%	8.1	5.8%	0.6%
Safety and Occupational Health	5.3	3.5%	0.4%	4.7	3.4%	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%
Professional Training and Development	0.0	0.0%	0.0%	0.0	0.0%	0.0%
Creches or Creche assistance	0.0	0.0%	0.0%	0.0	0.0%	0.0%
Employee Profit-Sharing	14.0	9.2%	0.9%	11.7	8.3%	0.9%
Others	7.3	4.8%	0.5%	6.5	4.6%	0.5%
Total – Internal Social Indicators	133.3	87.1%	9.0%	118.5	84.5%	9.3%
3 - External Social Indicators	Amount (R\$ million)	% of OP	% of NR	Amount (R\$ million)	% of OP	% of 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 and guaranteeing food supplies	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 (excluding social charges)	391.2	103.2%	26.3%	358.0	126.9%	28.2%
Total – External Social Indicators	391.2	103.2%	26.3%	358.0	126.9%	28.2%
4 - Environmental Indicators	Amount (R\$ million)	% of OP	% of NR	Amount (R\$ million)	% of OP	% of NR
Investments related to the production /operation of the company	10.0	2.6%	0.7%	9.4	3.3%	0.7%
Investment in programs and/or external projects	2.0	0.5%	0.1%	1.8	0.6%	0.1%
Total investment in the environment	12.0	3.2%	0.8%	11.2	4.0%	0.9%

With regard to the establishment of “annual targets” for the minimization of residues, o consumption in general in production/operation and increased efficiency in the use of natural materials, the company:

- | | |
|--|--|
| <input type="checkbox"/> does not have targets | <input type="checkbox"/> does not have targets |
| <input type="checkbox"/> fulfilled 51 to 75% | <input type="checkbox"/> fulfilled 51 to 75% |
| <input type="checkbox"/> fulfilled 0 to 50% | <input type="checkbox"/> fulfilled 0 to 50% |
| <input checked="" type="checkbox"/> fulfilled 76 to 100% | <input checked="" type="checkbox"/> fulfilled 76 to 100% |

Responsibility

5 - Workforce Indicators	2006	2005
Number of employees at the end of the period	6,076	5,890
Number of employees joining the company during the period	1,066	680
Number of outsourced employees	161	149
Number of student trainees	63	69
Number of employees over 45 years old	800	864
Number of women who work in the company	495	475
% of management positions occupied by women	7.10%	7.10%
Number of Negroes who work for the company	1,083	1,004
% of management positions occupied by Negroes	4.96%	5.10%
Number of disabled or special needs employees	232	239
6 - Information regarding the Exercising of Corporate Civil Responsibility	2006	Target 2007
Ratio between highest and lowest paid	77.44	77.44
Total Number of Accidents in the Workplace	168	158
Social and environmental projects developed by the company were defined by:	<input type="checkbox"/> directors <input type="checkbox"/> directors and management <input checked="" type="checkbox"/> all employees	<input type="checkbox"/> directors <input checked="" type="checkbox"/> directors and management <input checked="" type="checkbox"/> all employees
Standards of safety and tenderness in the work environment were defined by:	<input type="checkbox"/> directors and management <input type="checkbox"/> all employees <input checked="" type="checkbox"/> or + Cipa	<input type="checkbox"/> directors and management <input type="checkbox"/> all employees <input checked="" type="checkbox"/> all + Cipa
With regard to union freedom and the right to collective negotiation the internal representation of the company's employees:	<input type="checkbox"/> is not involved <input type="checkbox"/> follows ILO standards <input checked="" type="checkbox"/> encouraged and follows ILO	<input type="checkbox"/> is not involved <input type="checkbox"/> follows ILO standards <input checked="" type="checkbox"/> encouraged and follows ILO
Private retirement pension plan	<input type="checkbox"/> directors <input type="checkbox"/> directors and management <input checked="" type="checkbox"/> all employees	<input type="checkbox"/> directors <input type="checkbox"/> directors and management <input checked="" type="checkbox"/> all employees
Employee profit-sharing includes:	<input type="checkbox"/> directors <input type="checkbox"/> directors and management <input checked="" type="checkbox"/> all employees	<input type="checkbox"/> directors <input type="checkbox"/> directors and management <input checked="" type="checkbox"/> all employees
In the selection of suppliers, the same ethical, social responsibility and environmental standards adopted by the company are:	<input type="checkbox"/> not considered <input type="checkbox"/> suggested <input checked="" type="checkbox"/> are demanded	<input type="checkbox"/> not considered <input checked="" type="checkbox"/> will be suggested <input checked="" type="checkbox"/> will be demanded
With regard to participation of employees in voluntary programs the company:	<input type="checkbox"/> is not involved <input type="checkbox"/> supports <input checked="" type="checkbox"/> organises and encourages	<input type="checkbox"/> will not be involved <input type="checkbox"/> will support <input checked="" type="checkbox"/> will organise and encourage
Total number of complaints and consumer criticisms:	at the company: 1,045 at Procon: 17 in the courts: 20	at the company: 940 at Procon: 10 in the courts: 15
% percentage of complaints and criticisms dealt with or resolved:	that the company: 99% at Procon: 75% in the courts: 60%	at the company: 99% at Procon: 80% in the courts: 40%
Total Value Added to be Distributed (R\$ '000):	in 2006: 1,001,540	in 2005: 865,345
Distribution of value added:	41% government 26% employees 8% shareholders 15% outsourced 10% retained	41% government 28% employees 5% shareholders 15% outsourced 11% retained

7 - Other Information

BOARD OF DIRECTORS

Chairman

Olavo Egydio Setúbal

Vice-Chairmen

Laerte Setúbal Filho

Maria de Lourdes Egydio Villela

Paulo Setúbal

Board Members

Alfredo Egydio Arruda Villela Filho

Jair Ribeiro da Silva Neto

Jairo Cupertino

José Carlos Moraes Abreu

Olavo Egydio Setúbal Jr.

EXECUTIVE BOARD

President

Paulo Setúbal

Executive Vice-Presidents

Guilherme Archer de Castilho

Plínio do Amaral Pinheiro *

Raul Penteado

**Investor Relations Director*

Executive Directors

Carlos Alberto Tenório Nobre

Enrique Judas Manubens

Mário Colombelli Filho

Directors

Alexandre Coelho Neto do Nascimento

Antonio Joaquim de Oliveira

Antonio Massinelli

Flávio Dias Soares

FISCAL BOARD

President

Paulo Ricardo Moraes Amaral

Members

Fabiano Romes Maciel

Iran Siqueira Lima

EXTERNAL AUDITORS

PricewaterhouseCoopers Auditores

Independentes Ltda.

Corporate Information

SUBSIDIARIES IN BRAZIL

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Duratex Comercial Exportadora S.A.
Duratex Empreendimentos S.A.
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01310 942 – São Paulo – SP
Caixa Postal 7611

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COORDINATION

Investor Relations Department

EDITORIAL

Selulloid AG Comunicação por Conteúdo

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Selulloid AG Comunicação por Conteúdo

TRANSLATION

From the original Portuguese

Ashley Huggins

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Duratex's Collection

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Our thanks to Duratex employees and the participants in the programs developed by the company for the participation of the photographs illustrated in this report.

PHOTOGRAPH CREDITS**Photo – index**

Durafloor Vintage Carvalho Creta in an environment created by José Roberto Moreira do Valle.

Photo – index

Metal: Chuveiro Jardim and faucets Quadratta line in an environment created by Adriana Mavignier.

Photo – pages 14/15

Durafloor Vintage Nogueira Antígua in an environment created by Roberto Negrete.

Photo – page 17

Durafloor Vintage Nogueira Capri in an environment created by Luciana Teperman.

Photo – pages 22/23

Metal: Quadratta classic line. Vitreous Chinaware L88 line in an environment created by Fernanda Marques.

Photo – page 25

Vitreous Chinaware: Bacia Omega and Hydra Retro Valve in an environment created by Allan Nielsen & Deca.

Photo – pages 38/39

Metal: Contemporânea line in an environment created by Allan Nielsen & Deca.

