ANNUAL SUSTAINABILITY REPORT

2010

Durafloor Deca Duratex Hydra
60
DURATEX
60 ANOS
2011

about this report

3.5 | 3.6 | 3.8 | 3.9 | 3.10 | 3.11 | 4.14 | 4.15 | 4.16

As a publicly listed company, Duratex S.A. reports its results and "material events" in a systematic way to the market, through information sent to the Brazilian Securities Commission (CVM), and the São Paulo stock exchange (BMF&Bovespa), as well as making it available on its corporate website www.duratex.com.br.

This edition of the Sustainable Annual Report covers the performance of Duratex in the segments of wood, vitreous chinaware and metal bathroom fitting for the year from January 1 to December 31, 2010, for its operations in Brazil, unless otherwise indicated, and for the fourth year running has been drawn up in accordance with the third version of the Global Reporting Initiative (GRI). The previous report was published in 2010, referring to the results in 2009. 3.1 | 3.2 | 3.3

Economic and financial information in accordance with International Financial Reporting Standards (IFRS), applied to the annual balance sheet for 2010, and in retrospective fashion, to the previous year to enable comparative analyses between the two periods. As the adjustments resulting from this set of accounting standards had a significant impact on the Company's financial statements, and with the objective of carrying out the transition to the best accounting practices and in a transparent manner, in this publication the financial highlights are being published before and after the adjustments, in purpose of making the changes clear. The main effects of the adoption of the IFRS standard are explained in the chapter that covers Business Performance, on page 50 of this report.

Also in 2010, the scope was expanded to include the measurement of environmental indicators covering the forestry units in Minas Gerais and Rio Grande do Sul, in addition to the industrial units of Taquari, Uberaba and Resinas (wood division), Louças Ideal and Recife (Deca division).

Without revising the data published in previous documents, the socio-environmental indicators, whose compilation involves the main areas of the Company, were not submitted to external verification. The economic and financial figures, however, have been verified and audited by PricewaterhouseCoopers Independent Auditors. 3.13

materiality test

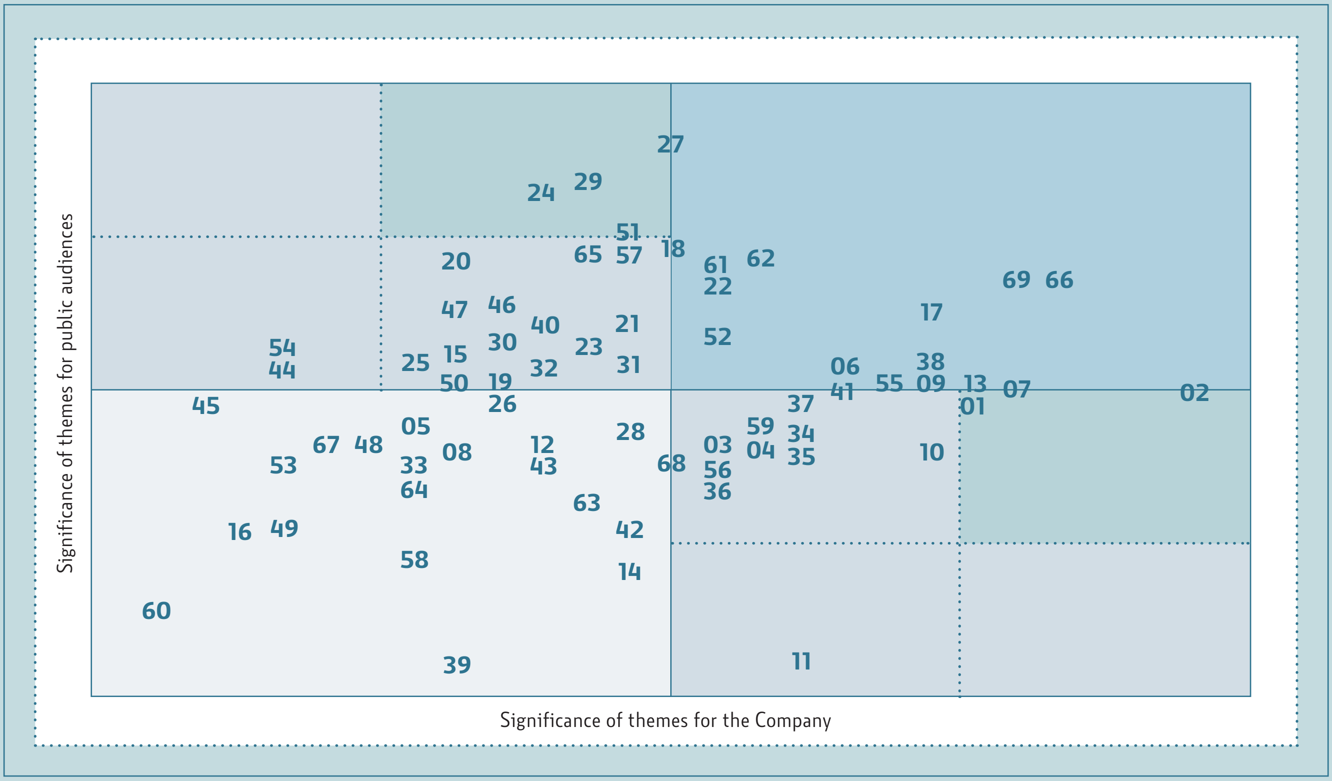
With the objective of drawing up an Action Plan for the sustainable management of its operations and enhancing its relationship with its various public audiences, Duratex held its 1st Stakeholders Meeting so as to meet the expectations of the public audiences, with which it relates, and respond to their questions. As a consequence, the Materiality Test was applied, which is a structured process of consultation in order to gauge the degree of significance of the various themes related to corporate sustainability.

The participants were conducted through group dynamics works, in order to assessing and grouping the topics to be addressed in this report, in accordance with degree of importance and an explicit statement of the present audience.

Taking the sample of 44 participants – three shareholder five clients; eight suppliers; two press representatives; 11 employees; six representatives from surrounding communities; five representatives from the legislative, executive and judiciary powers, and four from organised civil society – 69 themes were defined for analysis.

Distributed among Governance, Commitments and Engagement (8); Economic Themes (9); Environmental Themes (14); and Social Themes – Labour Practices and Decent Work (12); Human Rights (7); Society (10); and Responsibility for the Products (9) – and based on the cross-referencing of the average assessments made by the interested public audiences (group and individual) with average valuations made by the top management and executive board of the Company, a Matrix of Materiality was drawn up, which shows the degree of the importance of the 69 themes analysed.

The themes were organised in quadrants in accordance with degree of significance. In this report Duratex has opted to approach the themes that make up the most significant quadrant (blue) together with those of most importance to the interested public audiences and which the Company has highlighted in the respective quadrants, in green.



Governance, commitments and engagement		
1	Governance practices	
2	Risk management	
3	Definition of policies	
4	Communication with the market	
5	Participation in indices and voluntary commitments	
6	Strategy of management	
7	Research and development	
8	Awards	
Economic themes		
9	Economic and financial performance	
10	Financial indicators	
11	Financial statements	
12	Indebtedness	
13	Share performance	
14	Dividend distribution	
15	Local economic development	
16	Indirect economic impact	
17	Investments in the business	
Environmental themes		
18	Environmental policy	
19	Impact on of climate change on the businesses	
20	Use of materials and recycling	
21	Consumption and generation of power for own use	
22	Water resources and reuse	
23	Management and impact on biodiversity	
24	Control of emissions, effluents and residues	
25	Carbon credits	
26	Inventory of greenhouse gas emissions	
27	Environmental impact of the use of the products	
28	Compliance with laws and regulations	
29	Environmental impact on the production chain (suppliers)	
30	Reverse Logistics in the production process	
31	Environmental investments and expenditure	
Social – Labour practices and decent work		
32	Employability	
33	Diversity	
34	Relationships between employees and the company	
35	Remuneration and benefits	
36	Careers	
37	Management of internal climate	
38	Definition of targets	
39	Unions	
40	Health and safety	
41	Training and development	
42	Relationship with outsourced passes	
43	Incentives for volunteer work	
Social – Human rights		
44	Aspects of human rights in the production chain	
45	Investment practices in business and human rights	
46	Eradication of child labour	
47	Eradication of forced labour or labour analogous to slavery	
48	Respect for minorities	
49	Freedom of association and collective wage negotiations	
50	Non-discrimination	
Social – Society		
51	Impact on communities	
52	The fight against corruption	
53	Positioning of the Company with respect to public policies	
54	Relationship with competitors	
55	Code of conduct	
56	Relationship policies with various public audiences	
57	Support for socio-environmental projects	
58	Participation in associations, federations, etc.	
59	Compliance with laws and regulations	
60	Donations to political campaigns and raising awareness of the vote	
Social – Responsibility for the product		
61	Health and safety of clients in the use of the products	
62	Information on the product (access and quality of information)	
63	Communication and marketing	
64	Fines/non-compliance	
65	Life cycle of the products (recycling/returning after use)	
66	Quality of the products	
67	Packaging	
68	Perception of the product value	
69	Service to clients (pre and post sale)	

This printed version follows the concepts of the responsible use of natural resources, with the use of paper made from wood cut from replanted forestry, carrying the seal of the FSC (Forest Stewardship Council), with soya-based ink (Soy-Ink). The following relationship channels are available to deal with any possible queries: website (www.duratex.com.br) and e-mails (relacoes.investidores@duratex.com.br) and (sustentabilidade@duratex.com.br). **3.4**

profile

2.2 | 2.3 | 2.5 | 2.7 | 2.8

Duratex S.A. is a publicly listed Brazilian company in the private sector and part of the BM&FBovespa Novo Mercado, where its shares are traded under the ticker code DTEX3. Operating in two business areas – Deca and Wood, it sells various product lines mainly focused on the finishing segment of the building sector (metal fittings and vitreous chinaware with the brand names Deca and Hydra, and laminated flooring, Durafloor) and the manufacture of furniture (industrialized wooden panels, such as MDF – Medium Density Fiber Board, MDP – Medium Density Particle Board and hardboard, as well as Multiform components). 2.1 | 2.6

Sales are predominantly to the domestic market, although the Company also sells its products to more than 35 countries. Duratex is placed among the 10 largest global players in the segment in which it operates, and is the largest producer of industrialised wood panels and metal bathroom fittings in the southern hemisphere. Moreover the Company is a leader in the Brazilian market in the metal fittings segment, a position which will also be reached in the vitreous china segment once the major ongoing investments are completed.

The Control of the Company is divided between the groups: Itaúsa – Investimento Itaú S.A. with 39.9% of the capital, and Companhia Ligna de Investimentos, with 17.8% of the capital, with the rest of the shares thinly spread in the market and making up the free-float.

DURATEX

With its headquarters in the city of São Paulo, its industrial complex consists of 13 units strategically located across Brazil, with eight being in the state of São Paulo, two in Rio Grande do Sul and the others in Minas Gerais, Pernambuco, and Rio de Janeiro, as well as sales-offices in Brazil's main cities. In 2011 Duratex will be adding a new unit in the state of Paraíba, increasing at the same time the diversification of the Company's industrial base and bringing it even closer to rapidly expanding markets. Outside Brazil, the Company has an industrial unit under the name of Deca Piazza, which is located in Argentina, in addition to its commercial subsidiaries in the United States and Europe, under the names of Duratex North America and Duratex Europe, respectively. 2.4

The Wood Division has approximately 225,000 hectares of land with planted forest , predominantly eucalyptus, cultivated in the states of São Paulo, Minas Gerais and Rio Grande do Sul. All of the above operations are in line with the strategy of the integrated model of supply of industrial wood supply with at very favourable cost conditions, coupled with efficient supply chain that ensures the Company a high degree of self-sufficiency in term of strategic supply of timber.

This structure provides Duratex with a nominal production capacity of approximately 4 million cubic metres of wood panels.

The forestry areas of Lençóis Paulista , Botucatu , Itapetininga and Agudos (SP) and Uberlândia (MG), carry Good Forestry Management Certification, granted by the Forest Stewardship Council – FSC, an internationally recognised organization attesting that forest management is carried out in accordance with the principles of conservation and sustainability. The management of the forestry areas of Botucatu and the nursery for the production of saplings, carries ISO 14001 environmental certification, while all the industrial units carry ISO 9001:2000 certification.

At the end of 2010 the Deca Division had an industrial capacity of approximately 23 million pieces a year, including vitreous chinaware products and metal bathroom fittings. Planned investment of R$120 million at the Metal Bathroom Fittings Unit at Jundiaí (SP), will increase annual production capacity by the end of 2011 to 18.2 million pieces a year. In the vitreous china segment, planned investment is for R$100 million for the activation and expansion of the unit in Queimados (RJ), from 2012, which together with the investment in the unit at Cabo de Santo Agostinho (PE), will take total capacity in this segment up to 9.9 million pieces a year. Including this investment, the Deca Division will have a total capacity of 28.1 million pieces a year, from 2012. The acquisition of Elizabeth Louças Sanitárias, in February 2011, for R$80 million, will contribute to increasing vitreous chinaware capacity to 11.7 million pieces a year, taking the capacity of the Division up to 29.9 million pieces annually.

In 2010, Duratex had 10,000 direct employees and a portfolio of approximately 30,000 active clients. Under the new accounting methodology (IFRS), net sales for the year amounted to R$2,741.8 million, with net earnings of R$467.2 million. Cash generation, as measured by Ebitda, amounted to R$893 million, equivalent to EBITDA margin of 32.6%. The market value of the Company at the end of 2010 amounted to R$8.2 billion.

[1] This event took place after the end of the financial year 2010, reported on in this document.

ANNUAL SUSTAINABILITY REPORT 2010

DURATEX

Summary

main indicators

2.8 | EC1

Amounts expressed in R$ '000, except where otherwise indicated

Duratex S.A.	Before adjustments to IFRS 2010	2009 (1)	% Var.	After adjustments to IFRS 2010	2009 (2)	% Var.
Shipments						
Wood (in m³)	2,312,177	1,996,857	15.8%	2,312,177	1,499,191	15.8%
Deca (in thousands of pieces)	21,638	19,801	9.3%	21,638	19,801	9.3%
Results						
Net revenue	2,741,810	2,244,864	22.1%	2,741,810	1,930,050	42.1%
Domestic market	2,629,069	2,113,134	24.4%	2,629,069	1,806,665	45.5%
Foreign market	112,741	131,731	-14.4%	112,741	123,385	-8.6%
EBITDA	935,679	502,615	86.2%	893,002	398,186	124.3%
Net earnings	442,064	191,400	130.9%	467,247	181,087	185.0%
Earnings per share (3) (in R$)	0.96	0.42		1.02	0.47	
Value added	1,571,236	1,023,504	53.5%	1,571,236	1,023,504	53.5%
Profitability						
Gross margin	39.4%	34.8%	-	40.8%	34.4%	-
EBITDA margin	34.1%	22.4%	-	32.6%	20.6%	-
Net margin	16.1%	8.5%	-	17.0%	9.4%	-
Return on equity (ROE)	17.9%	8.4%	-	14.1%	7.5%	-
Investments						
Programs for Education, Training and Development	1,378	1,140	20.9%	1,378	1,140	20.9%
Environment	17,574	10,588	66.0%	17,574	10,588	66.0%
Research and development	23,341	22,580	3.4%	23,341	22,580	3.4%
Capital expenditures	459,564	426,964	7.6%	459,564	426,964	7.6%
Number of employees	9,368	8,681	3.9%	9,368	8,681	3.9%

(1) Jan-Dec/09: pro-forma figures due to the merger between Duratex and Satipel.

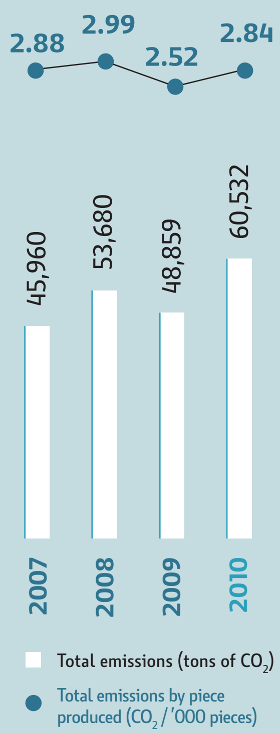
(2) After adjustments for IFRS, cover 8 months (January to August) of Duratex and 4 months (September to December) of Satipel + Duratex.