Photo – page 41

Bloomberg Terminal -
Alessandra Levchenko

EBITDA R\$ 458.1 MILLION
GROWTH OF 26%



DURATEX

Financial
Statements **2006**

BOVESPA LEVEL 1 GREEN SEAL
ROE 18% ISO 14,001
VALUE ADDED +16%
COST REDUCTIONS
ETHICS AND RESPONSIBILITY
INVESTMENT IN THE SOCIAL AREA
INCREASED PRODUCTIVITY
DISTRIBUTION OF 34%
OF NET INCOME

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MANAGEMENT REPORT

YEARS ENDED IN 31 OF DECEMBER

SCENARIO AND MARKET

The successive interest rates reduction promoted by the monetary authority allowed a market recovery across various economic segments during the year. By the end of 2006 this rate was quoted at 13,25% annum, from 18,00% by the end of 2005. Along with that, both the increase of the income mass and the availability of credit to the consume and construction segments helped fueling the Company's results given that both the furniture makers and real estate segments are the main consumers of our products.

Within the foreign scenario, the North American economic deceleration, as the result of higher interest rates in that market, contributed to the accommodation of the international prices of petroleum. On the other hand, some commodities, experienced price increases given the growing demand in China.

A combination of both record export revenues and huge liquidity existing in international markets benefited the capital flow towards Brazil keeping the Real valued against the Dollar; by the end of 2006 the Real was quoted at R\$ 2,1380 per Dollar from R\$ 2,3407 by the end of 2005.

PERFORMANCE AND STRATEGIC MANAGEMENT

Given the before mentioned scenario, Duratex obtained a record result having its Gross Revenues reached R\$ 1.965,2 million, which represents a 15% growth over that for 2005. Export revenues for the period remained stable at US\$ 62,0 million (US\$ 62,5 million in 2005). Consolidated Net Revenues reached R\$ 1.489,2 million, 17% over the performance presented in 2005 and the operating cash generation by the EBITDA added to R\$ 458,1 million, 26% over that during 2005, which corresponds to an EBITDA margin of 31%. The strong operating improvement reflects the increased shipping volumes, mainly within the domestic market, and the consequent dilution of fixed costs, which caused Gross Margin to reach 43%, as opposed to 41% in 2005. Because of that, Net Income experienced an expressive 65% improvement having totaled R\$ 226,0 million during the year, which corresponds to a Return on Equity of 18%. The commented performance is the result of both the Company's relevant capital expenditures program during the last years and the cost cutting measures implemented during the same period. Because of that, it was possible to fully capture the benefits of having a more demanded internal market.

By the end of 2006, Duratex Net Debt totaled R\$ 43,6 million equivalent to 3% of the outstanding Equity Capital and to 0,1 time the EBITDA for the period. This capital structure should change as soon as the Company starts its new Capex program, to be announced in the following months, which should enable another change in operating standards, building up more value to shareholders and enabling the sustainability of the business.

PERFORMANCE PER DIVISION

Wood Division

Shipped volumes for the Wood Division increased by 17% year-on-year having reached 1,2 million m³. Export Revenues totaled US\$ 52,2 million; 93 % of the volume exported in the previous year. Of this total, hardboard exports accounted for 82% of the total, equivalent to US\$42,9 million. Net Revenues increased by 17% to R\$ 1.004,4 million having the increased shipments contributed in diluting fixed costs, thus contributing to the improved operating performance: i) the Gross Margin totaled 46%, against 42% in 2005 and ii) the Division's EBITDA increased by 33% to R\$ 354,4 million equivalent to an EBITDA margin of 35% as opposed to 31% in 2005.

Financial Statements

During the period there were released 64 new patterns and finishing accessories strengthening our market position. Among the awards received by this business segment we highlight the Prêmio Pini award within the floorboards category.

SHIPMENTS (in m³)	2005	2006	Var
Standard	695,997	855,855	23%
Coated	344,366	362,659	5%
Total	1,040,363	1,218,514	17%

Net Revenues (in millions of Reais)	2005	2006	Var
Domestic Market	687.3	825.6	20%
Foreign Market	172.7	178.8	3%
Total	860.0	1,004.4	17%

Deca Division

The Deca business segment depends entirely on the housing segment, which is experiencing the beginning of a market "boom". The positive scenario is the consequence of the continuous interest rate reductions, the increased availability of housing credit and the extension of the terms and the recent market capitalization derived from primary stock issuing. During 2006, shipments improved by 9% reaching approximately 14 million items. This growth however was more concentrated within the basic products segment, used more in the beginning of the constructions, having the demand for finishing products, which are more profitable, is expected to increase during 2007. Net Revenues increased by 18%, totaling R\$ 484,7 million, and the EBITDA grew by 9%, reaching R\$ 103,7 million. The EBITDA / Net Revenues ratio remained stable given a combination of both the characteristics of the shipped mix and the strong cost increase in metals, mainly copper, which price varied by approximately 30% during the year.

Export Revenues increased by 54% to US\$9,8 million, having the foreign Sales of vitreous chinaware accounted for US\$7,5 million of the total. This growth is the result of a greater effort in turning the Deca brand more present in international markets and justifies some marketing actions such as the participation, for the third consecutive time, in the Kitchen & Bath fair, in the United States, the most important industry event. There were released during the year 25 new metal fittings and 14 new chinaware items. Along the period, Deca was awarded the Prêmio Anamaco for metal fittings and water saving devices; Prêmio Pini, for both metal fittings and chinaware, the first place at the 20th. edition of the design award by Museu da Casa Brasileira for the Slow Close toilet seat and the iF Product Design 2006 award to the Deca Slim flushing valve finishing, Hannover, Germany.

SHIPMENTS (in thousand items)	2005	2006	Var
Basic Products	6,484	7,178	10.7%
Finishing Products	6,341	6,803	7.3%
Total	12,825	13,981	9.0%

Net Revenues (in millions of Reais)	2005	2006	Var
Domestic Market	378.4	440.0	16%
Foreign Market	32.2	44.7	39%
Total	410.6	484.7	18%

CAPITAL EXPENDITURES

The Capex for the period totaled R\$ 124,7 million having the acquisition of fixed assets accounted for R\$ 105,4 million. The highlights for the period were the investments directed to the vitreous china segment in order to meet export agreements and the acquisition of land and the plantation of forests and the maintenance of existing areas.

There are some ongoing studies, in the final analysis phase, that contemplate capacity expansions in both Divisions and should be announced in the following months.

CAPITAL MARKETS

The Brazilian capital market benefited from the huge volume of new fixed income and equity deals during the year that topped about R\$ 120 billion. Among such deals we highlight a Duratex' primary issuing of common stock, which main objective was to raise money to meet the expenditures requirements during the next expansion plan, along with a secondary offering of preferred stock having the main purpose of it being the increase of the shares' liquidity. As a consequence, there were registered during the period 55.903 deals with preferred stock totaling 82,6 million shares worth R\$ 2.016,0 million, equal to a trading daily average of R\$ 8,2 million, over 6 times the daily trading average of 2005. The expressive liquidity improvement of Duratex stock along with the change of operating level contributed to the 124% valuation of the preferred stock during the period, as the Ibovespa valued by only 33%. Because of that, Duratex market capitalization reached R\$ 4,2 billion at the end of 2006, that is, 147% over that for December 2005.

Actions such as road shows, conference calls and web conferences towards the strengthening of market relations and to inform quarterly results were developed during the year and reached about 1.100 analysts and investors in capital markets. The Company's website received more than 277 thousand hits during the period which corresponds to a 35% increase over the 2005 figures.

These actions add up to other ones such as the concession of tag-along rights of 80% to the preferred stockholders, the establishment of a 30% minimum pay-out ratio over the adjusted Net Income for dividends and the termination of the beneficiary shares rights in favorable conditions to minority holders, thus, creating value to all.

DIVIDENDS

The Board of Directors proposed the distribution of dividends in the form of interest on own capital totaling R\$ 0,36 per share, or R\$ 46,5 million. This value add up to the one paid in August 2006 totaling a gross value for the year of R\$ 76,9 million, which is equivalent to an unitary value of R\$ 0,60 per share and to 34% of the Net Income for the year.

SOCIAL AND ENVIRONMENT RESPONSABILITY

By the end of the year the Company had 6.076 employees which payroll amounted to R\$ 153,0 million, besides R\$ 84,8 million in mandatory legal charges and – R\$ 24,7 million in fringe benefits such as feeding, health care, transportation, and complementary pension benefits, through. Fundação Itaúsa Industrial, a non-profit entity, who's responsible for managing the pension plans. Additionally, there's a variable remuneration policy based on individuals' performance and a Profit Sharing Program (PLR) to all employees that distributed an extra R\$ 14,0 million during the period.

The Company aims to establish a positive working environment to its employees where they can improve themselves both professionally and personally through several Trainee and Development Programs. Such programs are also made available to technical assistance professionals, cabinet-makers and plumbers, having the total number of trained personnel reached 44.356 and demanded investments of R\$ 1,1 million.

Financial Statements

Among the Company's initiatives to strengthen its relationship with local communities we highlight: the Tide Setúbal Cabinet Making School, held in partnership with Senai and the city of Agudos (SP) Municipality government which objective is to provide training to graduate specialized work force to new professionals, and the Piatan Environmental Experience Area, which aims the preservation of the local fauna and flora and the promotion of environmental education and awareness to the local communities, having been visited by more than 6.000 people in 2006.

Besides these initiatives, Duratex has been involved in other social and cultural projects made viable by the Municipal Council for Child and Adolescent Rights (CMDCA – Conselho Municipal dos Direitos da Criança e do Adolescente) which aims at contributing to protect children and adolescents. Also donations were made to WCF Brazil Institute, Association of Parents of Persons with Intellectual Disabilities (APAE) and League of Catholic Ladies (Liga das Senhoras Católicas).

These initiatives demanded represented investments superior of R\$ 2 million.

Other investments directed specifically to improve the environment consumed about R\$ 10 million, having the highlights being: the certification and re-certification of forest areas, the acquisition of filters and equipment for controlling atmospheric emissions, residue disposal, material recycling activities and the treatment of liquid waste. The Company owns approximately 90 thousand hectares of pine and eucalyptus forestlands, in order to guarantee its self-sufficiency and the sustainability of its operations. For that, Duratex relies on the ISO 14.001 certification and the Green Seal, granted by the Forest Stewardship Council (FSC).

ADDED VALUE

Added Value is found through the difference between Revenues, of R\$ 1.965,2 million, and the cost related to the acquisition of raw materials, services, depreciation and amortization and other operating and non-operating items, of R\$ 963,7 million, which totaled R\$ 1.001,5 million in 2006, that is 16% over the result for the previous year.

Of this total, R\$ 415,0 million, equal to 21% of the Revenues and to 41% of the total Added Value were paid to federal, state and municipal governments as taxes and charges.

INDEPENDENT AUDITORS

Pursuant to both the CVM Instruction 381 of January 14, 2003, and the official circular CVM/SEP/SNC 02/2003 of March 20, Duratex and its subsidiaries declare that they have hired from PricewaterhouseCoopers Auditores Independentes complementary and specific auditing services, besides the standard works for the period ended December 31, 2006, related to the Public Offering "due diligence" process according to a material fact dated February 22, 2006.

The Company's policy for hiring non related works to the normal auditing services is based on internationally accepted concepts based upon the independency of the auditors regarding: a) the auditor should not audit its own work, b) the auditor should not be part of the client's management team and c) the auditor should not promote its own client's interests.

ACKNOWLEDGEMENTS

The results of 2006 reflects the Company's constant search for the creation of value which has been possible given the support of shareholders, the dedication and compromise shown by our employees, the partnerships with suppliers and consumers' and clients' trust on us.

The Management

BALANCE SHEETS AT DECEMBER 31

In thousands of reais

Assets	PARENT COMPANY		CONSOLIDATED	
	2006	2005	2006	2005
Current assets				
Cash and banks/ financial investments (Note 5)	466,150	186,116	574,601	233,973
Clients (Note 6)	312,201	256,304	331,322	253,544
Inventories (Note 7)	138,944	131,623	174,562	180,711
Accounts receivable	6,566	5,397	19,562	20,614
Tax credits	18,214	15,860	28,630	24,670
ICMS on property, plant and equipment – Supplementary Law 102/00	5,668	9,199	6,407	9,914
Other credits	3,330	2,794	3,837	3,308
	951,073	607,293	1,138,921	726,734
Non-current assets	1,288,824	1,250,878	1,236,317	1,214,888
Long-term receivables				
Subsidiaries (Note 8)	20,146	14,809		
Restricted deposits	9,717	8,092	11,468	10,861
Accounts receivable	114	2,293	3,786	8,075
Tax credits	10,529	5,370	11,215	5,768
ICMS on property, plant and equipment – Supplementary Law 102/00	6,302	7,943	7,139	8,913
	46,808	38,507	33,608	33,617
Permanent Assets				
Investments (Note 9)	386,304	341,639	705	705
Property, plant and equipment (Note 10)	843,362	856,132	1,078,327	1,067,910
Forest reserves (Note 10)			111,302	98,011
Intangible assets	3,464	3,792	3,489	3,818
Deferred charges	8,886	10,808	8,886	10,827
	1,242,016	1,212,371	1,202,709	1,181,271
Total assets	2,239,897	1,858,171	2,375,238	1,941,622

The accompanying notes are an integral part of these financial statements.

Financial Statements

BALANCE SHEETS AT DECEMBER 31

In thousands of reais

	PARENT COMPANY		CONSOLIDATED	
	2006	2005	2006	2005
Liabilities and stockholders' equity				
Current liabilities				
Suppliers	47,758	33,139	43,425	33,684
Personnel	46,367	37,306	49,779	40,852
Accounts payable	16,752	15,921	31,149	29,864
Subsidiaries (Note 8)	63,858	45,508		
Taxes and contributions	49,170	28,847	61,662	33,517
Financial institutions (Note 11)	72,740	73,459	157,405	148,368
Debenture (Note 12)	202,025	3,057	202,025	3,057
Dividends and profit sharing (Note 15(d))	55,599	29,343	55,606	29,352
	554,269	266,580	601,051	318,694
Non-current liabilities	289,579	537,807	377,798	560,020
Long-term liabilities				
Subsidiaries (Note 8)	1,155	25,966		
Financial institutions (Note 11)	216,151	237,153	258,762	239,611
Debenture (Note 12)		200,000		200,000
Provision for contingencies (Note 14)	72,273	74,688	119,036	120,409
	289,579	537,807	377,798	560,020
Minority interest			600	12,036
Stockholders' equity (Note 15)				
Capital	916,084	325,000	916,084	325,000
Capital reserves	200,505	272,578	200,505	272,578
Revaluation reserve	128,599	131,743	128,599	131,743
Revenue reserves	150,861	324,463	150,601	321,551
	1,396,049	1,053,784	1,395,789	1,050,872
Total liabilities and stockholders' equity	2,239,897	1,858,171	2,375,238	1,941,622

STATEMENTS OF INCOME YEARS ENDED DECEMBER 31

In thousands of reais, except for net income per share and book value per share

	PARENT COMPANY		CONSOLIDATED	
	2006	2005	2006	2005
Gross revenues	1,839,114	1,619,255	1,965,174	1,706,352
Taxes and contributions on sales	(473,141)	(426,362)	(475,981)	(435,775)
Net revenues	1,365,973	1,192,893	1,489,193	1,270,577
Cost of goods sold	(810,307)	(731,456)	(845,566)	(743,762)
Gross profit	555,666	461,437	643,627	526,815
Selling expenses	(145,138)	(139,933)	(179,645)	(175,254)
General and administrative expenses	(52,367)	(49,969)	(59,260)	(56,004)
Other operating expenses	(21,012)	(9,920)	(25,623)	(13,327)
Operating profit before financial result	337,149	261,615	379,099	282,230
Financial income	61,395	22,307	69,933	52,800
Financial expenses	(81,505)	(76,354)	(99,414)	(118,501)
Taxes on financial operations	(9,333)	(7,869)	(10,455)	(8,899)
Equity in the results of subsidiaries (Note 9)	22,321	9,433		
Operating profit	330,027	209,132	339,163	207,630
Non-operating income (expenses) (Note 16)	2,080	(905)	7,756	11,724
Income before income tax and social contribution and profit sharing	332,107	208,227	346,919	219,354
Income tax and social contribution (Note 13)	(80,937)	(47,401)	(92,269)	(55,351)
Profit sharing and statutory participations	(27,834)	(25,471)	(28,637)	(26,530)
Minority interest			(25)	(388)
Net income for the year	223,336	135,355	225,988	137,085
Net income per share – R\$	1.74	1.15(*)		
Book value per thousand shares – R\$	10.90	8.95(*)		

(*) Considers the 100% bonus in shares, in accordance with the Ordinary and Extraordinary General Meeting held on April 28, 2006.

The accompanying notes are an integral part of these financial statements.