(3) Earnings per share is calculated by dividing profit attributable to the shareholders of the Company, by the weighted average quantity of ordinary shares in issue during the year, excluding the ordinary shares purchased by the Company to be held in treasury .

efficiency ratios

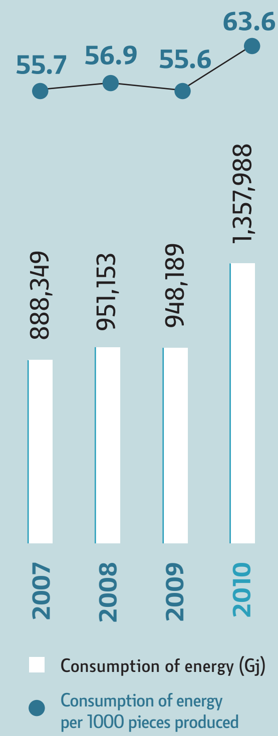
Deca

Emissions



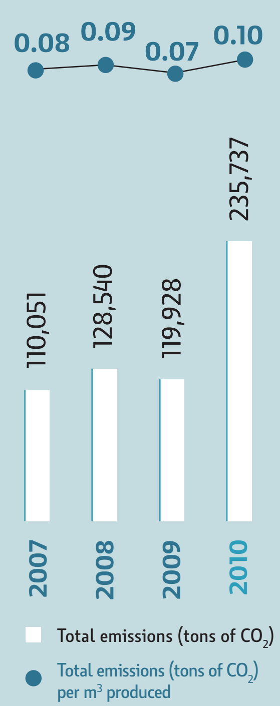
Consumption of water

Consumption of energy

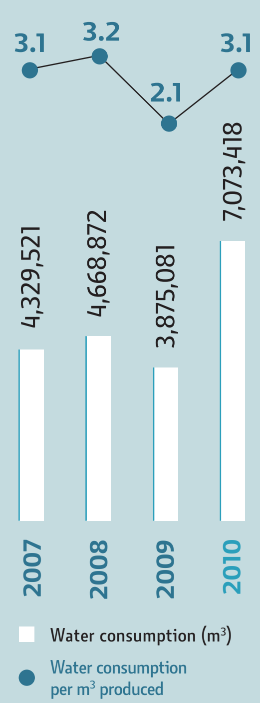


Wood

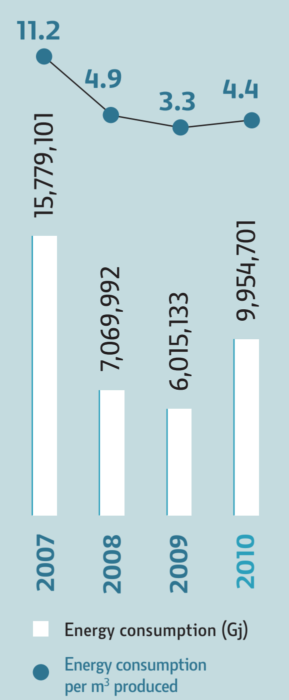
Emissions



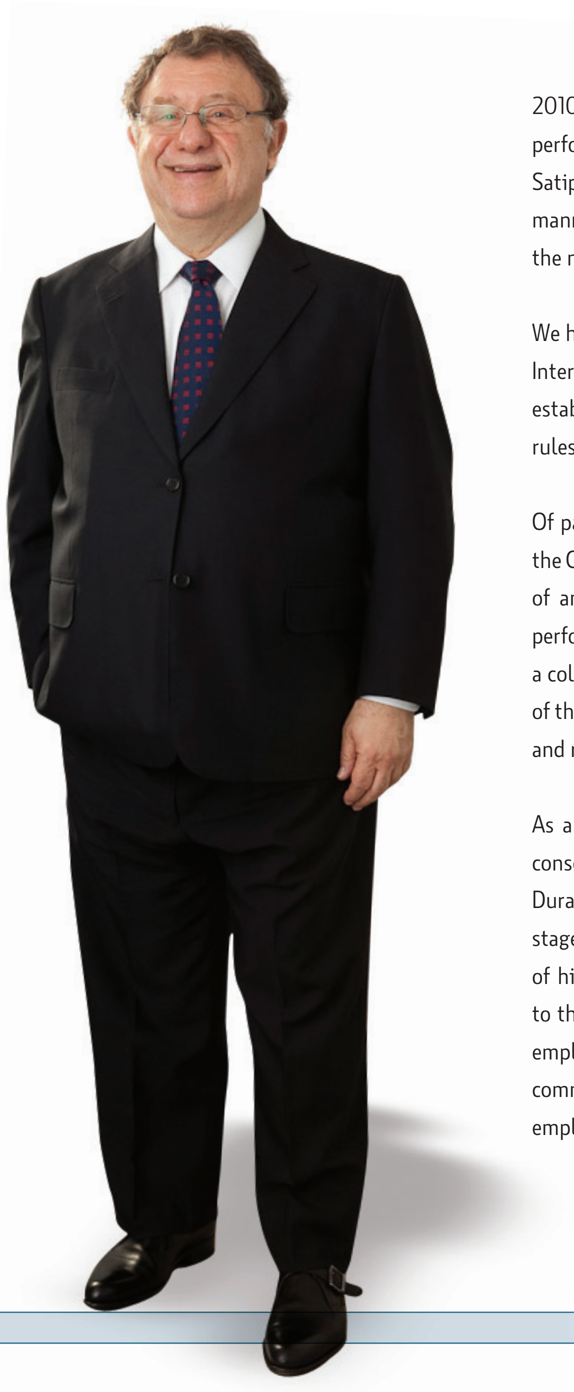
Consumption of water



Consumption of energy



message from the chairman of the board of directors 1.1



2010 was a good year for Duratex. Not only in terms of economic and financial performance, but also because of the consolidation of the merger process with Satipel, which begun in mid-2009. Everything was carried out in a quick and efficient manner, and we have been able to perceive people's enthusiasm and satisfaction with the new company that we are building.

We have also made progress in strengthening the Company's Corporate Governance. Internal rules were drawn up for the Board of Directors and its Committees, establishing standards of operation, scope and competencies, as well as limits. These rules can be found on Duratex's corporate website.

Of particular note, we draw attention to the directive, whereby the coordination of the Committees is carried out by Independent Board Members, as well as the adoption of an annual assessment process, under which the Board Members evaluate the performance of the Chairman of the Board, as well as their own Board/Committees in a collegiate manner. In addition to this, we also carry out self-evaluation. The result of this work, carried out in December 2010, is being used to improve our performance and reinforce our commitment to raising the current level of governance.

As announced in last year's Annual Sustainability Report, we are working on the consolidation of the Organisational Identity (Vision, Mission and Values) of the "New Duratex". The process, which was managed by the Board of Directors, at the first stage involved contributions from more than a hundred employees from a variety of hierarchical levels and locations. Once the Vision, Mission and Values common to the group were identified, a public consultation was carried out with our 10,000 employees, contributing to the validation of the work presented, and adding their comments. It is worth noting that the consultation return rate of 54% from these employees indicated an active participation by more than 5000.

The new content formulation, which at the end of the process was ratified by the Executive Board and the Board of Directors, emphasises our ambition to perpetuate the Company and explains clearly how we wish to manage our businesses. This new Organisational Identity is set out on page 14 of this report.

With the objective of establishing a long-term strategic vision for Duratex, the Board of Directors and the Executive Board hired a well-known international consultancy firm. At the start of the work, a strong common vision was identified between the Controlling Shareholders, the Independent Board Members and the Executive Directors: the option for the accelerated and sustainable growth of Duratex, consistent with the history of Itaúsa and Ligna, both permanently committed to growth.

The limit to this growth will be dictated by the expansion of the existing markets and our capacity to seek out and develop new businesses. Our five-year investment plan (2007/2011) will reach the figure of approximately R$3 billion, aiming to maintain our clear leadership position in the vitreous chinaware, metal bathroom fittings, wood panel and laminate flooring segments.

To make this expansion sustainable, we will be heavily investing in our talents. We have begun an ambitious project of organisational development, which will leverage Duratex's competitive differential still further, as well as the commitment of the Company's 10,000 employees. These are qualified and motivated professional staff who, on a daily basis, print their stamp of excellence on all that they do. The challenge is to invest in new approaches that will improve people management and make Duratex and increasingly better company.

Due to Duratex's growing commitment to sustainability, as an industrial and forestry company, and above all as a corporate citizen, the Sustainability Committee has hired the consultancy services of the Brazilian Foundation for Sustainable Development (FBDS), an organisation that for 20 years has been disseminating the best practices and promoting the generation of knowledge in this field. Through the carrying out of a broad reaching diagnosis, the actions carried out up to now have been analysed, with the building of a solid agenda for the profile that we wish to achieve in the future. To be an example in terms of sustainability is an intrinsic part of the Company's "DNA".

As our Vision makes clear, we wish to be a benchmark company, recognised as the best option for clients, employees, the community, suppliers and investors, for the quality of its products, services and relationships. We are happy and proud to commemorate 60 years of existence, based on our values of integrity, commitment, appreciation of human worth, outstanding results achievement, innovation, continuous improvement and sustainability.

We are a Company that is strong and well-prepared to maintain the competitive advantages that we have built. We have shareholders that are committed to growth and the generation of wealth in a sustainable manner. The country is facing excellent prospects of enjoying a virtuous and prolonged circle of growth. In other words, our solid situation in a favourable socio-economic scenario provides the motivation for achieving new conquests. As a result of all this, we are convinced that Duratex is ready to achieve its most ambitious dreams, contributing actively to the development of Brazil.

Salo Davi Seibel
Chairman of the Board of Directors

message from the CEO 1.1

Duratex is increasingly committed to its mission to promote the generation of wealth in a sustainable manner. In this regard, 2010 was characterised by the definition of a work agenda focused on improving questions related to the sustainability of the Company's operations, reflected in its growth. Included in this agenda are approximately 30 new investment projects and initiatives focused on the appreciation of human worth, as well as the carrying out of an inventory of greenhouse gas emissions.

The commitment assumed in signing the United Nations Global Compact has been strategic and fundamental for liberating, promoting and maintaining ethical values throughout our operation.

As part of the consolidation of the merger process with Satipel, which has resulted in gains in synergy and created differentials based on the geographical diversification of the plants and product base, Duratex has made a number of important moves, such as the switching over of its entire database to a SAP platform, guaranteeing more consistency and security, as well as permitting rapid replication in new operations. Another item of importance was the acquisition of land, close to existing forestry bases, guaranteeing additional wood supplies for future expansion, as part of our integrated model for establishing wood supplies with a short logging distance.

Also on the question of process integration, the Company concluded its investment in a resin production unit, which will supply the units in the state of São Paulo and improve margins as a result of more efficient supply logistics.

The Company's balanced capital structure is a strategic differential, which enables it to carry out investments such as these, which are fundamental to the sustainable expansion of its operations. Since 2007, including the acquisition of Satipel, Duratex has invested approximately R$2.3 billion, which has enabled us to take advantage of the improvement in the economic environment. Another R$600 million is planned to be invested in our operations in 2011, so as to strengthen our competitive differentials.

Included in these figures is the ongoing expansion at the Deca division, at the plants in São Paulo and Jundiaí (SP), Cabo de Santo Agostinho (PE) and Queimados (RJ), in addition to a new acquisition in João Pessoa (PB), concluded in February 2011, the name of which has been changed to Deca Nordeste Louças Sanitárias. The expansion to vitreous chinaware production capacity of 63%, compared to capacity levels at the beginning of 2010, will contribute to raising the Deca Division from seventh to fifth place in the world's largest producers in this segment.

In terms of metal bathroom fittings, after the conclusion of investment, expansion will be increased from 15.8 million pieces/year in 2010, to 18.2 million pieces/year by the end of 2011.

In the panel segment, in 2009 we inaugurated three new units, two MDF and one MDP. In 2010, we continued to invest in the unit at Taquari (RS). These are moves that are in alignment with the Company's operational sustainable growth strategy.

Also at the end of the assembly stage, our paper impregnation lines and low-pressure coating presses will contribute to increasing the added value of the products offered, in addition to a new laminated flooring production line, as a way of strengthening our presence in the finishing segment of the building materials industry.

These projects together strengthen our competitive advantages based on focus of operation, scale of production and a high degree of operational integration, strong and recognised brands nationwide reach of sales and an extensive network of after-sales service, in addition to a determined, committed and highly specialised team.

The inflationary pressure present and the prudent economic measures adopted by the government, however, have contributed to some reduction in the rhythm of economic activity, compared to 2010, which has led us to estimate GDP growth of 4% in 2011, a good rate for Brazil as it is at the moment. The economic conditions present continue to indicate aspects favourable to our segments of operation. Credit with favourable financing terms, combined with the rise in incomes among the population, as well as GDP growth. Thus, we are continuing to expand our market share in all the segments in which we operate, always with a focus on generating value and the determination to be increasingly recognised as a model company in terms of sustainable operations.

Duratex ended the year with consolidated net revenue that was 22.1% higher than in 2009, taking a pro-forma revenue base in that year, at R$ 2,741.8 million, with EBTIDA margin of 32.6% compared to 20.6% in the previous year, taking into account the adoption of the new IFRS accounting standards. The value created in the period amounted to a total of R$ 1,571.2 million, which represents an increase of 53.5% on the value generated in 2009, taking the same base.

The balanced financial situation with a low level of indebtedness, combined with the choice and determination of the shareholders to expand production scale, and the good performance in all the Company's areas of operation, enables us to explore various growth avenues. We have our most important asset, which is difficult to replicate, namely our human capital. These are people pledged to promote further development, who spare no effort in thrusting Duratex on its continuing path to new conquests and achievements. And with this combination of determination and willingness that we follow along this journey , that completes 60 years of Duratex´s existence in 2011. We have a young, innovative, and most importantly, entrepreneurial spirit. With a focus on the sustainability and value creation, and above all, commitment to people. People with whom we wish to build and commemorate our next 60 years.

Henri Penchas
Chief Executive Officer

only strong brands last more than 60 years

We at Duratex are proud to celebrate such a special milestone in a story that began in the 50's with the first wooden board production line in Brazil, combining product quality and durability. Success in the international market and the trust of Brazilian consumers have been the cornerstone for the development and expansion of our business.

Our growth has always been guided by entrepreneurship, ethics and a deep sense of social responsibility while respecting natural resources and, for this reason, we are globally recognized for our environmental responsibility.

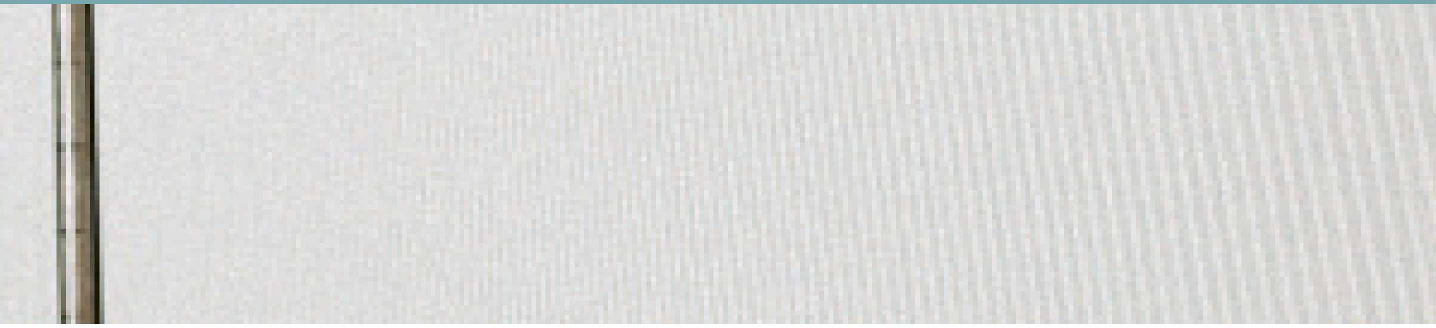
We have reached the age of 60 as the largest producers of manufactured wood panels, chinaware and metal fittings in the Southern hemisphere and the leaders in the Brazilian market.

Such strength and consistency come from strong commitment toward growth, innovation and the construction of brands as well-recognized and durable as our products which contribute to the improvement of our consumers' quality of life.

Our differential is in the excellence and in the innovative design of our Deca chinaware and metal fittings, in the constant innovation with which the Hydra flush valves revolutionize the market, in the diversity and durability of the Duratex wood panels and in the technology and beauty of the Durafloor laminate flooring. We have become a reference to consumers, engineers, architects, decorators, furniture manufacturers, woodworkers and hydraulics installers. This is our Duratex which, over six decades, has contributed to the evolution of Brazilian industry.

We are celebrating these 60 years with art. Art that is expressed by the children of our 10,000 employees in the 2011 calendars, in the presentations of maestro João Carlos Martins in the 12 different cities where our units are located and closing with an end of the year concert in Parque do Ibirapuera, and in other actions which will raise funds for social and educational projects.

Because art, education and quality products last forever. And a company like ours does, too. It is solid, perennial, responsible, a generator of jobs and opportunities, committed to country, customers, employees, suppliers and investors. A company that focuses on creating value but is, above all, committed to people. People with whom we wish to build and celebrate the next 60 years.



Responsible operation guided by profound sense of ethics, supported by management policies and an outstanding level of corporate governance

01

The Company's Corporate Governance is structured in the following way: the Annual General Shareholders Meeting elects the members of the Board of Directors that defines those who will comprise the Executive Board. Three support committees were created, that report to the Board of Directors, to provide support on strategic issues. They are: the Committee for Audit and Risk Management, the Committee for Staff, Governance and Nominations, and the Committee for Sustainability

All Corporate Governance initiatives are in alignment with the Code of Ethics and Conduct, which fundamental principles are based on ethics, legality, respect for human being, repudiation of any form of discrimination, encouragement of personal and professional development, and social, environmental and cultural responsibility. Management policies and relationships contribute to strengthening the responsible operation of the Company: Trading in Securities; Disclosure of Material Events or Facts; Quality; the Environment and Sustainability (Deca, Wood, and forestry); Supply of Goods and Services; Prevention and Combat of Illicit Acts and the Reception and Treatment of Denouncements. Some of these are in the revision phase in order to better equate to current demands. **4.8**

corporate governance

As the Company's shares are listed on the differentiated Corporate Governance segment of the BM&FBovespa, known as the Novo Mercado, any conflicts arising between stakeholders are subject to mediation through the market arbitration chamber. Also, in accordance with Brazilian Corporation Law, a shareholder may not vote on decisions at General Shareholders Meetings when he has a conflict of interest with the Company. Any decision taken arising from a vote by a shareholder, who has a conflict of interest with that of the Company, may be annulled with the shareholders being responsible for any damage caused, being obliged to transfer to the Company any advantages from which he may have benefited. **4.6**

The Company has adopted measures that make it difficult for corruption to occur, and in 2010 no cases were recorded of this nature involving the workforce. Payments are not made in cash, but through payment dockets or deposits in current accounts. It is a corporate policy that 100% of employees are aware of risks related to corruption. The Code of Ethics and Conduct, drawn up by Duratex and with the knowledge of all employees, covers this issue and has a dedicated communication channel available to receive anonymous denouncements, which tends to prevent occurrences of this nature. In addition to the Code, the Company also publishes a Policy for the Combat of Illicit Acts, and a Policy for Receiving and Dealing with Denouncements. There is also an anonymous communication channel for denouncements, using the e-mail: disk.conduta@duratex.com.br. **SO2 | SO3 | SO4**

CORPORATE DIRECTIVES 4.8

Following the merger between Duratex and Satipel that took place in 2009, and due to the consolidation period of this process, the Duratex Culture Project begun in November 2010. This work has shown itself to be necessary for the identification of converging aspects in the formulation of the identity of this new company. The process consisted of two phases.

The first phase involved the consultation, through interviews, of more than 100 people from various units and regions, in different functions and positions. The responses were organised in the form of parameters so

our mission

To meet our customer's requirements with excellence, by developing and offering products and services that contribute to the improvement of people's quality of life, while generating wealth in a sustainable way.

our vision

To be a reference company, recognized by customers, employees, community, suppliers and investors as their best option, due to the quality of our products, services and relationships.

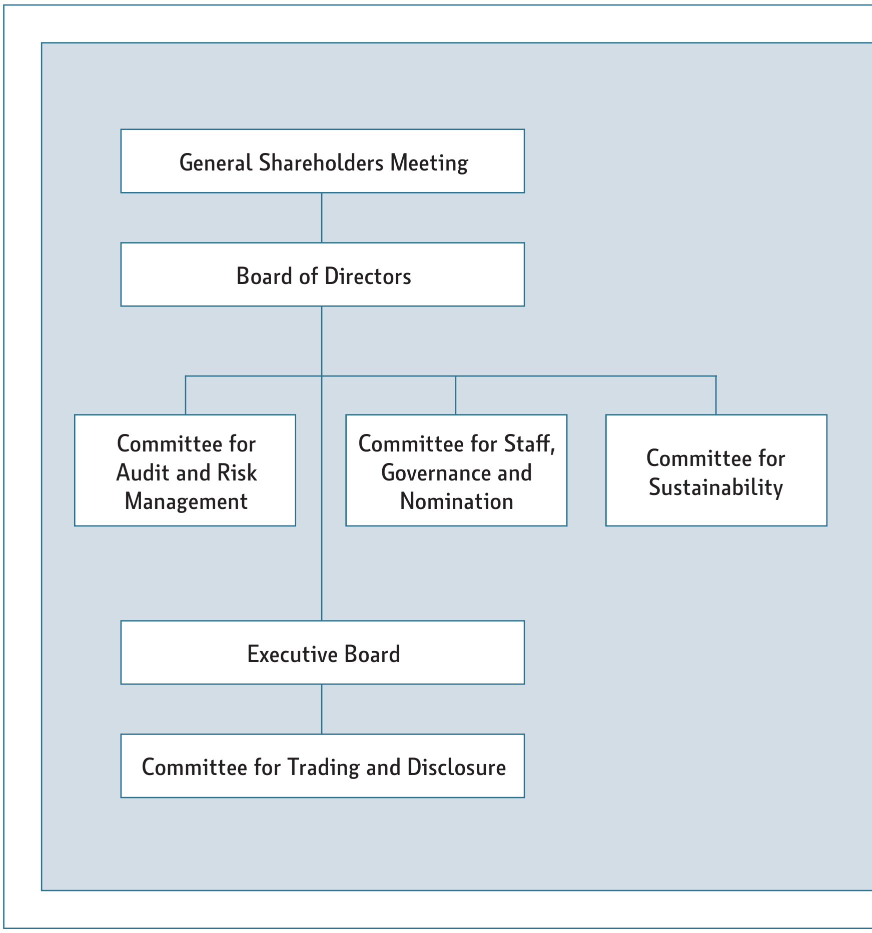
our values

Integrity
Commitment
Emphasis on people
Exceeding expectations
Innovation
Continuous improvement
Sustainability

as to clearly identify the main Values, as well as building the proposals for a Mission and a Vision, subsequently submitted to the Board of Directors for ratification.

The second phase involved a public consultation with approximately 10,000 employees, who had the opportunity to criticize and add items they deemed valid. After the consultation and the analysis of the responses received, corresponding to 54% of the total consultations carried out, the Mission, Vision and Values of Duratex were defined:

GOVERNANCE STRUCTURE 4.1



General Shareholders Meeting

It is the exclusive responsibility of the General Shareholders Meeting, among other aspects: a) to set the global annual remuneration of the members of the Board of Directors, the Executive Board and the Board of Auditors, if it is in operation; b) to allocate share bonuses and decide on share-splits or reverse share-splits; c) to approve option granting or share subscription plans for the managers and employees of the Company, as well as the managers and employees of other companies either directly or indirectly controlled by the Company; d) to deliberate on the cancellation of the Company's listing, as well as leaving the Novo Mercado listing segment of the BM&FBovespa; e) to approve the mergers, incorporations, share incorporations, demergers and any other forms of corporate reorganisation involving the Company; and f) deliberate on the issue of convertible debentures.

Board of Directors

The Board of Directors must be composed of a minimum of five and a maximum of 10 full-time board members, and may have substitute members, whose number must be determined by the General Shareholders Meeting that elects them. In 2010, the Board of Directors functioned with nine full-time members, three of these being independent, one of which being nominated by minority shareholders, and three substitutes.

The Executive Board, which according to the Company Bylaws can consist of a minimum of six and a maximum of 20 directors, at year end was comprised by 14 members. The executive board members and directors have a unified mandate of 12 months, with re-election permitted, based on their nomination at the General Shareholders Meeting. **4.3**

The Corporate Bylaws allow the establishment, by the Board of Directors, of committees and/or workgroups to assist it. The members of this body define rules, remuneration, scope, and limits of work.

According to its own internal rules, which include an annual performance assessment, the Board of Directors meets on a regular basis every two months; or on an extraordinary basis, whenever necessary. In 2010, the Board met 18 times, including two meetings of two days at locations outside the Company.

The process of evaluation of the members of the Board of Directors and Executive Board includes questions links to sustainability and the assessment of peers using a 360° model. 2010 was the first year that these members were assessed in this way, and in this same period internal rules were approved for the Board of Directors, as well as rules for the Committees for Audit and Risk Management; Staff, Governance and Nomination; and Sustainability, are available for consultation on Duratex's website (www.duratex.com.br). **4.10**

Among the main responsibilities of the Board is the choosing and supervising of executives and the maintaining of the sustainable development of the businesses. The Chairman of the Board, as determined by the Bylaws, does not have an executive function at the Company, while a variety of significant information with regard to Duratex, the market and many other aspects necessary for decision-making and gaining knowledge about the Company, is available on an exclusive communication channel: the Portal of the Board. **4.2 | 4.9**

Shareholders may make recommendations and criticisms or carry out consultations with the Board of Directors through the investor relations department, via the following e-mail: governanca.corporativa@duratex.com.br. **4.4**

Committees

Coordinated by the independent members of the Board, the committees have the mission of providing advice on data and information for the management of the businesses and the development of short, medium and long-term strategies, focused on economic, environmental and social questions, from the standpoint of the sustainability of the operations. **4.9**

Separately from the Board of Directors, there is the Committee for Trading and Disclosure, which provides advice to the Investor Relations Director and continually assesses the updating of information disclosed to the markets, proposing any pertinent changes. This committee met on five occasions during the year, and principally acted in support of BM&FBovespa in launching the Carbon Efficient Index (ICO$_2$) by spontaneously contributing to information on the Company's emissions and voting on proposed alterations to the rules of the Novo Mercado.

Audit and Risk Management

The Audit Committee has the function of supervising internal control processes and managing the risks inherent in the Company's activities, and in those of its subsidiaries, as well as supervising the work of the internal and external auditors, and evaluating the quality and integrity of the financial statements. This committee met on 8 occasions during 2010.

Staff, Governance and Nomination

The Committee for Staff, Governance and Nomination accompanied and participated in the process of approval and definition of the Company's Vision, Mission and Values, as well as analysing and approving the structure of its Corporate Governance, the succession process of its managers, remuneration policy and the development of its employees. It also makes sure that human resources plans and policy exist and are maintained, which results in a workforce that is united, competent and performs well. This committee met on 7 occasions during the year.

Remuneration policy, defined by the Board of Directors and the Executive Board, is established and updated based on market research carried out with a view to keeping the Company's remuneration package competitive in relation to the best companies in the market, with part of the remuneration being linked to target and results, in accordance with the Company's strategic directives. One new development to be introduced in governance procedures, in compliance with GRI requirements, will be the introduction by Duratex in 2011 of mechanisms for the definition of a portion of remuneration linked to socio-environmental variables. **4.5 (partially met)**

Sustainability

The Committee for Sustainability has the objective of encouraging and creating mechanisms for the integration of sustainability into Duratex's management process. The committee's coordinator was nominated by minority shareholders and has wide experience in the socio-environmental field. During the year, the Committee met 9 times and with the support of the FBDS (Brazilian Foundation for Sustainable Development) increased the knowledge of the practices developed by Duratex from the perspective of sustainability. In this context, workshops were held with the objective of disseminating the theme and aligning concepts with a public audience consisting of executives, at all levels of the Company. At the end of the year, an action plan for the short, medium and long-term was approved, with the objective of inserting concepts and practices which aim to carry out continuous improvement in this area, into the Company's strategic plan. **4.7**

EXECUTIVE BOARD

Consisting of 14 full-time statutory executives, the Executive Board has the function of putting into practice the actions needed and desired for the running of the businesses, in accordance with the deliberations of the Board of Directors, and proposing investment plans and programs for the expansion and modernisation of Duratex. The directors meet once a week and on an extraordinary basis whenever necessary. All the members of the Executive Board are submitted every 12 months to a performance assessment process by the Board of Directors, peers and immediate subordinates.

To learn about the members of the Board of Directors, Committees, Executive Board and their experiences, including issues related to socio-environmental questions, the reader should refer to the Reference Form available on the website www.cvm.gov.br or on the Company is website www.duratex.com.br. **4.7**

BUSINESS STRATEGY

To position itself as the leader of its operational sectors in Brazil, the Company continually invests in expanding its production capacity, operational infrastructure and the integration of its processes. The application of funds is planned in accordance with trends in the market and customer demand.

Investments 2.9

Attentive to moves in the market and aware of the need to be efficient in terms of management and processes, in 2010 Duratex carried out investment of R$459.6 million, with the objective of meeting the demands of the Deca and Wood divisions.

Total investment from 2007 to 2010 amounted to approximately R$2.3 billion. The investment budget for 2011 is approximately R$600 million, with half being allocated to the Deca Division, R$130 million to the Wood Division, with the remainder being allocated to forestry and industrial maintenance.

Wood Division

In the last few years, of particular note has been the completion of three new panel manufacturing plants, two MDF and one MDP, in the locations of Agudos

(SP), Uberaba (MG) and Taquari (RS). In total, these units added 1.4 million m^3 of capacity to the 2.5 m^3 million already existing, thus raising nominal capacity to 3.9 million m^3. In parallel, a series of investments were made in adding low-pressure coating capacity, thus increasing the shipping capacity of coated products, with a consequently higher added value. In July 2010, 8671 hectares of land was acquired at auction, with planted forests, located in the state of São Paulo, for R$148 million. With this acquisition, Duratex's total land area is now approximately 225,000 hectares (52% own land and 48% leased land), of which approximately 60% is located in the state of São Paulo, 30% in the Minas Triangle and 10% in Rio Grande do Sul. In this way, forestry logistics and productivity will permit the supply of wood at a favourable cost to meet future expansion in the region, seeing that the land is close to existing industrial units and in proximity to strategic markets.

Investments in 2011 also included a line for paper saturation, low-pressure presses, a new line of laminated flooring, in addition to periphery equipment for the unit at Taquari (RS).

Deca Division

The Deca Division had a nominal capacity of approximately 18.2 million pieces a year in 2007, 3.8 million of these being vitreous chinaware pieces and 14.4 million being metal bathroom fittings. Expansion was achieved through investment carried out at the existing units in São Paulo (SP), Jundiaí (SP) and São Leopoldo (RS), in addition to the acquisition of two competitors in the vitreous chinaware segment (Cerâmica Monte Carlo and Ideal Standard), which added three new plants: Jundiaí (SP), Queimados (RJ) and Cabo de Santo Agostinho (PE), as well as achieving significant geographical diversification in regions with rapid growth in building activity. All these plants are receiving additional investment which will permit the expansion of their respective production capacities.

The metal bathroom fitting segment also benefited from investment, with expansion to the units in São Paulo city and Jundiaí which, when concluded, will expand production capacity to 18.2 million pieces/year, an increase of 15.2% compared to the base before the start of this expansion process.

Investments planned for 2011 include the acquisition of Elizabeth Louças Sanitárias, completed in February 2011 for R$80 million, which strengthens Deca's presence in the Northeast of Brazil, the production plant being located in João Pessoa (PB)

RISK MANAGEMENT 1.2 | 4.11 | EC2

Duratex has management tools capable of identifying, assessing, establishing and setting parameters for contingency plans, and plans for the elimination of factors that could adversely affect the Company's operations and financial results.

Climate change forms part of the risk structure monitored, and include: a) RISK – forestry productivity, for which any alteration in rainfall duration or intensity can have various impacts on productivity and wood prices; b) RISK – Brazil's energy matrix also constitute a risk factor, seeing that climactic phenomenon can alter the water level in the reservoirs for the hydroelectric plants; c) OPPORTUNITY – the shortage of natural wood may encourage the consumption of industrialised wood panels; d) OPPORTUNITY – changes in the regulatory framework due to the greater shortage of water may increase demand for eco-efficient vitreous chinaware and metal bathroom fittings, which Duratex has already developed and sells; e) OPPORTUNITY – changes in the

regulatory framework may create taxes on greenhouse gas emissions. On the other hand, Duratex's forest more than compensate for such emissions, capturing more than one million tons of greenhouse gases from the atmosphere every year.

Analysis of the potential risks is carried out by representatives from various areas of the Company, following the Principle of Precaution, established during the United Nations Conference on the Environment and Development. To learn more about the complete risk matrix, readers should access Duratex's Reference Form, available on www.cvm.gov.br or on the Company's website www.duratex.com.br.

INTANGIBLE ASSETS AND COMPETITIVE ADVANTAGES

Based on its attributes and strengths, Duratex combines essential factors for the creation of value and the building of competitive advantages, which differentiated from the rest of the market.

Brand-name

Over almost 6 decades, the Company has consolidated the brand names Duratex, Durafloor, Deca and Hydra, among others, today synonymous with quality and reliability. All of them express the innovative spirit which permeates the Company's operations, as well as the commitment to deliver quality products to clients and consumers. The rhinoceros logo, which represents the image of Duratex, is one of the best known and respected corporate symbols in the Country.

Innovation

Duratex continually invests in research and development on products and solutions that make it more competitive in the markets in which it operates. Trained employees monitor new trends and develop pieces that are in tune with the desires of the consumer market. During the year R$23.3 million was spent on research and development, equivalent to 5.3% of the recurring net earnings reported during the year. As a consequence, the Company launched 44 new patterns of wood panels, as well as nine new metal bathroom fitting and seven new vitreous chinaware lines, in the Deca Division .

Quality

The quality standard of Duratex's products is a benchmark in the national market, and has led the Company to occupy a privileged position in the market, projecting a differentiated image among clients and consumers. Constantly trained sales teams, with technical support services present throughout the country, and a customer call center, all ensure the credibility of the brand names, and project an image of reliability to users.

Eco-efficiency

Caring for and preserving natural resources is also an integral part of the Company's strategic plan, with investment in more efficient and cleaner processes, in programs and equipment to reduce the consumption of water and electricity, and in the reuse of materials. Investment is also made in the perfecting of saplings and in the cultivation processes, which have one of the best rates of productivity in the world. All the wood used in the production of boards and panels comes from reforestation activities, with the majority being certified by the FSC (Forest Stewardship Council).

Staff

One of Duratex's principal assets is its professional workforce, which has an outstanding knowledge of the market, production and sales. The attraction, training and attention of internal talent all constitute a major focus of human development at the Company, which encourages and contributes to maintaining a healthy work environment.

Information Technology

Information Technology is one of Duratex's allies in the quest for sustainable growth. The continuous improvement of the production processes combines productivity and a reduction in environmental impacts. In order to offer differentiated products at competitive prices, the Company has modern industrial structures, with the latest generation equipment and machinery, robot controlled processes, constant maintenance and advanced computer systems. One of the most important events of the year was the transfer of the IT platform to a SAP base, which allows greater integration of data, in addition to being better prepared for operational expansion. The database is protected by a Business Continuity Plan, which includes the reputation of the database, every 30 minutes, and its storage in a safe environment, away from the Company's installations.

Gains in scale

Investments carried out over the last few years in the wood panel, metal bathroom fitting and vitreous chinaware segments, the merger with Satipel and the acquisition of competitors in the vitreous chinaware segment, have all enabled there to be a rapid expansion in the Company's nominal production capacity, with consequent gains in scale. In four years, nominal wood production capacity - increased by 56%.

In the metal bathroom fitting segment expansion should reach 26% this year, compared to 2010. While in the vitreous chinaware segment, capacity at the end of 2011 to mid-2012 should reach 11.7 million pieces annually, equivalent to an increase of 200% compared to the capacity existing in 2007.

Geographical diversification

The merger with Satipel has added plants in the states of Minas Gerais and Rio Grande do Sul. Acquisitions carried out in vitreous chinaware have added plants in the states of Rio de Janeiro, São Paulo, Pernambuco and Paraíba. This situation has permitted gains to be made in the area of logistics, and has resulted in a higher level of efficiency in catering to clients located in these regions.

Integration of operations

The high degree of forestry self-sufficiency, based on 225,000 hectares of land with planted forests, predominantly eucalyptus, and the inauguration of a new resin manufacturing units to supply the plants, located in the state of São Paulo, has enabled there to be gains made in supply logistics.

Diversification of Product Mix

Both in the wood panel segment as well as the Deca division, the mix of products offered is very extensive, and caters to different consumption segments, from the most sophisticated to the most economic. The Company also has products which use concepts of sustainability, such as metal bathroom fittings and vitreous chinaware pieces that use less water and which form part of the PURA program (program for the rational use of water). Today there are approximately 170 items in production that are covered by this program.

Cost management

In order to reduce operating costs, Duratex encourages the reuse of inputs and the use of biomass for the heating of its boilers. The scale of production, the integrated system of wood supply, with its own renewable forests located close to the plants, and the verticalization of the production process, all guarantee a high level of productivity at a competitive cost.

Awards and Recognitions 2.10

The recognitions achieved by Duratex and its brands highlight the commitment to quality, efficiency, innovation, transparency, ethics, sustainability and the perfection of production and management processes that characterise the Company's products and its operational and management practices.