Financial Statements

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AT DECEMBER 31

In thousands of reais

	CAPITAL	CAPITAL RESERVES	REVALUATION RESERVES	REVENUE RESERVES	RETAINED EARNINGS	TOTAL
At January 1, 2005	325,000	271,616	135,674	262,788		995,078
Treasury shares				(30,054)		(30,054)
Realization of reserves			(3,931)		2,717	(1,214)
Investment subsidies		225				225
Fiscal incentives		737				737
Net income for the year					135,355	135,355
Legal reserve				6,768	(6,768)	
Interest on own capital					(46,343)	(46,343)
Revenue reserves				84,961	(84,961)	
At December 31, 2005	325,000	272,578	131,743	324,463		1,053,784
Treasury shares				(11,221)		(11,221)
Capital increase						
Issue of shares	208,204					208,204
Capitalization of reserves	382,880	(72,076)		(310,804)		
Realization of reserves			(3,144)		1,962	(1,182)
Fiscal incentives		3				3
Net income for the year					223,336	223,336
Legal reserve				11,167	(11,167)	
Interest on own capital					(76,875)	(76,875)
Revenue reserves				137,256	(137,256)	
At December 31, 2006	916,084	200,505	128,599	150,861		1,396,049

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN FINANCIAL POSITION YEARS ENDED DECEMBER 31

In thousands of reais

	PARENT COMPANY		CONSOLIDATED	
	2006	2005	2006	2005
Financial resources were provided by				
Operations				
Net income for the year	223,336	135,355	225,988	137,085
Income not affecting working capital	36,466	50,230	83,989	84,228
Depreciation, amortization and depletion	57,466	58,917	78,971	80,368
Equity in the results of subsidiaries	(22,321)	(9,433)		
Exchange variation of permanent assets			488	788
Realization of permanent assets	1,321	746	4,505	2,684
Minority interest			25	388
	259,802	185,585	309,977	221,313
Stockholders	208,204		208,204	
Capital subscription	208,204		208,204	
Third parties				
Increase in long-term liabilities		99,167		100,346
Decrease in long-term receivables		15,646	9	
Dividends received	1,043	315		
Investment subsidies		225		225
Fiscal incentives	3	737	3	737
	1,046	116,090	12	101,308
Total funds provided	469,052	301,675	518,193	322,621
Financial resources were used for				
Long-term receivables	8,301			4,958
Permanent assets				
Investments	23,454	32,509		120
Property, plant and equipment	42,932	72,909	77,071	84,074
Forest reserves			27,554	23,437
Intangible assets	768	772	777	778
Deferred charges				18
Decrease in long-term liabilities	248,228		182,222	
Interest on own capital	76,875	46,343	76,875	46,343
Treasury shares	11,221	30,054	11,221	30,054
Income tax on realization of revaluation reserve	1,182	1,214	1,182	1,214
Minority interest			11,461	(8)
Total funds used	412,961	183,801	388,363	190,988
Current assets	343,780	128,599	412,187	105,170
Current liabilities	287,689	10,725	282,357	(26,463)
Changes in working capital	56,091	117,874	129,830	131,633

The accompanying notes are an integral part of these financial statements.

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2006 AND 2005

All amounts in thousands of reais unless otherwise indicated

1. OPERATIONS

Headquartered in São Paulo, State of São Paulo, Duratex S.A. is a subsidiary of the Itaúsa Group and currently has eight industrial units in Brazil and one in Argentina, with branches in the main Brazilian cities and commercial subsidiaries in the United States and Europe.

The main activity of the Company and its subsidiaries is the production of wood panels, ceramics and metal sanitary fittings.

The Wood Division operates four industrial units in Brazil, responsible for the production of fiber and agglomerate wood sheets, wood fiber panels (MDF, HDF, SDF) and Durafloor laminate flooring.

The Deca Division operates four industrial units in Brazil and one in Argentina, responsible for the production of ceramics and metal sanitary fittings under the trademarks Deca, Hydra and Deca Piazza (in Argentina).

2. PRESENTATION AND PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of Duratex S.A. and the consolidated financial statements have been prepared and are presented in accordance with accounting practices adopted in Brazil, based on the provisions of Brazilian Corporate Law and the rules established by the Brazilian Securities Commission (CVM), consistently with those used in the previous year.

In the preparation of the financial statements, accounting estimates based on objective factors were used by management to determine the useful lives of property, plant and equipment, provisions for contingent liabilities, the allowance for doubtful accounts and other similar provisions, when necessary.

3. SIGNIFICANT ACCOUNTING PRACTICES

(a) Determination of results of operations

Income and expenses are recognized on the accrual basis of accounting.

(b) Current assets and long-term receivables

Financial investments are recorded at cost plus accrued earnings up to the balance sheet date, which is lower than market value.

The allowance for doubtful accounts was recorded based on the evaluation of risks on the realization of credits, at an amount considered sufficient to cover losses on the realization of the account "Clients".

Inventories are stated at the average cost of purchase or production, which is lower than replacement costs or realizable values and, when applicable, reduced by a provision for obsolescence. Imports in transit are stated at the accumulated cost of each import.

The other assets are stated at realizable values, including, when applicable, accrued earnings and monetary and exchange variations.

(c) Permanent assets

Investments in subsidiaries are recorded on the equity method, while other investments are stated at cost of acquisition. The goodwill recorded on the acquisition of companies is based on the market value of property, plant and equipment and future profitability and is amortized upon realization through depreciation or disposals of the corresponding assets and generation of profit, in the subsidiaries.

Property, plant and equipment are recorded at cost of acquisition, formation or construction (including interest and other financial charges), plus price level restatements up to December 31, 1995, plus a spontaneous revaluation in 1989 based on the appraisal performed by independent experts.

In order to better reflect its operations, as from the first quarter of 2006, the Company changed its accounting practice for the estimation of the depreciation of machinery, equipment and installations, which is now calculated in accordance with the number of units produced, as described in Note 10.

Depletion is based on the volume of wood extracted in the period.

Intangible assets include the values of the brands and patents of the Company, as well as purchases of software, net of amortization.

Deferred charges are amortized over a ten-year period, as from the date benefits start to be generated.

(d) Current and long-term liabilities

These liabilities are stated at known or estimated amounts including, when applicable, the corresponding charges.

(e) Income tax and social contribution

Income tax and social contribution are calculated in accordance with current legislation, at the rates of 25% and 9%, respectively.

(f) Accounting reclassification

Due to the adoption of Deliberation 489/05 of the Brazilian Securities and Exchange Commission (CVM), the Company made the following reclassifications in the financial statements, considering the presentation of judicial deposits against their respective liabilities under "provision for contingencies".

RESTRICTED DEPOSITS	2005			2005		
	PARENT COMPANY			CONSOLIDATED		
	PREVIOUS	RECLASSIFICATION	CURRENT	PREVIOUS	RECLASSIFICATION	CURRENT
Tax	7,333		7,333	13,067	(3,206)	9,861
Labor	1,593	(834)	759	2,939	(1,939)	1,000
Civil	289	(289)		289	(289)	
Total	9,215	(1,123)	8,092	16,295	(5,434)	10,861

PROVISIONS FOR CONTINGENCIES	2005			2005		
	PARENT COMPANY			CONSOLIDATED		
	PREVIOUS	RECLASSIFICATION	CURRENT	PREVIOUS	RECLASSIFICATION	CURRENT
Tax	65,891		65,891	112,784	(3,206)	109,578
Labor	4,391	(834)	3,557	7,442	(1,939)	5,503
Civil	5,529	(289)	5,240	5,617	(289)	5,328
Total	75,811	(1,123)	74,688	125,843	(5,434)	120,409

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4. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil and the rules established by the Brazilian Securities Commission (CVM) for consolidation purposes, and comprise the financial statements of the Company and of the subsidiaries in which it has direct or indirect shareholding control.

The financial statements of the foreign subsidiaries were translated into reais based on the exchange rate on the closing date of the balance sheet and adapted to the accounting practices adopted in Brazil.

The consolidated financial statements include: Duratex S.A. and its direct subsidiaries: Duraflora S.A., Duratex Empreendimentos Ltda., Duratex Comercial Exportadora S.A. and its indirect subsidiaries: Duratex Overseas, Duratex North America Inc., Duratex Europe, TCI Trading S.A. and Deca Piazza S.A..

Intercompany investments between the consolidated companies, in proportion to their equity interests, as well as intercompany assets and liabilities, income and expenses and unrealized profits, have been eliminated.