AWARD/ RECOGNITION	NATURE	GRANTOR
Good Design Award 2010	Tap with Twin Filter, a line of taps and filters, was one of the products that was part of the award list, in the Kitchen Accessories category.	Organised by The European Centre for Architecture Art Design and Urban Studies and The Chicago Athenaeum: Museum of Architecture and Design
Red Dot Design Awards 2010	Deca, with the Twin Filter, in the House and Kitchen category, was the first Brazilian company to receive the renowned award for Design in the category of "The Best".	Red Dot, German institution which holds an annual fair, among other events
Senai award– SP Excellence Design 2010	Deca, with the Twin Filter, received two prices which had the objective of promoting products and projects developed by companies that demonstrated design as an element, combined with innovation, functionality and competitiveness.	Senai – SP
Living-room Design MovelSul 2010	Deca, with the Twin Filter, received an award in Category – Domestic/ Industrial Accessories.	Promotion by the Bento Gonçalves Furniture Industry Syndicate (Sindmóveis), in conjunction with UCS – University of Caxias do Sul, UNISINOS – University of Vale dos Sinos, Feevale University and ULBRA – the Lutheran University of Brazil
13th Top of Mind Award 2010	Deca was the most remembered brand-name in the Bathrooms category, with the best brand of metal bathroom fittings, with 87%, and vitreous chinaware fittings, with 92%, and electric showers and douches in research carried out by the Datafolha Institute in which 300 professional architects, decorators, designers and landscape gardeners were chosen at random from a universe of 2065 names.	Organised by Editorial Magazine, which publishes the magazine Casa & Mercado
Fernando Pini Award 2010	Deca received two prizes, in the Vitreous Chinaware category, with 69.76% and Metal Bathroom Fittings, with 56.91% of the votes cast by subscribers to magazines edited by Pini.	Editora Pini the publisher of the magazines AU - Arquitetura e Urbanismo, Construção Mercado, Téchne e Equipe de Obra.
19th Anamaco Award	The Deca brand received one of the awards granted outstanding companies of the year in 65 categories, according to research by Anamaco/Ibope Inteligência.	National Association of Construction Material Merchants
17th Resales Award 2010	Research, by voting slips, of manufactures which excel in the following areas: service to resellers, system for sales, advertising and promotion. The voting was verified and audited by PriceWaterHouseCoopers.	Grupo Revenda, which publishes Revenda Magazine
Top of Mind Durafloor		
5th Edition of the Top Móbile 2010 Award –Most Remembered Brands	Duratex, the most remembered brand-name in the Furniture Manufacturer, Decorative Furniture Manufacturer and Industrial Supplier segments, in two categories: MDP panels and MDF panels.	Alternative Publisher of Mobile Magazine
15th Bathroom Project Award	Duratex held an event for architecture and decoration students. This edition had the participation of 700 subscribers, or pupils from 45 educational establishments. The winning projects were widely published, contributing to career enhancement among this important public audience.	Deca
Corporate Excellence Award 2010	Granted to the Wood Division unit in Agudos (SP)	Ciesp – Center for Industry for the State of São Paulo
Best in Agribusiness Award 2010	Duratex's forestry area was elected as the best company in the Vegetable Extraction and Reforestry segment.	Globo Rural magazine, published by Editora Globo
Ranking by Exame Magazine Best & Biggest	Duratex received mention such as the 6th share on BM&FBOVESPA, the 9th largest in the construction sector, in terms of operating revenue, and the 45th largest listed company, by market value and 228th among the 500 largest companies in terms of sales.	Exame Magazine, published by Editora Abril
500 Best Companies in Brazil	Duratex, ranked 1st among construction material and decoration companies and 192nd among the 500 largest companies in terms of sales.	Supplement of Dinheiro Magazine

Financial sustainability supported by socio-environmental practices, aligned with business strategy

02

Duratex uses a business model that combines aspects linked to sustainability in its operations, with the drive for results in an ethical manner that includes complying with the legislation, the monitoring of risks, the preservation of the environment and social responsibility, with a focus on items such as safety. It also invests in technology and innovation in the manufacture of wood panels, vitreous chinaware and the metal bathroom fittings, which are synonymous with quality and enjoy a leadership position in the market. Duratex's relationship actions have the objective of promoting transparent and segmented dialogue, whereby all the assumptions involved in this engagement process are expressed in a Code of Ethics and Conduct.

With the objective of improving management and environmental performance, all the industrial units and farms use operational indicators for the consumption of electricity, water, generation of effluents, atmospheric emissions, residues and biodiversity. In 2010, these indicators were expanded and incorporated into the new SAP ERP platform, with Duratex being the first company in Brazil to acquire modules for EHS (Environment, Health and Safety) and Emissions. This evolution in the management system of performance indicators will enable the Company to achieve significant gains in terms of data quality and security.

socio-environmental responsibility

Complementing the security and standardisation of performance data, an area was created for the sharing of information through the Intranet, based on the use of the tool Share Point, which enables evolution charts to be viewed for various indicators. This virtual environment is generated in a centralised manner.

The Company has an environmental policy, which expresses its commitments in this area. The various divisions maintain Environmental Management and Quality systems. They also have a quality certificate system based on ISO 9001 criteria and systems for the environmental management of the Botucatu forestry unit and the sapling nursery at Lençóis Paulista, which conform to ISO 14001 criteria.

Another recognised practice is the certification of Duratex's forestry management by the Forest Stewardship Council (FSC), which evaluates the handling and control of the extraction of wood used in the manufacture of panels and other products. The certification attests to the adoption of appropriated, socially just and economically viable practices. Duratex was the first company in Latin America to obtain FSC certification in the 90s.

In Duratex's metal bathroom fittings production sector, after compliance evaluation by LEED (Leadership in Energy and Environment Design) nine of Deca's product lines received the Sustentax seal, with items that reduce water consumption by up to 80%. This independent assessment carried out by Sustentax offers market professionals in the building sector the security of product certification for low-consumption products. Other lines also offer these benefits.

By using market references such as the indicators: Ethos, GRI, CDP (Carbon Disclosure Project), ISE and Dow Jones, actions and processes are formulated, with a resulting improvement in management. In a joint initiative, Duratex was one of the companies invited to participate in the creation of the BM&FBovespa Carbon Efficient Index (ICO2). Duratex is also a signatory of the Global Compact and a founding member of the Brazil Green Building Council, which strengthens its commitment to aligning the Company with socio-environmental practices, principles and standards in all its units, as well as meeting the challenges of developing themes in line with its corporate business strategy.

Table of Interactions

INTERESTED PARTY	COMMUNICATION CHANNELS	PRINCIPAL ACTIONS
Shareholders and Investors	Quarterly conference calls on economic and financial results; roadshows in Brazil and abroad; individual and group meetings and visits for analysts to the plants; public meetings for analysts in Brazil, North America and Europe; annual report; Investor Relations site, with dedicated contact information; disclosure alerts by e-mail of events of interest; relationship channel on the environmental theme.	Publishing, on the website, of information of an economic and financial, social, environmental and cultural nature; quarterly reports containing discussion of the economic and financial results, as well as social and environmental performance; Code of Ethics and Conduct; Committee for Disclosure and Trading; Securities Trading Policy; Policy for the Disclosure of Material Facts or Events.
Clients and Consumers	Toll-free telephone service for clients; corporate website for Deca and Wood Divisions; Duratex magazine and Duratex Informa bulletin; annual report; relationship channel on environmental themes.	Ciclo Saber é Vender training programs; customer call centre and technical assistance services; product advertising in accordance with ethical standards; development of eco- efficient products; Credit Committee; Code of Ethics and Conduct.
Suppliers	Duratex magazine and Duratex Informa bulletin; website; annual report; relationship channel on environmental themes.	Policy for the supply of goods and services; Na Mão Certa (in the right hands) program; Code of Ethics and Conduct.
Employees	Confidential channels for the denouncement of discrimination in the workplace; relationship channel on the environmental theme; RH Escuta (human resources listens); internal advice seems; intranet; Duratex magazine and Duratex Informa bulletin; website; annual report.	Education and training programs; events on particular dates, such as Secretary's Day, Mother's Day, and End of Year Festivities; Code of Ethics and Conduct; Committee for Personnel and Succession.
Community	Community meetings; annual report; website; relationship channel on environmental themes.	Promotion of environmental education in the area of Vivência Ambiental Piatan (environmental living) (Avap), in Agudos (SP); Tide Setúbal School for Joiners; Committee for Sustainability; Olavo Egydio Setúbal Nature Reserve, in Lençóis Paulista (SP); sponsorship of cultural and social events.
Government and Society	Annual report; website; relationship channel on environmental themes.	Code of Ethics and Conduct; Policy for the Receiving and Treatment of Denouncements; Environmental Policy; adhesion to the UN Global Compact; adhesion to the Brazil Green Building Council, as a founding member; participation and contribution to associations, entities and sustainable initiatives, such as the Ethos Institute and the Na Mão Certa program; ISO 14001 and FSC certification.
Press	Annual reports; press advice; website; e-mail alert.	Code of Ethics and Conduct; Committee for Trading and Disclosure.

CUSTOMERS AND CONSUMERS PR5

Through its Wood and Deca Divisions, Duratex strives diligently in the protection of the health and safety of its customers and consumers recognise the brand names and products as references in the market in terms of quality, design, innovation and sustainability. Among these are flexible service channels, an extensive network of technical advice, continual investment in the training of professional installation staff and marketing and relationship programs based on solid concepts of respect and ethics.

In 2010, the Technical Assistance Service and Durafloor Customer Service received a total of 36,034 telephone calls, of which 25,452 were responded to, in addition to 6,666 contracts by e-mail, 4,164 letters sent and the registration of 1,697 owner registration cards (CRP). Consultations on registration, training, re-sales data, technical and guarantee information, among others, accounted for approximately 60% of the contacts. Represented requests 25%; complaints 9% and others, 6%.

Durafloor Call Centre (SAC)	2010	2009	2008
Total number of calls answered by SAC	25,452	29,451	28,418
% percentage of complaints as a proportion of total received calls	9.0%	11.74%	10.10%
% of complaints not responded to by SAC	0%	0%	0%
The average call waiting time, from the moment the call is taken	7s	6s	7s

The Deca Call Centre received 100,722 telephone calls, 46% of which referred to requests for indication of an authorised technical assistance outlet, 23% of which were requests for product information, 18% referring to the sales area and 13% covering other themes. Less than 0.2% of calls were complaints.

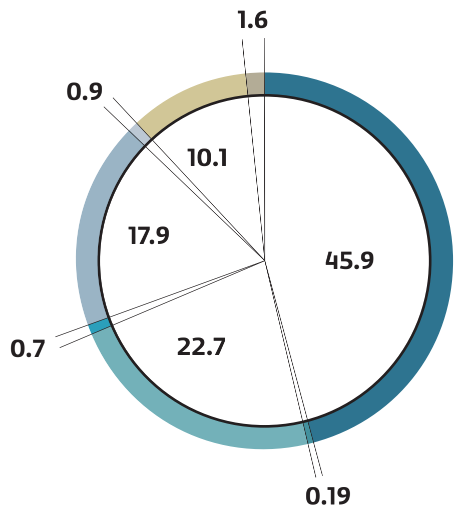
Decca Division Call Centre (SAC)	2010	2009	2008
Total number of calls answered by SAC	100,722	98,594	100,555
% percentage of complaints as a proportion of total received calls	0.188%	0.060%	0.110%
% of complaints not responded to by SAC	0.006%	0.010%	0.090%
The average call waiting time, from the moment the call is taken	48s	49s	63s

The general level of satisfaction with Technical Assistance and the Durafloor´s Call Centre were considered very good by 38% of clients who accessed the services. Another 59% considered the level to be good, and only 3% considered it to be bad. To learn more about consumer opinion on the quality of service provided, SAC also carries out auditing, based on sampling, of the service orders at Technical Assistance.

Subject Matter

IN %

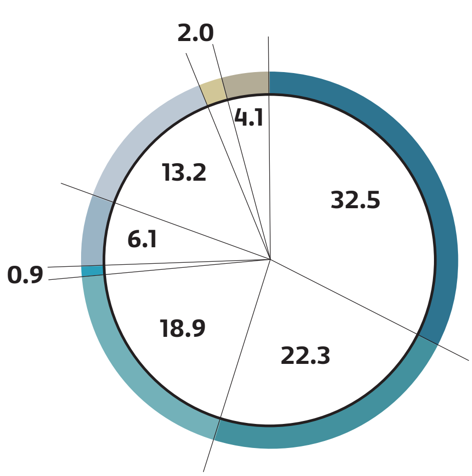
- Post sales service/address/telephone
- Complaints
- Product information
- Retail information
- Commercial information
- Courses
- Others
- Replacement parts



Other Details of Consultation

IN %

- General
- 0800 toll-free service
- Mute call
- Wrong number
- Others
- Calls passed on
- Showroom
- Lost calls



In an assessment carried out by the Deca Consumer Call Centre (SAC), through response letters sent in during the services being carried out by Technical Assistance, a level of satisfaction was recorded of 95.8%, demonstrates the high degree of reliability that consumers have with regard to the Division's products and services. In order to learn more about the opinion of consumers with regard to the quality of service provided, the Deca Call Centre also carried out auditing, based on sampling, of the service orders processed by Technical Assistance.

Deca

In its relationship with customers and consumers, the Deca division has a pre-sales area with a team of architects that constantly make visits to the offices of architects and construction firms, where they present their product lines, explaining their differentials, advantages and services. The object is to ensure that the professional staff responsible for the projects consider Deca products in their decision specification. There is also a team of engineers that visits the offices of those drawing up plumbing projects, to ensure that they use a line of Deca valves in their projects.

The entire sales area of Deca is focused on satisfaction and long-lasting relationship with its clients and consumers and consists of national and regional managers, divisional heads, sales team heads, sales managers, salesmen, store promoters, store re-stockers, as well as a mobile training unit. There are 18 sales affiliates, being for sales affiliates in the building sector, who directly cater to the construction firms, and 14 retail sales. In total there are 420 employees in this area, in addition to 130 outsourced sales representatives.

Relationship activities

Deca is the only company that has a nationwide after-sales service. There are approximately 300 service outlets spread across Brazil. In 2010, a project was introduced to add value to the Deca brand. Investment was made which included training, samples, displays, and point-of-sale material. The focus was on re-sales, with strong initiatives in terms of exposing and communicating the products at the point of sale; initiatives with opinion leaders, shop clerks, plumbers and architects who are clients of the stores.

Store promotions also play a part in this combination of relationship activities and sales promotion. Incentive initiatives, with the publicising of exhibitions held in stores, through brand communication channels, regional training, qualification, recycling and factory visits.

Events focused on strengthening the brand name and the relationship with important opinion formers are also developed on a recurring basis. The exclusive sponsorship of the main decoration event in the Country, Casa Cor São Paulo, took place in its 24th edition, with some 160,000 visitors. Exclusive events focused at students studying architecture and decoration, such as Studies for a Bathroom and Dream Bathroom have already become references in the markets, both now in their 16th edition. Finally, sales clerks and installation plumbers can count on the support of Deca from the mobile training units, which reached a public audience of 22,224 people.

Deca's relationship with customers and consumers is based on five values: design, quality, aspiration (a desired brand), innovation and sustainability (products and processes).

In addition to be desirable, Deca products today are accessible to all segments of the market, from the economic to the sophisticated. Design is also a differential – people clearly identify a product by its brand name.

Innovation and sustainability are also present in the products that provide differentials and efficiency in the rational use of water. The technicians in the Deca service outlets, in 2011, will start to make visits to residential condominiums to present and sell these products, and explain the advantages of reducing water consumption.

Created in 2010, the digital marketing area focuses on social networks, the internet and on-line communication to monitor what is said about Deca and encourage the interaction of the brand with new consumers. The brand website has been reformulated and was given resources which include navigability and interactivity. This is a pioneering initiative in branding.

The Division began the process of remodelling all the Deca Authorised Service Outlets, with installations being modernised and overhauled. The network was also expanded, with the inauguration of outfits in new cities and towns. This growth accompanied a policy of expansion and brand universalization. The object is to increase the number of outlets in the Country over the next few years by between 20% and 25%.

The after-sales area is responsible for the entire Deca Authorised Service Network. There are approximately 300 outlets that cater to the needs of customers who buy the branded products. The post sales area also reviews the installation and functioning of products at building works, and the training of teams, sales personnel, sales clerks and plumbers who subscribe to courses. The Division maintains partnerships with the Engineering Institute and Senai.

Wood Division

The Wood Division has two operational segments focused on client relationships: one directed to industry, basically catering to the furniture sector. The other focused on retail wood merchants and building material stores, where wood panel lines are sold, in addition to the Durafloor, Moulding and Multiform lines. The segments are supported by an area specialised in communication, product development, technical assistance and customer relationships.

A differentiated and complete line of products is what the Wood Division offers to customers and consumers. The products have a significant competitive differential, which includes extensive standardisation and solutions that reflect significant innovations. In this regard, in 2010, wood panels were launched incorporating triple protection against termites, damp and bacteria. The panels are submitted to a special process which results in a level of protection against these three factors, which is higher than that provided by traditional panels.

The professional workforce is one of the Company's strengths. These are outstanding people, well trained, committed and focused on achieving results. Other strengths are the assets, and the relationship forged with customers and consumers. The brand name value is focused on the differentials offered. There is also technical support, which in addition to the differentials demonstrated, contributes to adding value to the products and services offered.

Relationship activities

All relationship activities with customers and consumers in the Wood Division are linked to the marketing area, which operates in accordance with three objectives: building and fixing the brand name; developing the market, with one part involving the promotion of technical uses in applications, and a training area which trains an average of 9,000 to 10,000 potential consumers a year; and technical assistance for panels and Durafloor. There is also structured annual research carried out on customer satisfaction in the domestic and export markets.

Various relationship events are developed by each area. Of particular note are the workshops, in which a selection of commercial partners and specifiers are invited to attend seminars on products and themes of interest, and the Meeting of Friends. All told, these events had the participation of 5,100 people in 2010.

SUPPLIERS

The Company's supply policy establishes criteria for the ratification and qualification of suppliers and service providers.

In addition to meeting detailed technical specifications, all suppliers must adhere to criteria of quality, punctual delivery, credit, the collection of taxes and good sustainability practices, in addition to the prohibition of child labour and slave labour, and the adoption of measures to protect the environment. The Company also concerns itself with the development of this public audience and plans its launches in total synergy with the suppliers, orientating them with regard to the technical characteristics desired and the advances made in production and environmental processes.

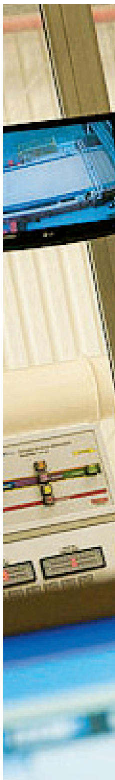
The supply chain area of the Company links its operations with the sales, industrial and supply areas. It carries out the planning of demand from the sales area and information obtained through relationships with customers and consumers. It is also responsible for contracting and purchasing inputs, be this raw material, electricity or equipment. It also provides support for the operational areas of the Wood and Deca divisions, in the obtaining of resources.

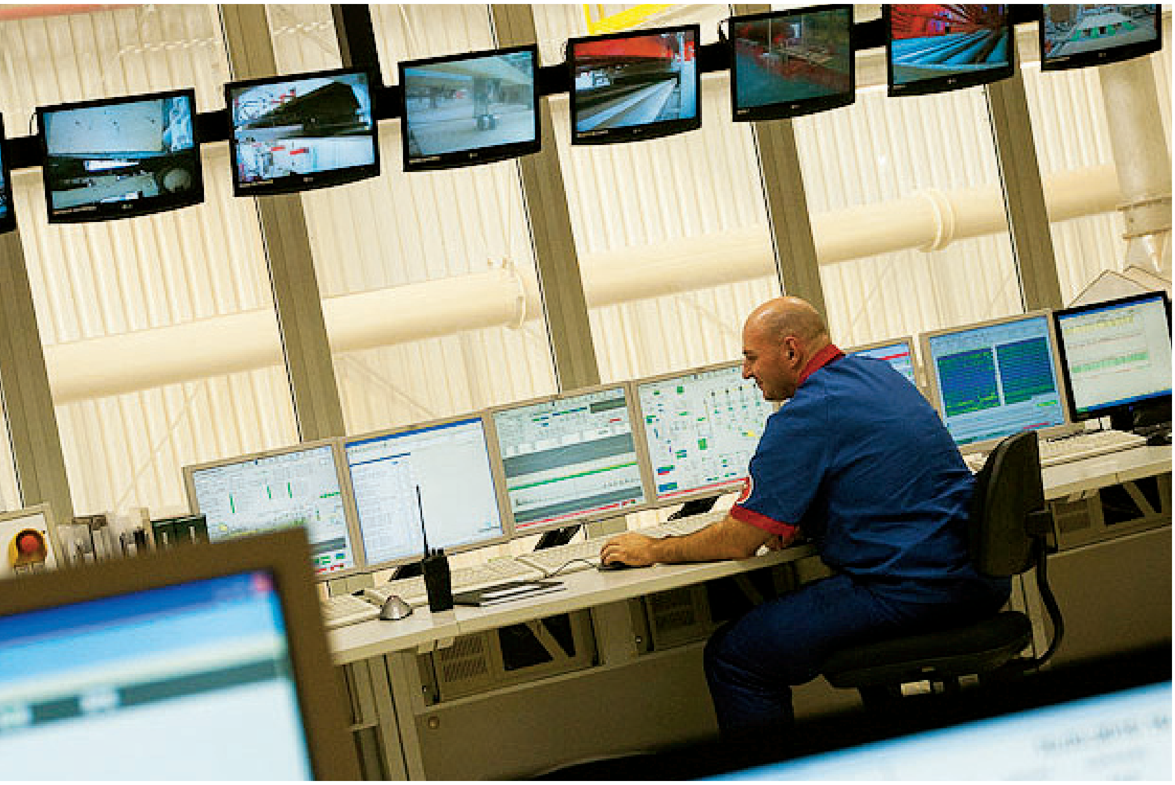
Concern with regard to risks and the environment is also present in the activities of this area. Every time it becomes necessary to hire a service provider in one of the plants, SAP software evaluates the impact of this activity on production and the entire supply chain, and issues the environmental requirements and the processes that must be adhered to, that range from specific training to the use of individual protection equipment (IPE), and compliance to legal and fiscal requirements.

In the transport of inputs and finished products, Duratex only works with legally established transport firms that mainly operate with their own fleet and demonstrate rigorous criteria in the selection of their vehicles. These must be new, have a low level of smoke emission, carry up-to-date vehicle inspection documents and must be authorised for travel. Lastly, the suppliers must ensure the non-occurrence of slave labour and sexual exploitation by truck drivers.

All suppliers and service providers are registered in advance with the Company's ERP (SAP) system. In this process, and analysis is carried out which requires tax clearance certificates, operational and environmental licences, and the other documents that apply to the supplier in accordance with the product and services that they provide. When services are contracted for, an environmental audit is carried out which involves a visit to the Company's installations.

The 100,000 or so items bought by the Company are also registered in advance using a technical coding system that ensures non-redundancy and international compatibility. For a purchase order to exist, it is first necessary to have a purchase requisition. The area that will use the material or service makes the requisition. This requisition carries the suppliers of the material identified, and in this way is open to negotiation. All the operations are registered on





the system. Lastly, the system generates a purchase order for the item registered. This is a process that guarantees transparency and security for the supplier.

All this intelligence on supply materials helps the Company to gain a more complete vision of its stock and planning of materials. The area interacts on a continuous basis with sales, with the plants and their shipments, and with the transport companies, integrating the processes, respecting the restrictions of each stage of the chain, with the objective of delivering the level of service contracted by the Duratex customer.

At the end of 2010, an internal group of executives was formed which has the objective of improving practices and policies with respect to the supply chain, in light of sustainability principles, during 2011.

Operational efficiency

Wood is an input that practically has no waste. Wood that enters the plant ends up being used or reused in the process, particularly in power generation plants. The plants need steam or thermal energy to work. These boilers can use gas or fuel oil to produce the energy required for the project, but Duratex burns its own woodcuttings.

In addition to this, in the wood panel manufacturing process, sanding is necessary. The sawdust is captured by an exhaust system and taken to be incinerated to generate power. The sawdust from the mechanical saws is also used in the process, being captured and transformed into energy. Products with production problems or defects are also shredded and returned to the production process. In the production process for vitreous chinaware, materials are also reused. Duratex reuses copper, bronze and brass that is bought directly from scrap merchants, totalling around 1,000 tons a month.

Duratex is a major transformation company, and for this it requires energy. The principal source of power is electricity, which it seeks to use in a very balanced manner thanks to the introduction of the free energy market. The Company has switched all its units to the "free consumer" regime, on long-term contracts. Its energy portfolio consists of 60% of hydroelectric power and 40% incentivated electric power.

HUMAN RESOURCES

One of Duratex's main assets is its professional workforce, which has a differentiated knowledge of the markets, in which the Company operates, as well as production and sales. The attraction, training and retention of internal talent are a focus of the Company's human development, which encourages and contributes to maintaining a healthy working environment.

The adoption of modern management tools, such as 5s, TPM (Total Productive Management) and Kaizen contribute to the perfecting of procedures, ensuring that they are long-lasting, focused on operational excellence.

At the end of 2010, Duratex had 9,368 employees in Brazil and 174 in other countries. The Company also has 1,682 outsourced workers and 148 student trainees. Compared to 2009, there was an 8% increase in the employee base. Participation by women has been growing continuously in various posts and functions. In December 2010, the amount of women employed amounted to 927, which corresponded to 9.9% of the workforce. Of the total number of employees, the age groups were distributed as follows: 43.2% up to the age of 30 and 42.6% between the ages of 31 and 45. People over 45 years old represented 14.2% of the total. Of the employees, 79.4% were White, 5.2% Afro-Brazilian, 15.1% Dark-Skinned and 0.3% Asian-Brazilian.

	2010	2009	2008
Direct employees	9,368	8,681	7,886
Outsourced	1,682	1,428	626
Total	11,050	10,109	8,512

	2010			2009			2008		
Positions (*)	Masculine	Feminine	Total	Masculine	Feminine	Total	Masculine	Feminine	Total
Employee director	1	0	1	0	0	0	0	0	0
Management	584	53	637	529	54	583	450	48	498
Administrative	545	271	816	526	253	779	1,003	337	1,340
Production and others	7,311	603	7,914	6,800	519	7,319	5,732	316	6,048
Total employees	8,441	927	9,368	7,855	826	8,681	7,185	701	7,886

(*) figures in Brazil.
(*) variations from 2008 to 2009 refer to the improvement in the grouping of positions.

Diversity indicators	2010	2009
Number of women who work at the company	927	826
% of supervisory positions occupied by women	14.9%	14.2%
Number of men who work for the company	8,441	7,855
% of supervisory positions occupied by men	92.9%	92.5%
Number of Blacks who work at the company	1,904	1,721
% of Blacks in supervisory positions	2.5%	2.7%
Number of employees with disabilities	272	268
Number of employees over 45 years old	1,330	1,242

The majority, 53.7%, has at least completed high school. A further 9.8% have concluded higher education, and 2.1% postgraduate education. During the period, 2,333 professional staff were hired, while 1,646 left the Company. The staff turnover rate was therefore 18.2%.

In 2010, the Company continued its programs for the professional inclusion of disabled persons to whom it offers opportunities for training and development. At the end of the period, the Company was employing 272 from this category, 1.5% more than 2009. One of the highlights in this area is the program which combines the Association of Parents of Friends of Exceptional People (Apae) with the team in the sapling nursery in Lençóis Paulista (SP), which allows the inclusion of the mentally deficient to take part in the production of saplings. The program involves three months of experience, with the possibility of being hired at the end of this period. In 2010, this initiative involved 17 people. This project includes the carrying out of a training program for workers in the nursery, through a partnership between the Company and Apae – Lençóis, the Association of Physically Disabled of Lençóis Paulista and the municipal authority.

Duratex also invests in potential young talent through the hiring and training of student trainees. During the year, 266 student graduates participated in these initiatives, 55 of which were subsequently employed by the Company, representing 20.7%.

Remuneration and Benefits LA12

Duratex's salary policy strives to achieve remuneration that is compatible with the markets in its operational segments, and takes into account the complexity of the attributions, responsibilities, results expected and the performance of each professional.

One of the policies to ensure that this directive is respected is the carrying out of periodic research in selected markets. In this way the Company hopes to maintain the motivation of its teams and challenge them to overcome limitations and implements changes.

In addition to fixed remuneration, the Company also runs a profit-sharing scheme that applies to employees at the operational level, supervisors and coordinators. The amount paid individually is defined based on indicators and pre-established targets, which combine the global results with the challenges and specific projects of each area.

All employees at the operational level and at the first leadership level (supervisors and coordinators) are assessed, both collectively and individually, according to the criteria above, with their recognition and compensation being based on this evaluation on this evaluation.

For the management and director levels a "Competencies Model" is being implemented (this process began in the second half of 2010), this being aligned with the future challenges of Duratex and a process of Performance Management which includes 360º of competencies and skills and the measuring of results targets, agreed at the beginning of each year.

In addition to this, the process of Performance Management will serve to feed the Company's Succession Plan, identifying potential successors for key positions in the organisational structure and the development effort that will be needed for each professional to be able to exercise a position of greater responsibility within the organisation.

In 2010, funds allocated for the payment of salaries, overtime, holidays, 13th salary and bonuses for active employees amounted to a total of R$275.2 million, in addition to R$165.9 million in obligatory social charges. R$20.9 million was distributed in variable remuneration. The lowest annual salary paid by the Company was R$6,921.20, 4.4% higher than the national minimum salary for the year.

Striving to retain and recognise talent, Duratex also maintains an internal recruiting program that gives priority to employees in the filling of new vacancies, favouring career development. During the year, 2,897 employees had access to growth opportunities as a result of the Company's policy for promotion on merit and this figure representing 24.3% of the total workforce.

The employee benefit package exceeds the legal requirements, and includes personal and special loans through the Itaúsa Industrial Foundation, funeral assistance, a pension scheme, group life and personal accident insurance, medical care extended to dependents, food subsidies, "basic food basket", chartered transport in some regions, the sale of products at special prices and under special conditions, in addition to toys for the children of employees under 12 years old.

Duratex belongs to the group of sponsors of the Itaúsa Industrial Foundation, a non-profit organisation responsible for the management of supplementary private pension plans similar to those of the Social Welfare.

	2010		2009	
Maintenance of salary levels according to merit	Number of employees	% distribution	Number of employees	% distribution
Merit	347	15.2%	499	31.7%
Promotion	1,933	84.8%	1,075	68.3%
Total	2,280	100.0%	1,574	100.0%
Number of employees	9,368	24.3%	8,681	18.1%

Two plans are available to employees: the Defined Contribution Plan (DC Plan) and defined benefit plan (DB Plan). The first is offered to all employees, with 5,487 participants, with 139 already enjoying the benefits. For which the Company contributes an amount that varies between 50% and 100% of the amount contributed by the participants. While the DB Plan is for the granting of benefits, in the form of an annuity paid until death to supplement distributions paid by the social welfare in cases of retirement according to length of time of contribution, due to age, invalidity, annuity, premium for retirement or death benefit. In 2010, 83 were subscribing and 519 enjoying the benefits. This type of plan is being phased out, because the entry of new participants is no longer permitted (for more information see financial statements, Note 26, page 136). **EC3**

Training and education

Duratex invests continually in the training of its professional staff through programs directed at technical improvement as well as the development of behavioural skills and leadership.

In 2010, R$1.37 million was invested in initiatives of this nature, which included subsidies for graduation, post-graduation and language courses. The number of participants amounted to 53,026 in 222,771 training hours, representing 23.8 hours of training per employee.

The training process involves all internal levels of the Company, and includes the industrial, as well as the corporate and forestry units.

Attributing worth

To encourage the exchange of ideas and the participation by employees in processes for improvement – both related to the working environment, as well as cost reduction – Duratex maintains a Kaizen Improvement Suggestions Program. The authors of the best suggestions adopted by the Company are recognised and receive monetary compensation.

The unit at Itapetininga is a good example of the excellent application of the Kaizen method. In three years, the number of projects registered at the unit has already exceeded 5,000, 4,400 which have been approved, and 3,200 already adopted.

The total number of suggestions made under the program in 2010, by participating areas, amounted to 25,183, with the take-up rate in the period being around 93.8%.

The Company also ran a series of activities that aimed to achieve more integration between the employees of the various sectors and recognise talent. In its 12th addition, the Golden Rhinoceros program, which recognises the performance of sales teams in the Deco and Wood Divisions, awarded prizes to the most outstanding employees during the year.

Investment in training	2010	2009	2008
Invested amount (R$)	1,378,609.60	1,140,913.50	1,524,193.58
Hours of training per employee/year	23.8	24.0	29.1
Number of training sessions	53,026	48,278	65,568
Number of student given grants to employees	117	163	88
Invested amount in student grants (R$)	236,892.30	345,448.83	196,043.45
Percentage of investment in education and training as a proportion of total revenue	0.05%	0.08%	0.06%
Percentage of investment in education and training as a proportion of total operating expenses	0.34%	0.37%	0.50%
Percentage of investment in education and training as a proportion of total staff expenditure (remuneration for work)	0.50%	0.43%	0.78%

Results from Kaizen program	Received suggestions in 2010	Implemented suggestions	Take-up	Received suggestions in 2009	Implemented suggestions	Take-up
Wood Division	4,968	3,454	69.52%	3,964	2,878	72.6%
Forestry	81	51	62.96%	53	34	64.2%
Deca	20,134	20,134	100.00%	17,335	17,255	99.5%
Corporate	0	0	0.00%	154	3	1.9%
Total	25,183	23,639	93.87%	21,506	20,170	93.8%

The Between Plants Program has the aim of strengthening the ties between employees and the Company, in addition to offering a wider view of the business, to the extent that it is possible in this way to accompany the product manufacturing processes more closely. Those interested can choose the unit which they wish to learn more about and the visits are scheduled by groups, of a maximum of 40 people.

Health, Safety and Quality of Life

To guarantee a working environment that is increasingly safe and free of accidents, and also to ensure the health and well-being of its employees, Duratex maintains a series of initiatives, among which are daily five-minute stoppages – this time being used to disseminate tips, which range from operating machinery safely, to concepts of occupational gymnastics to improve posture and avoid repetitive injury strain.

All the units have outpatient centres duly equipped to deal with emergencies, and carry out routine examinations. Specialist professionals monitor the processes in the clinics, making the necessary referrals in the event of diseases, and also taking a preventative approach. Frequently employees participate in flu and yellow fever vaccinations, among others.

Preoccupation with safety in the workplace is also expressed on other fronts. The Company holds Internal Work Accident Prevention Weeks (Sipat) and maintains an Internal Commission for the Prevention of Accidents (CIPA).

In addition to this, the Company transports its employees in safety from the forestry area to the rural zones, using buses with bathroom facilities, and tarpaulins, tables and benches, which serve as work canteens. The vehicles undergo constant maintenance and the motorists receive orientation on safe driving.

These initiatives, combined with the investment in training, principally directed at the factory operators, helped to reduce the incidence of accidents in the workplace. In 2010, 372 instances were recorded, of which 142 resulted in time off work.

On the notice boards of the units is published nutritional advice and tips for physical activities to encourage employees to enjoy a more healthy life. Articles about quality of life are also a theme of the Jornal Falado, a program disseminated in the buses, vans and cars that transport the employees to the forestry units.

The practice of sports is encouraged through sponsoring employees who, in their free hours, dedicate themselves to athletics. In 2010, various units held internal sports championships or supported their teams in the Industrial Games of SESI (JOIS).

Volunteer work

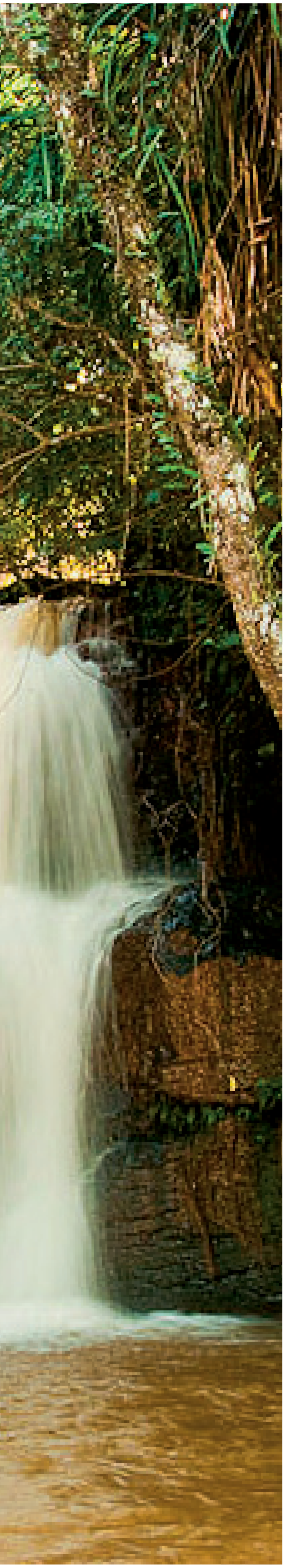
Duratex encourages and values and practices of volunteer work among its employees, believing that this contributes to the building of a sense of citizenship and more solid moral values. The notice boards reserve space to publish volunteer initiatives. Employee volunteers from the unit of Botucatu, for example, receive visits from residents of the Padre Euclides Asylum and the Botucatu Psychiatric Hospital, at the Camp Club of the Unit. Another volunteer initiative of interest is the participation by employees as educators in the Formare Project, which contributes to the professional education of youngsters in a social risk situation, making professional education courses available in administrative and commercial services. In 2010, 68 voluntary educators participated in the project, which was held at the units at Uberaba and Taquari.

Various campaigns also conducted, for the collection of food, toys and nappies, for the donation to care agencies. In 2010, one of the results of this positioning was the campaign Children in the First Place, dreamt up by an employee at Taquari, which collected food, toys and clothes, and helped 2,000 children.