The reconciliation between net income and stockholders' equity of the parent company and consolidated are as follows:

	NET INCOME		STOCKHOLDERS' EQUITY	
	2006	2005	2006	2005
Parent company	223,336	135,355	1,396,049	1,053,784
Unrealized results in inventories, net of tax effects	2,652	1,730	(260)	(2,912)
Consolidated	225,988	137,085	1,395,789	1,050,872

5. CASH AND BANKS/ FINANCIAL INVESTMENTS

	PARENT COMPANY		CONSOLIDATED	
	2006	2005	2006	2005
Cash	153	122	6,163	531
Bank current accounts	7,041	2,789	8,945	2,850
Fixed income funds	77	183,205	14,264	230,592
Bank deposit certificates	279,723		333,957	
Investments in foreign currency	179,156		211,272	
TOTAL	466,150	186,116	574,601	233,973

In Brazil, the balance of financial investments is comprised of investment funds and bank deposit certificates, remunerated in accordance with the variation of the Interbank Deposit Certificate (CDI). Abroad, it is comprised of investment funds in reais and US dollars, which are remunerated based on interest rates and the CDI variation, respectively.

6. CLIENTS

	PARENT COMPANY		CONSOLIDATED	
	2006	2005	2006	2005
Local	348,898	286,986	343,267	284,829
Foreign			46,868	48,667
Discounted drafts			(21,372)	(48,202)
Allowance for doubtful accounts	(36,697)	(30,682)	(37,441)	(31,750)
Total	312,201	256,304	331,322	253,544

7. INVENTORIES

	PARENT COMPANY		CONSOLIDATED	
	2006	2005	2006	2005
Finished products	32,151	34,095	64,725	79,390
Work in progress	25,471	17,186	25,481	17,186
Raw materials	35,098	28,177	37,042	29,368
General warehouse	41,626	44,981	42,716	47,583
Advances to suppliers	4,598	7,184	4,598	7,184
Total	138,944	131,623	174,562	180,711

8. RELATED PARTIES

Transactions between subsidiaries, mainly purchases and sales of products, were carried out at prices and under terms and conditions compatible with those of the market. These transactions are carried out between the parent company and its subsidiaries and the balances are eliminated upon consolidation. Loan agreements are restated based on the variation of the SELIC interest rate.

DESCRIPTION - PARENT COMPANY	SUBSIDIARIES									
	DURATEX COML. EXPORTADORA		DURAFLORA		TCI TRADING		DURATEX EMPREEND.		TOTAL	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Assets										
Clients	6,105	2,634	1						6,106	2,634
Dividends receivable	861	226	182	89					1,043	315
Accounts receivable	4	7	63	37					67	44
Long-term receivables										
Advance for future capital increase (*)				11,000						11,000
Loan	1,208		18,935	3,809	3				20,146	3,809
Liabilities										
Suppliers			11,729	5,046	451		22		12,180	5,068
Accounts payable	63,849	45,508	9						63,858	45,508
Long-term liabilities - Loan		25,255					1,155	711	1,155	25,966
Results										
Sales	106,213	121,928	64	9					106,277	121,937
Purchases	10		98,551	92,464	25,044				123,605	92,464
Financial	3,511	(4,318)	425	980	25		(124)	(105)	3,837	(3,443)

(*) The advance for future capital increase in the subsidiary Duraflora S.A., in the amount of R\$ 11,000, was capitalized on August 4, 2006.

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9. INVESTMENTS

	DIRECT					INDIRECT (i)			
	DURATEX COML. EXP.	DURAFLORA	DURATEX EMPREEND.	TOTAL	DECA PIAZZA	NORTH AMERICA	DURATEX OVERSEAS	DURATEX EUROPE	TCI TRADING
Shares/ quotas held (thousand)									
Common	231	120			10,446	500	50	1	1,230
Preferred	369	35							1,230
Quotas			2,874						
Holding – %	99,94	100,00	100,00		100,00	100,00	100,00	100,00	82,00
Capital	33,437	157,712	2,874		7,292	1,069	107	273	3,000
Stockholders' equity	68,952	317,410	4,693		9,133	12,854	53,349	9,895	3,101
Net income for the period	3,628	19,187	591		3,661	2,619	11,964	3,673	127
Changes in investments									
At January 1, 2005	61,365	234,109	3,890	299,364	6,432	13,277	40,516	7,743	
Capital increase		32,500		32,500					
Purchase of shares/quotas	1	8		9					80
Capital decrease					(2,053)	(72)			
Equity in the results	469	8,752	212	9,433	2,542		9,812	2,208	
Foreign exchange variation					(873)	(1,570)	(4,788)	(1,819)	
Dividends received	(226)	(89)		(315)		(86)	(117)	(760)	
At December 31, 2005 ⁽ⁱⁱ⁾	61,609	275,280	4,102	340,991	6,048	11,549	45,423	7,372	80
Capital increase		11,000		11,000					2,380
Purchase of shares/quotas		12,454		12,454					
Equity in the results	4,799	16,931	591	22,321	3,663	2,618	11,964	3,672	107
Foreign exchange variation					(578)	(1,098)	(3,934)	137	
Dividends received	(861)	(182)		(1,043)		(215)	(107)	(1,285)	(25)
At December 31, 2006	65,547	315,483	4,693	385,723	9,133	12,854	53,346	9,896	2,542

(i) The investments in indirect subsidiaries are carried out through the subsidiary Duratex Comercial Exportadora S.A..

(ii) The Company has unamortized goodwill and other investments stated at cost, totaling R\$ 581 in December 2006 (R\$ 648 in December 2005). In the consolidated, these investments amount to R\$ 705 in December 2006 and 2005.

10. PROPERTY, PLANT AND EQUIPMENT AND FOREST RESERVES

DESCRIPTION	ANNUAL DEPRECIATION RATES - %	PARENT COMPANY				CONSOLIDATED			
		COST	ACCUMULATED DEPRECIATION	RESIDUAL VALUE	RESIDUAL VALUE	COST	ACCUMULATED DEPRECIATION	RESIDUAL VALUE	RESIDUAL VALUE
Lands		58,419		58,419	58,419	270,797		270,797	245,702
Buildings and improvements	4	301,407	(149,061)	152,346	152,970	305,274	(151,094)	154,180	154,787
Machinery, equipment and installations	4,92	1,000,102	(438,602)	561,500	558,767	1,040,292	(462,352)	577,940	575,183
Construction in progress		44,524		44,524	59,761	45,254		45,254	60,288
Furniture and fixtures	10	17,288	(12,857)	4,431	4,099	18,303	(13,553)	4,750	4,482
IT equipment/ software	20	18,620	(14,468)	4,152	4,047	19,245	(14,921)	4,324	4,236
Vehicles	20 e 25	10,022	(5,805)	4,217	4,181	17,407	(10,408)	6,999	9,052
Other assets	10 a 20	23,009	(9,236)	13,773	13,888	24,525	(10,442)	14,083	14,180
		1,473,391	(630,029)	843,362	856,132	1,741,097	(662,770)	1,078,327	1,067,910
Forest reserves						111,302		111,302	98,011
Total		1,473,391	(630,029)	843,362	856,132	1,852,399	(662,770)	1,189,629	1,165,921

The accounting effect on net income for 2006, arising from the change from straight-line depreciation to depreciation based on the number of units produced, resulted in a decrease in the expense of R\$ 2,729.

Construction in progress refers substantially to structures and machinery and equipment which are being installed.

11. FINANCIAL INSTITUTIONS

Financing subject to foreign exchange variation is restated based on the respective exchange rate in effect on the last business day of the year. Other financing is monetarily restated, when applicable, by the corresponding contractual charges.