COMMUNITY SO1

In order to play a socially committed role, Duratex develops sports programs specially directed at the professional training of youngsters and an educational environment, which involves the communities with which it relates. One of the main projects is the Formare Program, whose objective is to develop the potential of young people in the low-income segment of the population, living in the communities close to the Company's units.

PROJECT	OBJECTIVE	UNIT/COVERAGE
Formare school program	Carried out in partnership with the Iochpe Foundation of São Paulo and the Federal Technology University of Paraná (UFTP), this contributes to the professional teaching of youngsters in a social risk situation, making available professional courses to train Administrative and Commercial Service Agents. The students receive food, uniforms, a grant of half a minimum salary, transport and health insurance. The course last 10 months and carries a certificate issued by UFTP that is recognised by the Minister of Education.	Plants at Uberaba (MG) and Taquari (RS) – adolescents in needy communities. In 2010, 34 adolescents from needy communities received professional training involving 68 volunteer educators. Since 2003 243 young people have received professional training, involving a total of 543 volunteer educators.
Community library project	In partnership with the EcoFuturo Institute, the National Foundation of Infant-Juvenile Books and the Municipal Authority, the Company installed two Ler é Preciso (Reading is necessary) community libraries, in the municipalities of Taquari (RS) and Estrela do Sul (MG). Each one received a donation of a microcomputer, a printer and a collection of a thousand books. These two libraries will be revitalised and three new libraries are planned for 2011.	Plant at Taquari (RS) – communities and schools in Taquari and Estrela do Sul (MG).
CESA	Inaugurated on September 24th, the Buriti Socio-environmental Centre (CESA) was created to promote awareness to various public audiences with regard to sustainability practices. Open for scheduled visits from students in the region, employees of Duratex and people from the surrounding community. The intention is to enter into partnership agreements with universities for the study of flora and fauna.	Estrela do Sul Forestry Unit (MG) – community – received 70 visitors in 2010.
Tide Setúbal Municipal School of Joinery	Carried out in partnership with the local municipal authority and Senai, it offers opportunities to youngsters from low-income backgrounds to participate in professional joinery courses.	Plant at Agudos (SP) – in 2010 18 students were professionally qualified. Since 2,338 youngsters have been professionally qualified.
Piatan environmental living area (Avap)	Space dedicated to the development activities related to environmental education. Located in Agudos (SP), it serves public audiences from various regions and from outside the country.	Agudos (SP) – in 2010 the area received 7,097 visitors.
Quest for the future	Being practised at the Deca units since 2004, this offers students in the public education network and from technical colleges orientation with regard to entry into the labour market.	Deca (SP) – In 2010 this was held at two units, Louças Jundiaí and Metais Planidil. Five were held between the months of May and August, with a total of 162 participants. The units served were: Senac and Ateal – Jundiaí. Its 2004, 384 students have received orientation.
"In the Right Hands" Program	Duratex is a signatory of this program, an initiative of Childhood Brasil (WCF Institute) for the mobilisation of governments, companies and organisations from the third-age sector, aiming to take an efficient approach in combating the sexual exploration of children and adolescents on Brazil's roads.	The program operates in 937 Brazilian municipalities located on the edge of highways, or through which highways pass, most of them being situated in the Northeast and Southeast. Duratex had a series of structured initiatives which aim to minimise the risk of such occurrences in the business value chain, through awareness and communication campaigns, which will be revised and improved in 2011.



In the last six years, the Company has used the Rouanet Law Number 8313/91, for cultural incentive and Law Number 8.069/90, which set up a Fund for Children and Adolescents (FIA), to direct funds and a portion of income tax to cultural initiatives which guarantees the rights of children and adolescents. The Company also carries out a number of projects through the Cultural Action Program (ProAC), of the Culture Secretariat of the state of São Paulo, the municipal fund for children and adolescents, and the incentive law for sport, of the Federal Government.

In 2010 external social investment with the Company's own resources amounted to approximately R$1.0 million and benefited communities in various regions of the country, particularly those located around the units, through social inclusion programs aligned with the Company's objectives. In 2010, Duratex carried out a number of projects with investment of almost R$800,000 in incentivised funding. To this end, it used the Rouanet Law Number 8313/91, for cultural incentive, ProAC, the Cultural Action Program (Law Number 12.268, of 20/02/06), from the Cultural Secretariat of the state of São Paulo, with the objective of allocating funds and a portion of income tax to cultural initiatives in the towns in which it maintains its units.

In Bento Gonçalves (RS) and Jundiaí (SP), Duratex used the Sports Incentive Law (Law Number 11.438/06) to sponsor the practice of volleyball in the base categories, and encourage tennis for those confined to wheelchairs. The total invested amounted to R$64,000.

In 2011, a number of events are planned with incentivised funding, injected capital of almost R$2.5 million. The highlight is the Vozes pela Infância musical project which involves the presentation by Maestro João Carlos Martins and the Bachiana Philharmonic Orchestra in various locations, such as São Paulo, Minas Gerais and Rio Grande do Sul. In São Paulo, Campinas, Santos and Jundiaí, towns and cities located in the state of São Paulo, through the sports incentive laws Duratex will be sponsoring various sporting activities with an investment of R$413,000. Also in 2011, 3 agreements were entered into, with funding from Fumcad for a total amount of R$417,000, already included in the figure above.

Within the context of FSC Brasil, with which Duratex is a certified company, an opportunity was identified to improve relationships with the community. Since then, the Company has been studying projects to be more proactive in its relationship with the surrounding community and the roads along which it trucks pass-carrying loads of wood. To this end, in 2011, interviews, accompanied by questionnaires, will be held with the representatives of the locations where the Company maintains Forest Management Council Certificates, which cover 78% of the forestry areas in the state of São Paulo and 85% in the forestry areas in Minas Gerais.

With the objective of maintaining a relationship channel with interested parties with respect to the theme of sustainability Duratex has an e-mail on its website, to which it receives demands with respect to themes linked to socio-environmental practices. In 2010, 488 demands were registered, which were responded to within five working days. This volume is 19.6% higher than in 2009. In general, 25% of the demands are related to subjects such as sponsorship and projects, information about the Company's practices, and requests for data for academic projects.

GOVERNMENT AND SOCIETY

Duratex aims to act in a responsible and transparent manner to legitimise its actions and increase its participation in the protection of human rights and in the combat of corruption. Its initiatives are continuously monitored to ensure that the Company does not participate or connive in relations or businesses that involve abuses, child or slave labour or other forms of disrespect and deviation of conduct.

In addition to respect for the legislation in force, Duratex's employees commit themselves to adopting the principles of the Universal Declaration of Human Rights, of the global compact, and the declaration of the International Labour Organisation with respect to Fundamental Labour Rights. These terms of conduct are known by all employees in every instance and at all hierarchical levels, being set out in the Company's code of conduct.

Duratex also has relationships and positions in several entities. These are: Abipa (Brazilian Association of Wood Panel Industries), Abiplar (Brazilian Association of High Resistance Laminated Flooring Industries), Abraf (Brazilian Association of Planted Forestry Products), Abrasca (Brazilian Association of Listed Companies), Ciesp (Centre for Industries of the State of São Paulo), Fiesp (Industrial Federation of a State of São Paulo), IBRI (Brazilian Institute for Investor Relations) and IPEF (Forestry Research Institute), among others.

Participation in Elections – Donations

According to its Code of Ethics and Conduct, Duratex can make contributions to political parties and candidates, in compliance with the legislation in force and in accordance with the principles and values of transparency and ethics that govern its actions. The platforms and proposed policies of the candidates are analysed, with those being chosen after due evaluation and debate that offer proposals judged to be the most efficient to achieve sustainable development and improve the living conditions of the Brazilian people. In 2010, total donations made amounted to R$463,600 to 24 candidates, who competed for the position of State deputy and Federal deputy, being eight in the state of São Paulo, 14 in the state of Minas Gerais, one in Rio Grande do Sul and one in Paraná. The funds are accounted for by the Organisation, rigorously following the legislation which regulates donations to political campaigns.

More information on the scene can be obtained from the side of the Higher Electoral Tribunal: (www.tse.gov.br/internet/eleicoes/2010/prestacaodecontas.html).

ENVIRONMENT

Duratex adopts a risk matrix in all its units, weighted by more than 60 listed criteria and based on traditional environmental investigation. Each unit and industrial plant has a map, which contains the environmental risks associated with it, as well as social issues, from the standpoint of operational risk. Top management has already used this matrix to define the investments needed to achieve solutions and/or the minimisation of critical aspects.

The indicators of environmental performance shown in this chapter have undergone an increase in scope and now consider data generated at the new units in the states of Rio Grande do Sul, Minas Gerais and Pernambuco, which were not presented in the 2009 annual report.

In 2010, the Company invested R$17.6 million in actions, projects and equipment for environmental protection, the most noteworthy being R$5.6 million invested in the treatment of effluents; R$5.0 million in the collection of residues; R$2.6 million in forestry preservation, R$1.9 million in environmental initiatives, R$1 million in the treatment of water and R$1.4 million in exhaust systems. Also, in addition to these amounts, a further R$1 million was set aside in the form of a provision for the carrying out of remedial environmental work at the site in Jundiaí, as a result of the deactivation of one of the wood processing units in that location. The entire process was formalised with the state environmental body and is expected to be completed in three years. The process of deactivated in this unit, in addition to the legal obligations set out in the State Law 13.577/09, also includes operational procedures for the generation of residues and environmental investigation for the evaluation of possible contamination of soil and water as a result of past activities. The investigation works began in 2009, being undertaken by a specialist company, and were concluded in 2010. Instances of contamination from fuel oil derivatives and materials used in the treatment of metal surfaces were identified.

At the industrial unit of Uberaba (MG) in 2010 two Terms of Contract Adjustment were signed with the Public Ministry of the state of Minas Gerais as a result of a technical failure at the effluent treatment station, which was rectified rapidly, and resulted in the payment of compensation of R$19,300 and the donation of equipment to the Municipal Secretariat of Uberaba. The other incident involved the emission of particles, also immediately corrected, which also resulted in another compensation payment, which resulted in the reversion to the municipality of R$149,500 in the form of resources to be used in the revitalisation of the permanent preservation area of the municipality.

Biodiversity

The Company contributes to the diversity of fauna and flora and preserved habitats through the conservation of native vegetation, protection against clandestine hunting and the prevention and combat of forestry fires, these measures include a system of permanent surveillance, and its own fire brigades, in accordance with the Company's forestry management plan. Activities linked to the manufacture of metal bathroom fittings, vitreous chinaware and wood products do not have significant negative impacts on biodiversity.

State	Type of possession in 2010	Total area (hectares)	Conservation (hectares) *
São Paulo	Leased	17,130.85	3,726.20
	Patronage	5,606.85	-
	Owned	112,982.61	26,511.45
São Paulo – Total		135,720.31	30,237.65
Minas Gerais	Leased	65,955.60	13,925.57
	Patronage	2,704.03	-
	Owned	-	-
Minas Gerais – Total		68,659.63	13,925.57
Rio Grande do Sul	Leased	3,627.88	1,280.89
	Patronage	13,765.20	-
	Owned	3,772.76	1,481.17
Rio Grande do Sul – Total		21,165.84	2,762.06
Total		225,545.78	46,925.28

* Conservation area, permanent preservation area and legal reserve, etc.

Protected Habitats – Fauna	São Paulo	Minas Gerais	Rio Grande do Sul	Federal	IUCN Red List
Critically threatened (CR)	5	5	0	3	1
Threatened (EN)	10	6	3	3	3
Vulnerable (VU)	16	9	6	14	9
Almost threatened (NT)	11	0	0	0	12
Minimum concern (LC)	4	0	0	0	0
Total	46	20	9	20	25

Protected habitats – Flora	National
Critically threatened (CR)	0
Threatened (EN)	0
Vulnerable (VU)	11
Almost threatened (NT)	0
Minimal concern (LC)	1
Total	12

Duratex does not practise the clearing of forestry plantations, carrying out its activities only in areas that have already been used by man for previous agricultural or animal breeding activities, while its forestry plantations maintain significant conservation areas of close to vegetation and Atlantic forest interspersed with plantations of eucalyptus and pine, which provide shelter for species threatened with extinction, such as jaguars and brown leopard, king vulture, broad-snouted cayman and giant ant eater. In addition to this, the Company also maintains an area of 615.5 hectares of native forest, the Olavo Edydio Setúbal Nature Reserve, a Private State Reserve, which has stretches of Atlantic forests, and which provide shelter for rich fauna consisting of black lion tamarin, king vulture, blue manakin, brown howling monkey, cougar, ocelot, maned wolf, among other animals. In all are 46,925.28 hectares that correspond to areas that are protected with a high degree of biodiversity, of a total of 225,545.78 hectares.

Duratex supports a number of different scientific studies to examine and monitor wildlife in its forestry plantations. The intention is to improve environmental management with the aim of making wood production increasingly eco-efficient.

Flux Tower Project

Basic, multi-disciplined research project implemented with the installation of a tower in an area of 200 hectares, in the geographical centre of a farm owned by Duratex, for studying the balances of carbon, water, and nutrients during the entire cycle of a eucalyptus forest to try and obtain answers to questions about the environmental sustainability of higher productivity forests, carbon sequestration in biomass and in the soil, among other themes. Preliminary results already indicate that only six months after the cutting and re-forming of forest, equilibrium is already achieved between the respiration and photosynthesis of the forest. This project will also make a significant academic contribution, through the carrying out of numerous subprojects. Various masters and doctorate theses are already ongoing.

Ten national forest companies are participating in this research: Arcellor Mittal – formerlyAcesita, Arcellor Mittal – formerly-CAF, BSC–Bahia Specialty Cellulose – formerly Copener, Cenibra, Conpacel, Fibria – formerly Aracruz, Fibria – formerly VCP, Klabin, Suzano and V&M), under the coordination of CIRAD (French Centre for Agricultural Research), of the IPEF (Institute for Forestry Research and Studies), of ESALQ (Luiz de Queiroz Higher School for Agriculture), of USP (University of São Paulo) and NCSU (North Carolina State University).

Forestry Protection

The protection of forestry plantations against fires and plagues is a fundamental activity for the longe-vity of Duratex's operations. Prevention and control activities are part of the Company's risk manage-ment and involve various levels of activities, with the adoption of preventative, combat and monito-ring techniques appropriate for silviculture, by a team that undergoes constant training.

Fires

Towers for the observation of indications of fire, motorised surveillance carried out by trained security personnel, the radio communications system in the vehicles, and at the operation front, fire trucks, water tankers, specific manuals for the combating of fire in rural areas, training of fire combatants, the carrying out of simulations, awareness training for employees and outsourced workers, co-operation actions with neighbours and public bodies, all make up the system for the prevention and the combating of forest fire at Duratex.

Claims and diseases

Through its integrated Plague Management Program (MIP), Duratex practices equilibrium between environmental issues and productivity, based on the selection of material which privileges the more resistant saplings and the conservation of the native forests around the plantations. With this, forestry sites are provided with a natural control for plagues. In cases of threat to forestry productivity, a biological control method is prioritised in order to re-establish environmental equilibrium. If this control fails, chemicals are used as an alternative, always prioritised in the use of efficient products, with low risk to the environment and life.

Materials

In 2010, in its cultivation and production processes Duratex use 3,890,754 tons of raw materials, chemicals, fertiliser, and associated materials, 113% more than last year. Of the total, 3,721,223 tons were used by the Wood Division in its panel and floor manufacturing processes. At the Deca Division, the consumption of raw material during the year amounted to 169,531 tons, 4% of total and 9% more than in 2009. At Deca Division the Company employs reuse processes that are technically efficient according to proportions determined by engineering units. During the period, 16,647 tons were used, the equivalent of 15% of total mass used at the plants, an increase of 432% compared to the previous year. However this figure is not is comparable, because it contains information in addition to the reuse of ARM sludge (Material Recovery Area), the reuse of mass cuttings and rejects, called scrap, that comes from being pieces that are rejected by quality control at the crude stage. In the metal bathroom fitting segment, the percentages of inputs used from recycling sources (pre-and post-consumption) were as follows: 76% bronze, 76% brass, 14% ABS, 50% polyethylene, 13% polyacetal, 7.5% nylon and 10% polypropylene.

Materials used (tons/year)	2007	2008	2009	2010
NPK fertiliser, Borax, Dolomitic Lime, etc.	31,254	40,549	37,000	45,785
Raw materials				
Wood/Process (*)	1,208,874	1,413,015	1,525,228	3,399,222
Clay, Kaolin, Feldspar, Quartz, Plaster of Paris and others	72,630	86,917	106,677	112,302
Rebars	3,445	3,508	3,786	2,069
Brass tube	318	322	347	427
Brass discs and tapes	283	397	439	246
Zamac	111	102	62	24
Brass straps	1,788	1,750	1,688	1,745
Bronze	4,146	4,344	4,192	4,661
Plastic	933	1,050	1,149	1,247
Associated materials				
Lubricants (production process)	326	372	447	656
Resin and other materials purchased from third parties (**)	106,594	105,798	133,272	283,147
Aluminium sulphate	2,407	2,283	1,696	1,838
Paper purchased from third parties	2,715	7,228	6,589	10,349
Caustic soda (concentration 50%)				368
Sawn wood (packaging)			6,143	6,007
Methanol				20,606
Acetic acid				27
Sulphuric acid				14
Di-ethyleneglycol (DEG)				8
Insecticide for termites				4
Caprolactam				1
Total	1,435,824	1,666,585	1,828,715	3,890,754

(*) Wood from dampened process base (**) resin, formaldehyde, urea, paraffin, humocer, ammonium sulphate, paints and varnishes.

Energy

In 2010, Duratex consumed 11,317,282 Gjoules of energy material, up 63% compared to 6,963,322 GJ the previous year. The Deca Division consumed 1,357,988 GJ, the Wood Division, including Wood, Forestry and DRI consumed 9,954,701 GJ. The administrative area of the Company consumed a further 4,593 GJ. Of the total consumed, the power generated internally (indirect) represented 8,697,230 GJ.

Duratex's energy matrix is made up of natural renewable resources, such as biomass. In 2010, approximately 57% of the energy used was generated from this source, which reflects the drive to adopt clean technologies. 23% of the energy used was acquired from the electricity concessionaire, another 9%, through the use of natural gas, and 11% from fuel oil.

Water EN8 | EN9 | EN10

In 2010, the volume of water consumed by Duratex's operations amounted to 7,586,876 m^3, 81% higher than the 4,198,867 m^3 consumed in the previous period. Of this total, 93.2% was consumed by the Wood Division and 6.8% by the Deca Division. The water captured from the Public Concessionaires amounted to 929,316 m^3, with 1,608,711 m^3 of artesian and semi-artesian wells, 5,038,928 m^3 from local water courses and 9,921 m^3 from rainwater.

In the preservation of the hydro-graphic basins in the locations where it operates, Duratex complies with all the requirements of the environmental agencies. In the operations, there have been no reports of water sources being affected by the capturing of water, represented by the Pardo River in Botucatu (SP), and the Taquari River, which runs through the city of the same name. In the water drawn from artesian wells and watercourses, the principles of sustainability are also adopted. In addition to this, the Company also has programs for the reuse of water. Of the total consumed in 2010, 2,402,823 m^3 or 32% underwent these recycling processes, with the Deca Division recycling/reusing 36% and the Wood Division, 45%. This volume is not comparable with previous years, because the figures now include the water used in the cooling towers, which uses a closed circuit, as being reusable.

Effluents EN21 | EN23 | EN25

The monitoring and treatment of affluence is carried out in accordance with the environmental legislation and total attention to the conditions of the rivers that receive the discharges. The discharge takes place in watercourses close to the industrial plants and follows the standards established by Conama 357/05 having no significant effect on the quality of the water bodies. The principal parameters of the effluents undergo periodic monitoring, and applied in the development of solutions to reduce any impacts. The Company invests in Effluent Treatment Stations, and in this way the effluents previously treated and returned to the public system are reused in the Company's operations and maintenance of the units.

In 2010, the total amount of effluents generated came to 3,304,272 m^3, an increase of 23% compared to the figure in 2009 of 2,689,061 m^3. Of this total, 66% of the effluent was discharged in the irrigation of fields for the production of grass used as biomass in the generation of thermal energy. That sent through the public network and discharged in watercourses represented 13% and 21%, respectively, after the treatment of the effluents in the Company's own treatment stations, to meet the quality standards established by the environmental legislation. In 2010 there was a one-off incident at the Effluent Treatment Station at the plant at Uberaba (MG), which resulted in the spillage of an estimated 280 m^3 of effluent. There was no significant damage to the environment, but there was some change in the parameters of the treated effluent discarded.

Residues EN22 | EN24

In the period Duratex registered 195,097 tons of solid residues, being 168,877 tons of Class II A and 23,370 tons of Class II B. The dangerous residues, 2,850 tons, corresponding to 1.5% of the total generated, in compliance with the appropriate technical standards, were sent to duly authorised companies or returned to the suppliers for correct treatment. The non-dangerous residues, 192,247 tons were either reused, sent to industrial landfills or recycled.

The Company uses an environmental management system (SGA) that monitors the destination of solid residues from its operations. Some residues are reused by the Company's own processes, and results in operational gains reduction in the consumption of raw material. Third parties can use other materials, which results in non-operational gains. Examples of materials that are 100% reused are the metal residues from the Deca Division, which are melted and returned to the production line, and those from the Wood Division, which are used as biomass for the generating of heat at the units. The nickel hydroxide is sold to the chemical industry, while the sludge from the galvanising process, after treatment, is used by the fertiliser industry.

During that period there was no transport, import, export or treatment of residues considered to be dangerous under the terms of the Basel Convention.

Atmospheric Emissions

EN16 | EN17 | EN18 | EN19 | EN20

More than 30% of Duratex's Forestry Fleet uses TIER III diesel engines, whose pollutant emission levels meet the rigorous US environmental standards. This percentage will grow gradually, in accordance with the scheduled program for the replacement of vehicles and equipment fitted with TIER II diesel engines, part of the process of constant modernisation of the Company's forestry harvesting equipment. Analyses were also carried out of the physical-chemical properties of the engine oil in all the machinery to identify problems that could adversely affect the useful life of the components, and increase environmental contamination. In 2010, a process was begun whereby all the equipment will be supplied with S-500 diesel, which has less than 1/3 of the sulphur content in normal diesel oil, S-1800. All the Forestry Units in the state of São Paulo already uses S-500 diesel oil. With this, Duratex participates in efforts to reduce gas emissions that contribute to acid rain.

Inventory of Greenhouse Gas Emissions

In line with the project for the improving of the methodology and structuring of tools to gain and knowledge of the impacts that its operations have with respect to climate change, Duratex carried out an inventory of its greenhouse gas emissions, including the units at Taquari (RS) and Uberaba (MG), in accordance with the target set in 2009, thus expanding the data for Scope 3, in accordance with the GHG Protocol.

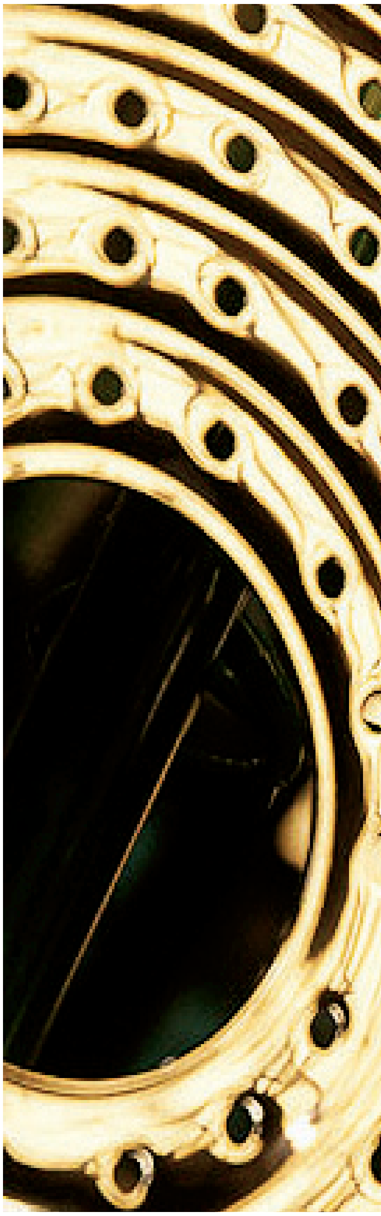
The inventory in 2010 was carried out by an internal multi-disciplined team from the various areas of Duratex's businesses, together with the Brazilian Foundation for Sustainable Development (FBDS), an external consultancy firm that also specialises in carrying out inventories of greenhouse gas emissions.

The emissions measured in the 2010 period totalled 296,269.12 tons of equivalent CO_2, with 218,533.83 tons, or 73.76% of the total being direct emissions, being treated under Scope 1 of the GHG Protocol. The emissions referring to electricity purchased, Scope 2, totalled 39,266.85 tons of equivalent CO_2, or 13.25% of total emissions. The indirect emissions, Scope 3, represented 12.98% of admissions, in other words, 38,468.44 tons of equivalent CO_2.

Because of the greater coverage of the data including the new units, an evolutionary comparison is not recommended absolute value terms, but rather in relative values in proportion to production in the period, in this case by business unit.

With the objective of developing this theme, a multi-disciplinary group of executives was created to evaluate the impact and define emission reduction targets during 2011. In addition to inventory data, the references used are the national and state (SP) policies on climate change.

In addition to its greenhouse gas emissions inventory, Duratex also improved its methodology to measure its stock of carbon fixed in its planted forests that supply the industrial units. Of the 225,000 hectares (52% on the Company's own land and 48% on leased land), 61,067.51 were considered in the carbon project for the assessment and quantification of the carbon stock, in other words the carbon fixed by the forests as part of their growth process.



YEAR	SCOPE 1	SCOPE 2	SCOPE 3	TOTAL
2000	143,280	19,876	909	164,065
2001	160,106	19,500	1,083	180,689
2002	130,525	19,590	927	151,042
2003	153,140	23,162	791	177,093
2004	139,954	24,659	851	165,464
2005	122,319	24,385	752	147,456
2006	119,939	26,959	763	147,661
2007	138,934	14,203	2,874	156,011
2008	156,804	24,007	1,339	182,220
2009	155,742	12,035	1,010	168,787
2010	218,534	39,267	38,468	296,269

Carbon Project – Stock of CO_2 in planted forests	2007	2008	2009	2010
Total owned project area (hectares)	56,799.09	58,801.84	60,940.42	61,067.51
Total volume in tons of CO_2	5,609.74	803,794.65	1,325,394.80	924,714.93

(1) Effective area of plantations totalled 136,200 ha. in 2010. However, the stock of CO_2 indicated by the Project is conservative.

An analysis considering the emission and sequestration in the same period, showed that Duratex has a carbon fix that is higher than the emissions resulting from its processes, bearing in mind that it is still necessary to carry out improvement of the data control process for Scope 3 emissions and also growth in the Company's activities.

STUDY OF PRODUCT LIFECYCLE

With the objective of inserting the concept of Product Life Cycle Analysis, following the principles of ISO 14040 certification, a partnership was developed with the consultancy firm IDDS for the training of a group of 30 specialists in the area of product, environmental, quality, and supply engineering, whose content was established based on the practical cases of Duratex's products, so that the concepts can be better understood with the area is being able to consider these concepts in the products of conception, production and selling stage.

This was the first training module for such a complex theme, in which it is hoped to identify the most critical points for its implementation, as a basic principle in Duratex's processes.

Investments carried out in the past, combined with a favourable economic scenario, have enabled the Company to produce a record performance

03

Duratex reported a record performance driven by the significant economic growth in 2010, year in which GDP growth amounted to 7,5%, compared to the previous year. Contributing to this good period being enjoyed by the Company were favourable conditions in the market, which included an improvement in credit supply which showed an expansion of approximately 20% compared 2009, amounting to a total of R$1.7 trillion, as well as favourable interest rate conditions and financing periods. Also contributing was the expansion in incomes, as a result of real salary increases and the creation of new jobs, which pushed down the unemployment rate at the end of the year to 5,3%, one of the lowest in the current historic series, according to data published by the IBGE.

In the domestic market, the performance of the local economy during the year was characterised by periods of strong expansion, interspersed with periods of less intense activity. As a result of the rhythm of economic expansion, there was inflationary pressure, which came principally from food products, services and commodities, mainly from the second half of the year. This situation led the Brazilian Central Bank to take measures to contain the level of economic activity, and reduce inflationary pressure.

performance of the businesses

EC1

As a consequence, there was an increase in the compulsory deposit requirement for term deposits, as a way of reducing liquidity in the market, as well as an increase in the basic interest rate. The adoption of a more cautious stance on the part of the monetary authority suggests that these moves could be followed by further measures to keep inflation under control.

ANALYSIS OF CONSOLIDATED RESULTS

The financial statements published by the Company in the markets include the adoption of the International Financial Reporting Standards (IFRS) in compliance with CVM Instructions 457/07 and 485/10.

The main alterations to the financial statements are related to:

Business Combination:

In this item, the main alterations were because of the merger between Duratex and Satipel, as approved at the Extraordinary General Meeting on 08.31.2009.

The CPC 15 (IFRS 3) accounting norm, which deals with the combination of businesses, requires the accounting identification of the acquirer in a business combination. In this context, the shareholders of the "Old Duratex", for accounting purposes, ended up with the control of the combined business. On 08.31.2009 the agreement will formalise, this being considered as the "acquisition date", for the purposes of the transaction being recognised in the accounts.

In this way, Duratex S.A. was recognised as the acquiring company for accounting purposes under the terms of CPC 15 (IFRS 3). For more details, see explanatory notes 2.2.1 (b) and 28 to the financial statements on Pages 94 and 139 of this report.

Biological asset:

As at the end of December 2010 Duratex had approximately 136,200 hectares of land, effectively cultivated, predominantly with eucalyptus used as the raw material in the production of wood panels, flooring and components, and also for sale to third parties.

These forestry reserves are recognised at their fair value, deducting the sales costs estimated at the time of the "harvest". For more information see Explanatory Notes 2.13 and 13 of the financial statements on Pages 99 and 118 of this report.

Benefits to employees:

A credit was recognised existing within the Itaúsa Foundation Industrial Private Pension Fund. This credit refers to the option open to the participant to redeem his or her participation, or take early retirement.

The table below shows a reconciliation of Total Assets and Net Equity under the previous accounting model, and the figures duly adjusted according to the IFRS standard.

	2010	2009
Total assets (R$ ´000)		
Before IFRS adjustments	**5,011,222**	**4,335,942**
Business Combination	757,805	780,856
Biological asset	332,164	280,572
Benefit to employees	66,802	55,838
Other adjustments	2,874	13,320
After IFRS adjustments	**6,170,867**	**5,466,528**
Variation	1,159,645	1,130,586
Net Equity (R$ ´000)		
Before IFRS adjustments	**2,623,453**	**2,331,107**
Business Combination	556,242	571,456
Biological asset	219,228	185,177
Benefit to employees	44,089	36,853
Other adjustments	9,516	17,307
After IFRS adjustments	**3,452,528**	**3,141,900**
Variation	829,075	810,793

Values expressed in R$ '000, except where otherwise indicated	BEFORE IFRS ADJUSTMENTS			AFTER IFRS ADJUSTMENTS		
Duratex S,A,	2010	2009[1]	Var. (%)	2010	2009	Var. (%)
Asset balance sheet						
Cash	616,549	300,924	104.9%	616,549	300,924	104.9%
Current assets	1,706,590	1,214,084	40.6%	1,676,028	1,164,874	43.9%
Total assets	5,011,224	4,335,942	15.57%	6,170,867	5,466,527	12.9%
Current liabilities	850,873	888,465	-4.3%	856,245	901,935	-5.1%
Total financial debts	1,594,793	1,408,883	13.2%	1,593,962	1,419,075	12.3%
Net equity	2,623,453	2,331,107	12.5%	3,452,528	3,141,900	9.9%
Results						
Net revenue	2,741,810	2,244,864	22.1%	2,741,810	1,930,050	42.1%
Domestic market	2,629,069	2,113,134	24.4%	2,629,069	1,806,665	45.5%
Foreign market	112,741	131,731	-14.4%	112,741	123,385	-8.6%
Gross profit	1,079,264	781,138	38.2%	1,117,459	664,415	68.2%
Gross margins	39.4%	34.8%	-	40.8%	34.4%	-
EBITDA [2]	935,679	502,615	86.2%	893,002	398,186	124.3%
EBITDA margin	34.1%	22.4%	-	32.6%	20.6%	-
Net earnings	442,064	191,400	130.9%	467,247	181,087	185.0%
Net margin	16.1%	8.5%	-	17.0%	9.4%	-
Indicators						
Current liquidity [3]	2.0	1.37	-	1.96	1.29	-
Net indebtedness [4]	978,244	1,107,959	-11.7%	977,413	1,118,151	-12.6%
Net debt/EBITDA	1.05	2.20	-	1.09	2.81	-
Average net equity	2,467,183	2,269,417	8.7%	3,302,351	2,409,758	37.0%
ROE [5]	17.9%	8.4%	-	14.1%	7.5%	-
Shares						
Earnings per share (R$) [6]	0.96	0.42	-	1.02	0.47	-
Closing quote (R$)	17.85	16.20	10.2%	17.85	16.20	10.2%
Book value per share (R$)	5.72	5.09	-	7.53	6.94	
Market value (R$1000) [7]	8,172,411	7,417,973	10.2%	8,172,411	7,417,973	10.2%

[1] *Pro-forma* data before IFRS adjustments. After IFRS adjustments, the figures contemplate 8 months (January to August) of Duratex and 4 months (September to December) of Satipel + Duratex. [2] EBITDA (Earnings before Interest, Tax, Depreciation and Amortization), a measure of operational performance. Figures do not consider employee profit-sharing and statutory items. [3] Current Liquidity: current assets divided by current liabilities. Indicates availability in R$ to pay each R$ of short-term obligations. [4] Net Indebtedness: total financial debts (–) Cash. [5] ROE (Return on Equity): measure of performance arrived at by dividing net annualised earnings by average net equity. [6] Earnings per share is calculated taking the division of earnings attributable to shareholders of the company divided by the average weighted number of ordinary shares in issue during the period, excluding the ordinary shares purchased by the company to be held in treasury. [7] Market value is calculated based on the closing price quotation at the end of the period, multiply by the quantity of shares in issue, less the shares held in treasury.

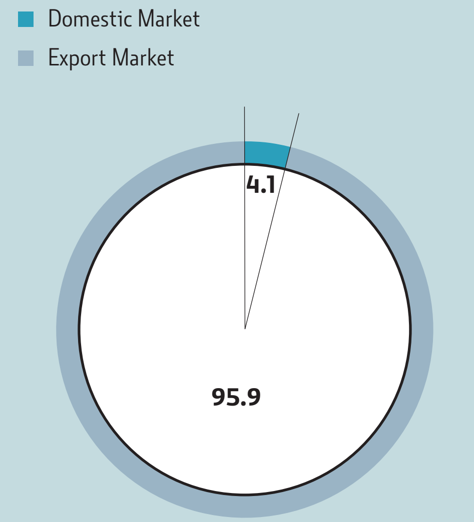
NET REVENUE

Net revenue totalled R$2,741.8 million in the year, an increase of 22.1% compared to the pro-forma sales in 2009, of R$2,244.9 million. Subsequent to the IFRS adjustments, net revenue in 2009 totalled R$1,930.1 million, therefore including CPC 15 (combination of businesses) that considers the merger date of August 31 in that year. However in this case, the revenue consists of 8 months (January to August) of Duratex and 4 months (September to December) of Duratex and Satipel together.

The group moment being enjoyed by the domestic market contrasts with the difficulties being experienced in more developed countries in returning to pre-crisis levels of economic activity. As a result of this fact, there was a strong concentration of sales in the domestic market, which accounted for 96% of revenue during the year. Export volume totalled US$62 million, with the Wood Division being responsible for 77% of the total.

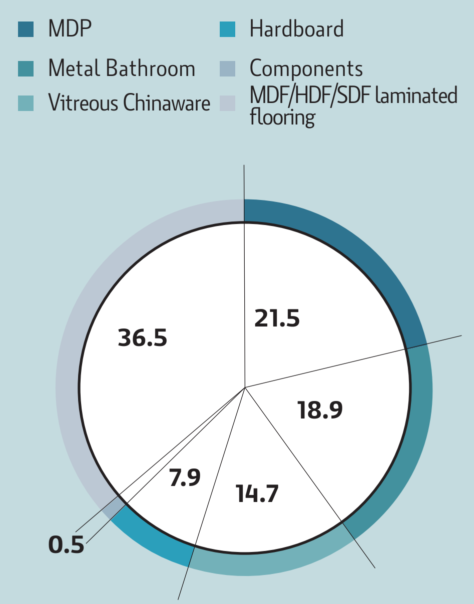
Geographical sales distribution

IN %

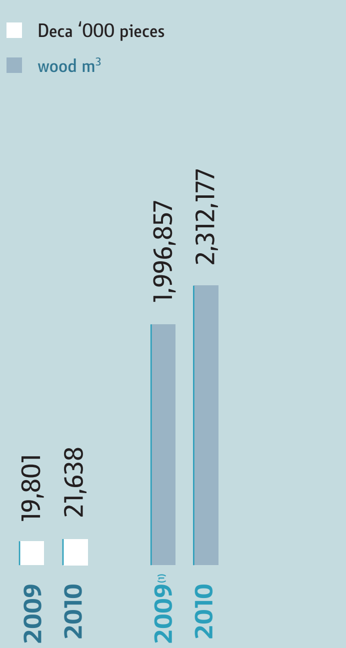


Net revenue per segment

(R$2,741.8 milhões) – IN %



Volume shipped



(1)Wood: 2009: *pro-forma* data before IFRS adjustments 2009: After IFRS contemplates 8 months (January to August) of Duratex and 4 months (September to December) of Satipel + Duratex.