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Loans and financing have the following characteristics:

TYPE	CHARGES	AMORTIZATION	GUARANTEES	2006		2005	
				SHORT-TERM	LONG-TERM	SHORT-TERM	LONG-TERM
Resolution 2770 with swap	105,9% of CDI	2008 to 2010	Promissory note	10,266	128,280	3,092	140,442
National Bank for Economic and Social Development (BNDES)	Long-term interest rate (TJLP) + 3.9% p.a.	Monthly and quarterly	Mortgage and surety	24,385	76,217	42,797	83,356
Industrial credit	TR + 12.5% p.a.	March 2007	Surety	22,358			
Desconto NPR	8,75% a.a.	April 2007	Surety	9,850		87	
Industrial credit – Workers Assistance Fund (FAT)	TJLP + 25% p.a.	Up to September 2008	Surety	1,467	3,638		
Government Agency for Machinery and Equipment Financing (FINAME)	TJLP + 4.0% p.a.	Monthly and quarterly	Chattel mortgage and promissory note	938	760	2,049	1,673
Local currency				69,264	208,895	48,025	225,471
International Finance Corporation (IFC)	US\$ + LIBOR + 2.7% p.a.	October 2006	Surety			16,288	
BNDES	Currency basket + 3.6% p.a.	Monthly and quarterly	Surety	3,476	7,256	5,642	
BNDES	US\$ + LIBOR + 3.5% p.a.	Monthly	Mortgage and surety			1,613	11,682
Import financing						1,891	
Foreign currency				3,476	7,256	25,434	11,682
Total – Parent company				72,740	216,151	73,459	237,153
BNDES – EXIM	TJLP + 2.9% p.a.	Up to June 2008	Promissory note	17,016	26,193	51,380	
Industrial credit – FAT	TJLP + 2.5% p.a.	Up to September 2008	Surety	1,571	8,583		
FINAME	TJLP + 4.0% p.a.	Monthly and quarterly	Chattel mortgage and promissory note	941	1,336	1,040	2,458
Fund for the Development of Port Activities (FUNDAP) 1% p.a.		Monthly	Surety	242			
Local currency				19,770	36,112	52,420	2,458
Advances Against Exchange Contracts (ACC)	US\$ + 5.6% p.a.	Up to June 2007		60,997		10,732	
BNDES – EXIM	US\$ + 9.96% p.a.	Up to February 2008	Promissory note	3,898	6,499	11,757	
Foreign currency				64,895	6,499	22,489	
Total – other companies				84,665	42,611	74,909	2,458
Total – consolidated				157,405	258,762	148,368	239,611

Long-term maturities

2006

Year	PARENT COMPANY		CONSOLIDATED	
	LOCAL CURRENCY	FOREIGN CURRENCY	LOCAL CURRENCY	FOREIGN CURRENCY
2008	53,305	3,279	89,012	9,778
2009	72,846	3,279	73,185	3,279
2010	55,415	698	55,481	698
2011	1,143		1,143	
2012	5,819		5,819	
Other	20,367		20,367	
Total	208,895	7,256	245,007	13,755

2005

Year	PARENT COMPANY		CONSOLIDATED	
	LOCAL CURRENCY	FOREIGN CURRENCY	LOCAL CURRENCY	FOREIGN CURRENCY
2007	23,711	3,750	24,735	3,750
2008	51,190	3,585	52,214	3,585
2009	76,847	3,585	77,193	3,585
2010	59,721	762	59,785	762
2011	837		837	
2012	2,925		2,925	
Other	10,240		10,240	
Total	225,471	11,682	227,929	11,682

12. DEBENTURES

On November 6, 2002, the Board of Directors approved the issue of 20,000 (twenty thousand) debentures, non-convertible into shares, without guarantee and preference, in a single series, with a par value of R\$ 10,000 (ten thousand reais).

These debentures have a maturity term of five years, are redeemable on December 1, 2007 and were subscribed in 2002 (R\$ 50,419), 2003 (R\$ 21,462) and 2004 (R\$ 137,254), totaling R\$ 209,135, including accrued interest. During this period, the issuer is under the obligation of maintaining the net debt lower than its stockholders' equity and the ratio between the consolidated net debt and the consolidated EBITDA must be lower than 4. At December 31, 2006, the ratios and limits calculated are lower than those established in the deed of issue.

For the first remuneration period, from December 1, 2002 to December 1, 2004, the debentures were remunerated, as from the issue date, with interest on the nominal unit amount and based on the average rate of Interbank Deposits (DI) for one day, "over extra group", expressed as a percentage per annum, basis 252 days, calculated and published by the Clearing House for the Custody and Financial Settlement of Securities (CETIP), plus a spread of 1.30% per annum, basis 252 days, with semi-annual payment as from June 1, 2003.

For the second remuneration period, from December 1, 2004 to December 1, 2006, the debentures were remunerated as from December 1, 2004, with interest on the nominal unit amount based on the average rate of Interbank Deposits (DI) for one day, "over extra group", expressed as a percentage per annum, basis 252 days, calculated and published by CETIP, plus a spread of 0.70% per annum, basis 252 days, with semi-annual payment as from June 1, 2005.

For the third and last remuneration period, from December 1, 2006 to December 1, 2007, the debentures will be remunerated as from December 1, 2006, with interest on the nominal unit amount based on the average rate of Interbank Deposits (DI) for one day, "over extra group", expressed as a percentage per annum, basis 252 days, calculated and published by CETIP, plus a spread of 0.35% per annum, basis 252 days, payable on June 1, 2007 and final payment of interest plus principal on December 1, 2007.

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13. INCOME TAX AND SOCIAL CONTRIBUTION

(a) Income tax and social contribution expenses appropriated to results for the year can be shown as follows:

	PARENT COMPANY		CONSOLIDATED	
	2006	2005	2006	2005
Income before income tax, social contribution and profit sharing	332,107	208,227	346,919	219,354
Income tax and social contribution on results at the rates of 25% and 9%, respectively	(112,916)	(70,797)	(117,952)	(74,580)
Income tax and social contribution on additions and deductions in results:				
Non-deductible provisions	(555)	(3,830)	(618)	(4,621)
Foreign investment			372	(1,416)
Shareholdings	1,317	1,331	1,317	1,331
Interest on own capital – paid	17,635	17,912	17,635	17,912
Equity in the results	7,589	3,207		
Other additions and deductions	5,993	4,776	6,977	6,023
Income tax and social contribution on net income for the year	(80,937)	(47,401)	(92,269)	(55,351)

(b) The Company and its subsidiaries recognize tax credits arising from short-term temporary differences and income tax and social contribution losses, considering their expected future realization.

Deferred income tax and social contribution on temporary differences, recorded in the financial statements, are as follows:

	PARENT COMPANY		CONSOLIDATED	
	2006	2005	2006	2005
Tax credits				
Income tax and social contribution losses			1,069	592
Temporarily non-deductible provisions	12,601	10,773	13,447	11,217
Provisions for sundry labor charges	4,782	3,945	5,041	4,241
Allowance for doubtful accounts	2,933	3,111	3,033	3,111
Provision for adjustment of assets to market value	892	1,241	892	1,388
Provision for commissions payable	667	649	667	649
Sundry provisions	3,327	1,827	3,814	1,828
Swap result (cash x accrual basis)	12,868		12,868	
Deferred exchange variation expense	(5,884)		(5,884)	
Total tax credits (*)	19,585	10,773	21,500	11,809
Taxes payable				985
Income tax on long-term sales				985

(*) These amounts are recorded as tax credits in current assets, except for the swap transaction, a portion of which is recorded in long-term receivables.

14. PROVISION FOR CONTINGENCIES

The Company and its subsidiaries are parties to judicial and administrative labor, civil and tax lawsuits in several courts and governmental departments, arising from the normal course of its activities.

The corresponding provisions for contingencies were recorded considering the estimates of losses by the Company's legal advisors and are backed by judicial deposits, when necessary.

The Company's management, based on the opinion of its legal advisors, believes that these provisions are sufficient to cover losses on judicial processes, as follows:

a) ANALYSIS

Lawsuits	PARENT COMPANY		CONSOLIDATED	
	2006	2005	2006	2005
Tax	63,915	65,891	109,152	109,578
Labor	2,493	3,557	3,903	5,503
Civil	5,865	5,240	5,981	5,328
Total	72,273	74,688	119,036	120,409

b) CHANGES

DESCRIPTION	PARENT COMPANY							
	TAX		LABOR		CIVIL		TOTAL	
	2006	2005	2006	2005	2006	2005	2006	2005
Opening balance at January 1	65,891	66,267	3,557	3,515	5,240	4,538	74,688	74,320
Monetary restatement and interest	4,716	5,986	527	573	1,019	1,005	6,262	7,564
Appropriation	9,706	1,334	183	504	348	169	10,237	2,007
Reversal	(646)		(339)		(700)		(1,685)	
Payment	(3,617)	(7,696)	(1,135)	(201)	(103)	(183)	(4,855)	(8,080)
Judicial deposits	(12,135)		(300)	(834)	61	(289)	(12,374)	(1,123)
Closing balance at December 31	63,915	65,891	2,493	3,557	5,865	5,240	72,273	74,688

DESCRIPTION	CONSOLIDATED							
	TAX		LABOR		CIVIL		TOTAL	
	2006	2005	2006	2005	2006	2005	2006	2005
Opening balance at January 1	109,578	110,986	5,503	6,181	5,328	4,896	120,409	122,063
Monetary restatement and interest	8,161	10,053	796	925	1,047	1,093	10,004	12,071
Constitution	15,280	2,301	201	997	348	169	15,829	3,467
Reversal	(1,220)		(827)		(700)	(358)	(2,747)	(358)
Payment	(9,079)	(10,556)	(1,588)	(661)	(103)	(183)	(10,770)	(11,400)
Judicial deposits	(13,568)	(3,206)	(182)	(1,939)	61	(289)	(13,689)	(5,434)
Closing balance at December 31	109,152	109,578	3,903	5,503	5,981	5,328	119,036	120,409

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Tax contingencies refer mainly to legal discussions regarding the Summer Plan (“Plano Verão”) and the semi-annual PIS credit calculation.

SUMMER PLAN (“PLANO VERÃO”)

Refers to a legal measure aimed at obtaining the recognition of the right to monetarily restate the balance sheet for 1989 through the full application of the Consumer Price Index (IPC) (gross rate) of 70.28%, thus avoiding the distortions caused by the non-recognition of inflation on the Company’s balance sheet and, consequently, on taxation of results. The Company obtained an injunction recognizing its right to restate the balance sheet at the rate of 42.72%. Although the Company is still awaiting the decision of the Federal Regional Court (TRF), after the injunction was obtained, it started to offset these tax credits within the limits established by the decision of the first instance court. At December 31, 2006, the Company recorded a provision of R\$ 41,369 (R\$ 39,279 at December 31, 2005) for the offset of income tax and social contribution on net income already carried out.

PIS – SEMI-ANNUAL BASIS

Refers to a declaratory action aimed at recognizing the right to pay PIS under the terms of Supplementary Law 7/70. Such action was deemed valid and was finally ruled in 1997, which is the reason that led the Company to offset the amounts related to the credits estimated in accordance with an internal procedure. However, the Company has been discussing, at the judicial level, the suspension of the time limit for the offset of credits, which is also subject to approval by the tax authorities. In view of this discussion, the Company is provisioning the IRPJ, CSLL, IPI, PIS and COFINS amounts already offset, which totaled R\$ 46,060 at December 31, 2006 (R\$ 41,797 at December 31, 2005).

Furthermore, the Company and its subsidiaries are parties to other tax, labor and civil lawsuits, amounting to R\$ 29,605 (R\$ 9,393 at December 31, 2005) and, since an unfavorable outcome is not regarded as probable by the legal advisors, no provisions are being recorded for them.

(c) Contingent assets

The Company and its subsidiaries are discussing, at the judicial level, the reimbursement of PIS, COFINS and Income Tax on Net Income (ILL) credits, and a favorable outcome is regarded as probable in the opinion of legal advisors.

On a conservative basis, the Company and its subsidiaries do not record these contingent assets in the financial statements.

15. STOCKHOLDERS’ EQUITY

(a) Capital

In accordance with a Board of Directors Meeting held on April 19, 2006, the stockholders approved a capital increase of R\$ 195,750, through the issue of 4,500,000 common shares, increasing capital from R\$ 325,000 to R\$ 520,750, comprising 63,413,584 book-entry shares, with no par value, of which 26,560,294 are common shares and 36,853,290 are preferred shares, and the latter have no voting rights.

At an Ordinary and Extraordinary General Meeting held on April 28, 2006, the stockholders decided to increase capital to R\$ 903,630, through the capitalization of revenue reserves and capital, in the amount of R\$ 382,880, with the issue of 63,413,536 common and preferred shares, distributed among the stockholders, at the ratio of 1 (one) new share for each share of the respective type they held. Capital started to be comprised of 126,827,072 book-entry shares, of which 53,120,492 are common shares and 73,706,580 are preferred shares. Authorized capital was adjusted to 200,000,000 (two hundred million) shares – 80,000,000 common shares and 120,000,000 preferred shares.

On December 8, 2006, at an Extraordinary General Meeting, the stockholders decided to increase capital to R\$ 916,084, through the issue of 1,298,688 new book-entry shares, common and preferred, with no par value, which were delivered to the minority stockholders of Duraflora S.A. in exchange for their shareholding in this company, in the amount of R\$ 12,454, transforming it into a fully-owned subsidiary. Capital started to be comprised of 128,125,760 book-entry shares, with no par value, 53,267,508 of which are common shares and 74,858,252 are preferred shares.

(b) Treasury shares

The Company has preferred and common shares in treasury represented as follows:

	NUMBER	
	2006	2005
Preferred	26	201,926
Common	18,600	24,748

Type	PRICE			
	Minimum	Maximum	Weighted average	Last quotation
Preferred	15.50	20.20	18.59	33.20
Common	23.00	26.50	25.42	26.64

Based on the last market quotation on December 28, 2006, the value of treasury shares is R\$ 496 (R\$ 6,542 at December 29, 2005).

During the year, the Company repurchased a total of 1,100,600 preferred shares and 48,600 common shares, most of which were used to cover the exercise of its share option program (Note 20).

(c) Stockholders' equity reserves

Stockholders' equity reserves are as follows:

	PARENT COMPANY		CONSOLIDATED	
	2006	2005	2006	2005
Capital reserves	200,505	272,578	200,505	272,578
Premium on subscription of shares	168,487	168,487	168,487	168,487
Fiscal incentives	13,592	15,589	13,592	15,589
Article 297 – Law 6404		70,030		70,030
Prior to Law 6404	18,426	18,426	18,426	18,426
Option premium – own shares		46		46
Revaluation reserve	128,599	131,743	128,599	131,743
Revenue reserves	150,861	324,463	150,601	321,551
Legal	13,788	44,471	13,788	44,470
For capital increase		6,153		6,153
Special statutory (Article 15 of the by-laws)	137,547	279,225	137,287	276,314
Treasury shares	(474)	(5,386)	(474)	(5,386)

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The balance appropriated to the “Special statutory reserve” will be used for the expansion of the Company’s businesses, through capital increases in the investees or the Company itself, or for the payment of dividends to stockholders.

(d) Dividends

The Company’s by-laws assure stockholders of a minimum mandatory dividend corresponding to 30% of adjusted net income. According to Law 9249/95, as proposed by the Board of Directors, the amount of R\$ 76,875 was appropriated for the distribution of dividends as interest on capital, of which R\$ 46,451 refers to dividends for the second half of 2006, corresponding to R\$ 0.60 per share (R\$ 0.36 in the half-year).

At December 31, 2006, dividends were calculated as follows:

Net income for the year	223,336
Legal reserve	(11,167)
Realization of revaluation reserve	2,038
Adjusted net income	214,207
Dividends – 30%	64,262
Dividends declared for the year	
Interest on own capital	76,875
Income tax	(11,531)
Net remuneration	65,344

16. NON-OPERATING RESULT

The non-operating result, amounting to R\$ 7,756 in 2006 (R\$ 11,724 in 2005) is mainly comprised of the profit recorded on the sale of fixed assets of the investee Duraflora S.A..

17. INSURANCE COVERAGE

At December 31, 2006, the Company and its subsidiaries had insurance coverage against fire and sundry risks for property, plant and equipment and inventories.

18. FINANCIAL INSTRUMENTS

(a) Credit Risks

The sales policy is closely associated with the level of credit risk the Company is willing to take in the course of its businesses. The diversification of the receivables portfolio, the selectivity of customers, and the monitoring of the due dates of financed sales and individual limits are procedures adopted to mitigate default or losses on the realization of its “Accounts receivable”.

(b) Foreign exchange risks

Due to the policy for risk management, exchange rate fluctuations do not significantly affect the Company’s results, since it has hedge instruments to protect a substantial part of its currency exposure.

At December 31, 2006, the main assets and liabilities in foreign currency are:

DESCRIPTION	AMOUNT
Financial investments	52,310
Accounts receivable	25,496
Inventories	24,081
Total assets	101,887
Financing	82,126
Suppliers	3,186
Accounts payable	10,296
Total liabilities	95,608
Net exposure	6,279

(c) Financial instruments

The recorded amounts related to financial instruments have short-term and long-term maturities. When compared to the amounts that could have been obtained through negotiation in an active market or at the current net value of future cash flows, adjusted based on the interest rate in effect in the market, their values approximate their corresponding market values.

19. PRIVATE PENSION PLAN

Duratex S.A. and its subsidiaries are the sponsors of Fundação Itaúsa Industrial, a not-for-profit entity whose by-laws were approved by Ordinance 862/2001 of the Social Security Ministry (MPAS), and whose purpose is to manage private pension plans for the concession of bonus benefits or supplementary income or benefits similar to those of the Social Security. Fundação Itaúsa manages a Defined Benefit Plan (BD) and a Defined Contribution Plan (CD).

Defined Benefit Plan (BD)

It is a non-contributory plan, to which contributions are made exclusively by the sponsors, to create reserves for future payment of benefits to the participants without burden on the employees.

The plan comprises the following benefits: supplementation of the retirement pension based on years of service, special situations, old age, disability, lifetime monthly income, retirement premium, death benefit, supplementation of the annual allowance and supplementation to former participants. At the end of December 2006, it assisted 573 beneficiaries and had 138 participants.

The calculation is developed based on the benefit plan of Fundação Itaúsa Industrial, with a view to enabling the payment of current and future commitments to the plan's participants through the accumulated resources arising from the sponsors' contributions and the financial management of the fund.

As defined by CVM Resolution 371, Fundação Itaúsa Industrial had an actuarial surplus of R\$ 5,568 at December 31, 2006 (R\$ 2,345 at December 31, 2005), based on a report issued by the independent actuary Towers, Perrin, Foster & Crosby Ltda., on the projected unit credit method.

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It should be pointed out that Fundação Itaúsa Industrial used the aggregate method for the calculation of its reserves, for which there is no actuarial surplus.

The defined benefit plan funding status is as follows:

	2006	2005
Retirement plan		
Current value of the actuarial liability	49,959	48,972
Fair value of the plan assets	55,527	51,317
Surplus coverage	5,568	2,345
Annual estimated actuarial gains		
Net cost of current service	(126)	(89)
Interest on actuarial liability	(5,121)	(5,020)
Earnings expected on the assets of the plan	6,482	7,471
Actuarial gain	1,235	2,362
Economic assumptions		
Discount rate – % per annum	10.77	10.77
Investment return rate – % per annum	12.20	15.25
Salary increase – % per annum	8.68	8.68
Benefits adjustment – % per annum	4.50	4.50

Defined Contribution Plan (CD-PAI)

This plan is offered to all employees and had 4,931 participants at December 31, 2006 (4,951 at December 31, 2005).

The CD-PAI plan (Individual Retirement Plan) has no actuarial risk and the investment risk is borne by the plan's participants. The current regulation establishes the sponsors' contributions at 50% to 100% of the amount paid by the employees.

20. STOCK OPTION PLAN

The objective of the Stock Option Plan is to integrate executives in the Company's development process in the medium and long-term, granting them the option to participate in the valuations that their work and dedication brought to the Company's shares.

The exercise price established for the stock option up to 2004 is based on the average price of the Duratex shares on the São Paulo Stock Exchange, for a minimum period of one month and a maximum period of 12 months prior to the date of issue. As from 2005, the price was calculated based on the minimum of 5 and the maximum of 60 trading sessions prior to the option issue date, with a 20% increase or decrease. This price will be readjusted up to the month prior to the option exercise by the IGP-M or by another index determined by the Duratex Stock Option Committee.

The accounting recognition occurs at the time the option is exercised by the beneficiary. From January to December 2006, 1,357,200 stock options related to prior years were exercised, which resulted in the realization of statutory reserves of R\$ 11,221. During this period, 1,045,000 stock options were granted.

21. SUPPLEMENTARY INFORMATION

(a) STATEMENTS OF CASH FLOWS

	PARENT COMPANY		CONSOLIDATED	
	2006	2005	2006	2005
Operating activities				
Net income for the year	223,336	135,355	225,988	137,085
Depreciation/amortization/depletion	57,466	58,917	78,971	80,368
Financial results	29,443	61,916	39,936	74,600
Provisions, write-off of assets	15,956	15,676	19,165	18,002
Equity in the results	(22,321)	(9,433)		
Investments in working capital				
Decrease (increase) in assets				
Clients	(55,897)	(6,779)	(77,778)	21,403
Inventories	(7,321)	20,863	6,149	13,967
Other assets	(3,492)	25,456	79	(11,617)
Increase (decrease) in liabilities				
Suppliers	14,619	3,817	9,741	2,851
Personnel	9,061	4,283	8,927	2,457
Accounts payable	19,181	45,516	1,285	(6,345)
Taxes and contributions	20,323	4,446	28,145	5,073
Other liabilities	(2,415)	388	(1,373)	(1,654)
Cash generated by operations before financial results	297,939	360,421	339,235	336,190
Other financial results	12,158	(10,136)	8,075	(23,573)
Cash generated by operations	310,097	350,285	347,310	312,617
Investing activities				
Investments in permanent assets	(42,657)	(73,375)	(105,402)	(108,427)
Cash used in investing activities	(42,657)	(73,375)	(105,402)	(108,427)
Financing activities				
Increase in financing	68,750	231,778	195,697	404,014
Financing amortization	(100,863)	(182,849)	(184,536)	(343,008)
Issue of shares	195,750		195,750	
Debentures	(31,528)	(37,902)	(31,528)	(37,902)
Treasury shares and other	(12,400)	(30,306)	(11,407)	(30,298)
Dividends and profit sharing	(65,254)	(68,110)	(65,256)	(68,114)
Borrowings from subsidiaries – loan	(41,861)	(46,774)		
Cash generated by (used in) financing activities	12,594	(134,163)	98,720	(75,308)
Change in cash for the year	280,034	142,747	340,628	128,882
Opening balance	186,116	43,369	233,973	105,091
Closing balance	466,150	186,116	574,601	233,973

The statements of cash flow were prepared in accordance with Accounting Standards and Procedures No. 20 of the Institute of Independent Auditors of Brazil (IBRACON), taking into consideration the main operations which affected the cash and financial investments of the Company and its subsidiaries.

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(b) STATEMENT OF ADDED VALUE

	2006	2005
Revenues	1,965,174	1,706,352
Allowance for doubtful accounts	(6,516)	(4,268)
Inputs purchased from third parties	(777,906)	(663,198)
Gross added value	1,180,752	1,038,886
Depreciation/amortization/depletion	(82,221)	(83,829)
Depreciation of revalued assets	3,250	3,461
Net added value	1,101,781	958,518
Operating and non-operating results	(100,241)	(93,173)
Added value to be distributed	1,001,540	865,345
Distribution of added value		
Employee compensation	261,122	240,295
Government remuneration	414,992	361,563
Stockholders' remuneration	76,875	46,343
Financing remuneration	99,413	126,014
Reinvestment of profits	149,138	91,130
Total added value distributed	1,001,540	865,345

Prepared in accordance with Official Letter CVM/ SNC/ SEP No. 01/06 and whose purpose is to identify the results generated by the Company and how they were distributed.

REPORT OF INDEPENDENT AUDITORS

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS

DURATEX S.A.

1 We have audited the accompanying balance sheets of Duratex S.A. and the consolidated balance sheets of Duratex S.A. and its subsidiaries as of December 31, 2006 and 2005 and the related statements of income, of changes in stockholders' equity and of changes in financial position of Duratex S.A., as well as the related consolidated statements of income and of changes in financial position, for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.

2 We conducted our audits in accordance with approved Brazilian auditing standards, which require that we perform the audit to obtain reasonable assurance about whether the financial statements are fairly presented in all material respects. Accordingly, our work included, among other procedures: (a) planning our audit taking into consideration the significance of balances, the volume of transactions and the accounting and internal control systems of the Company, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements, and (c) assessing the accounting practices used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

3 In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of Duratex S.A. and of Duratex S.A. and its subsidiaries at December 31, 2006 and 2005, and the results of operations, the changes in stockholders' equity and the changes in financial position of Duratex S.A., as well as the consolidated results of operations and changes in financial position, for the years then ended, in accordance with accounting practices adopted in Brazil.

4 Our audits were conducted for the purpose of forming an opinion on the basic financial statements, taken as a whole. The statement of cash flows of Duratex S.A. and Duratex S.A. and its subsidiaries, and the consolidated statement of added value, included in Note 21, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information for the years ended December 31, 2006 and 2005 has been subjected to the auditing procedures described in paragraph 2 and, in our opinion, is fairly presented in all material respects in relation to the consolidated financial statements taken as a whole.

São Paulo, January 31, 2007

PricewaterhouseCoopers
Independent Auditors
CRC 2SP000160/O-5

Valdir Renato Coscodai
Accountant CRC 1SP165875/O-6