COST OF PRODUCTS SOLD

Before IFRS adjustments

The Cost of Products Sold (COGS) net of depreciation amounted to a total of R$1,449.8 million, which represents an increase of 14.0% on the year, although in relation to net revenue, there was dilution from 56.6% in 2009 to 52.9% in 2010. The absolute cost showed an increase because of the rise in the rate of economic activity and an increase in certain inputs.

For the year, depreciation amounted to R$212.7 million, 24.9% higher than in 2009 as a result of the investment made in the period.

After IFRS adjustments

The cost of products sold, net of appreciation and variation in the fair value of the biological asset, amounted to R$1,461.4 million, up 29.0% on 2009, bearing in mind that in that year 12 months of costs were booked for the "Old" Duratex and only four months of the period with Satipel owing to the fact that the merger was formalised in August 2009. The ratio of cost of products sold to net revenue, however, showed an even greater improvement to that before the IFRS adjustments, being down from 58.7% to 53.3% in 2010. For the year, depreciation amounted to R$214.6 million.

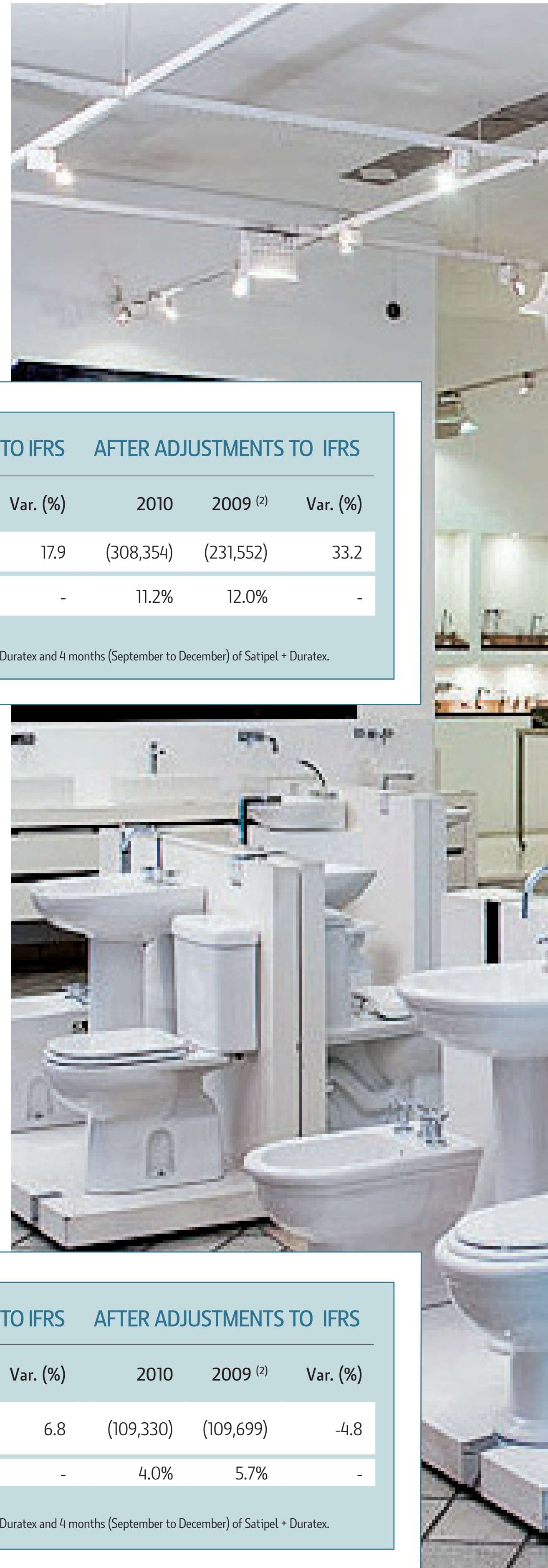
Sales expenses

Sales expenses, before IFRS adjustments, amounted to R$305.5 million, up 17.9% compared to the expenses in 2009. In relation to net revenue, there was some modest dilution.

The IFRS adjustments contemplated the proportional incorporation of profit-sharing, which did not result in any significant alteration compared to the previous criteria.

R$ ´000	BEFORE ADJUSTMENTS TO IFRS			AFTER ADJUSTMENTS TO IFRS		
	2010	2009 [1]	Var. (%)	2010	2009 [2]	Var. (%)
Sales expenses	(305,524)	(259,229)	17.9	(308,354)	(231,552)	33.2
% of net revenue	11.1%	11.6%	-	11.2%	12.0%	-

[1] *Pro-forma* data before IFRS adjustments.
[2] After IFRS adjustments, figures contemplate 8 months (January to August) of Duratex and 4 months (September to December) of Satipel + Duratex.



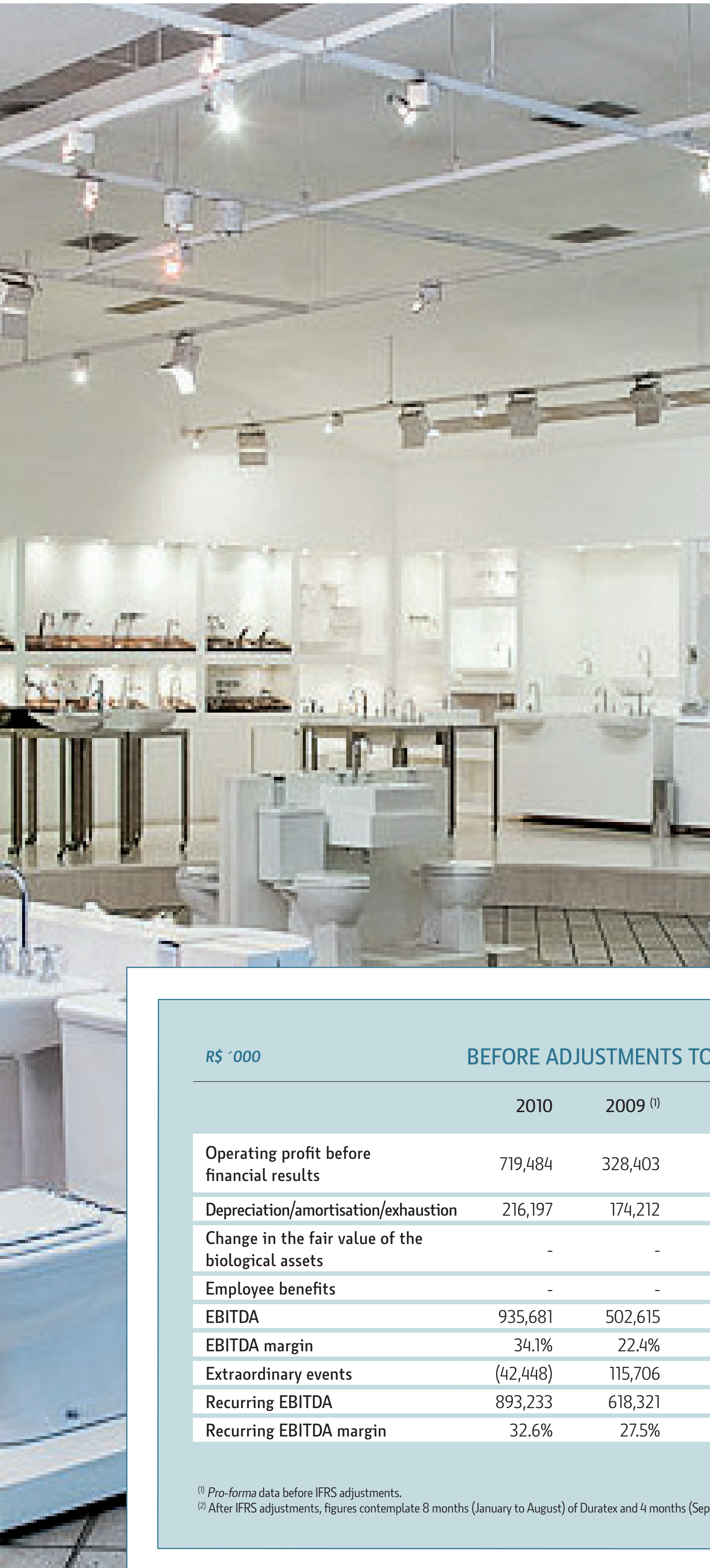
General and Administrative Expenses

General and administrative expenses, for adjustments, totalled R$103.0 million, 6.8% higher than in 2009. This increase was basically due to the rise in the appreciation as a result of the introduction of the new computer system based on the SAP platform. In relation to net revenue, there was dilution from 4.3% to 3.8%.

After the IFRS adjustments, the main alteration was due to the proportional incorporation of shareholdings. However the greatest dilution of this type of expense, in relation to net revenue, which fell from 5.7% to 4.0% in 2010, was due to gains in scale.

R$ ´000	BEFORE ADJUSTMENTS TO IFRS			AFTER ADJUSTMENTS TO IFRS		
	2010	2009 [1]	Var. (%)	2010	2009 [2]	Var. (%)
General and administrative expenses	(103,002)	(96,441)	6.8	(109,330)	(109,699)	-4.8
% of net revenue	3.8%	4.3%	-	4.0%	5.7%	-

[1] *Pro-forma* data before IFRS adjustments.
[2] After IFRS adjustments, figures contemplate 8 months (January to August) of Duratex and 4 months (September to December) of Satipel + Duratex.



EBITDA

Before adjustments to IFRS

For the year as a whole, recurring EBITDA amounted to R$893.2 million, equivalent to EBITDA margin of 32.6%, which represents a sharp increase on the results in 2009, of R$618.3 million and EBITDA margin of 27.5%.

After adjustments to IFRS

The operating result of the Company, as measured by EBITDA, suffered significant alterations as a result of the new accounting methodology. The main changes are related to the biological asset, employee benefits and the reclassification of accounts, previously located below the operational line, and now included in the operating result: Statutory Participation and Profit-Sharing – Law 10.101/00.

So as to provide more transparency in the calculation of EBITDA, below we show a table in which non-cash events related to the biological assets are disregarded; these events, related to the alteration in the price of wood, consumption and even productivity, cause great variation in the result, which is same reason why a calculation purposes, Employee Benefits have been disregarded.

The year as a whole EBITDA totalled R$850.6 million, equivalent to EBITDA margin of 31.0%, representing a sharp increase compared to the margin reported in 25.6% in 2009.

R$ ´000	BEFORE ADJUSTMENTS TO IFRS			AFTER ADJUSTMENTS TO IFRS		
	2010	2009 (1)	Var, (%)	2010	2009 (2)	Var, (%)
Operating profit before financial results	719,484	328,403	119.1	715,555	258,874	176.4
Depreciation/amortisation/exhaustion	216,197	174,212	24.1	372,175	239,117	55.6
Change in the fair value of the biological assets	-	-	-	(183,765)	(96,853)	89.7
Employee benefits	-	-	-	(10,963)	(2,925)	271.5
EBITDA	935,681	502,615	86.2	893,002	398,186	124.3
EBITDA margin	34.1%	22.4%	-	32.6%	20.6%	-
Extraordinary events	(42,448)	115,706	-	(42,448)	96,606	-
Recurring EBITDA	893,233	618,321	44.5	850,554	494,792	71.9%
Recurring EBITDA margin	32.6%	27.5%	-	31.0%	25.6%	-

(1) *Pro-forma* data before IFRS adjustments.
(2) After IFRS adjustments, figures contemplate 8 months (January to August) of Duratex and 4 months (September to December) of Satipel + Duratex.

NET EARNINGS AND RETURN ON EQUITY

Before IFRS adjustments

Recurring net earnings for the year amounted to R$414.2 million with equivalent to an average return on net equity of 16.8%. The recovery in prices and the increase in volumes shipped, together with the improvement in mix, all contributed to improving the return on equity, compared to 2009.

After IFRS adjustments

Recurring net earnings in the year amounted to R$439.4 million, which is equivalent to an average Net Return on Equity of 13.3%. The annual increase is due to the same factors already discussed, in addition to the fact that the comparison base only includes Satipel from September to December 2009.

Distribution of value-added

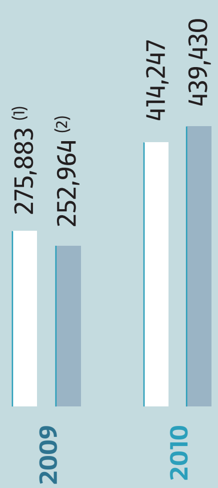
The value added after the IFRS adjustments totalled R$1,571.2 million, compared to R$1,023.5 million in 2009. Of this total, R$523.0 million, equivalent to 14.4% of the revenue reported in the period, was destined to Federal, State and Municipal governments in the form of taxes and contributions.

Recurring net income

(R$ '000)

Before IFRS adjustments

After IFRS adjustments



[1] *Pro-forma* data before IFRS adjustments.

[2] After IFRS adjustments, figures contemplate 8 months (January to August) of Duratex and 4 months (September to December) of Satipel + Duratex

Value Added in 2010

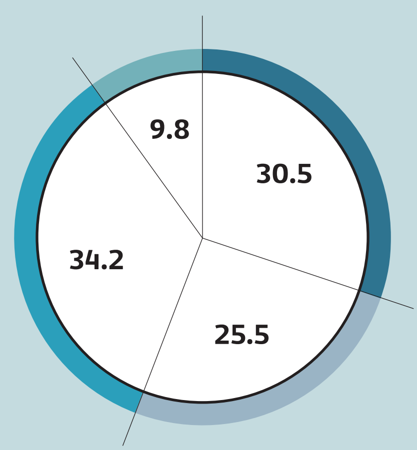
IN %

Shareholder remuneration

Remuneration for government

Remuneration for work done

Remuneration of financing



EC4 Debt

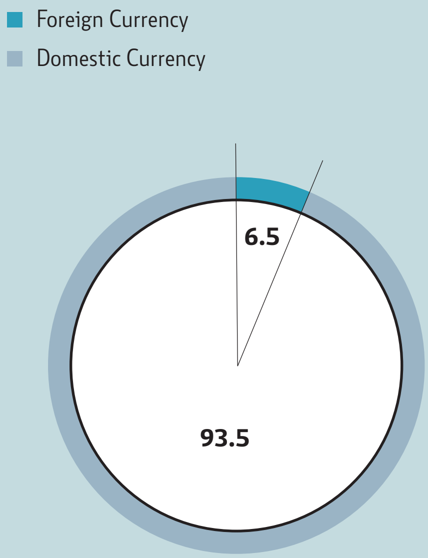
Total debt at the end of December 2010 amounted to R$1,593.9 million, equivalent to a net debt of R$977.4 million. This level of net debt is equivalent to 1.09 x annual EBITDA, which after IFRS adjustments, comes to 28.3% of net equity at the end of the period, which is considered low.

By way of comparison, this multiple in relation to EBITDA, at the end of 2009, amounted to 2.8 x and 35.6%, respectively, in relation to net equity. During the year, R$637.4 million in new loans were taken out, while R$559.5 million in loans were paid back, which together with internal cash generation, accounts for the increase of approximately 105% in the balance of cash and equivalents.

R$ ´000	2010	2009	Variação
Short-term debt	431,608	615,266	(183,658)
Long-term debt	1,162,354	803,809	358,545
Total debt	1,593,962	1,419,075	174,887
Cash and equivalents	616,549	300,924	315,625
Net debt	977,413	1,118,151	(140,738)
Net debt/net equity (%)	28.3%	35.6%	-
Net debt/EBITDA after IFRS adjustments	1.09x	2.80x	

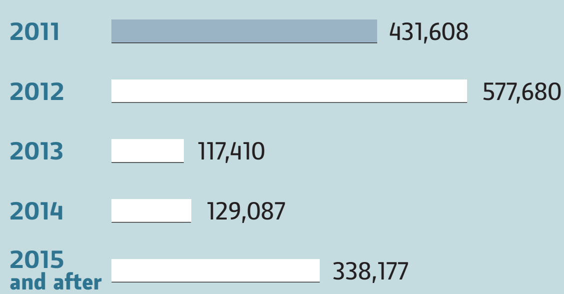
Origin of Debt

IN %



Amortization Schedule

(R$ '000)



Two credit lines, in particular, represent financial help from the government. These lines (Fundiest and Fundopen) were opened as the counterpart to investments carried out at Taquari (RS) and Uberaba (MG) in two wood panel factories, which will directly contribute to social and economic development in these towns through the creation of direct and indirect jobs, and a greater increase in tax contributions at the municipal and state level.

Fundiest is a financing line granted by the Minas Gerais Development Bank (BDMG) and is in the process of being paid back. As at the end of December 2010, the open balance was R$131.3 million, with the final settlement date being set for the end of November 2020. The Fundopen credit line is still in the process of being freed up. At the end of 2010, the total debt balance in this category amounted to R$1.3 million. In total, this government health amounted to a total of R$132.6 million, or 8.3% of total debt.

In addition to the financing lines, Duratex received a benefit that was incorporated in the acquisition of the vitreous chinaware operations of Cerâmica Monte Carlo (Cabo de Santo Agostinho (PE)). In that region, there is a reduction of up to 75% in the levying of ICMS (Prodesp) and income tax (Sudene). The benefit measured during 2010 was approximately R$2.5 million. In 2010 Duratex contributed to federal, state and municipal governments, with R$523.0 million in taxes and contributions collected.

Shares as an investment 4.12

The shares of Duratex (DTEX3), in 2010, showed an appreciation of 10.2% compared to 2009, while the Ibovespa appreciated by 1.0% over the same period. The share price quote at the end of December amounted to R$17.85 (R$16.20 in 2009), which corresponds to a market value for the Company of R$8.2 billion.

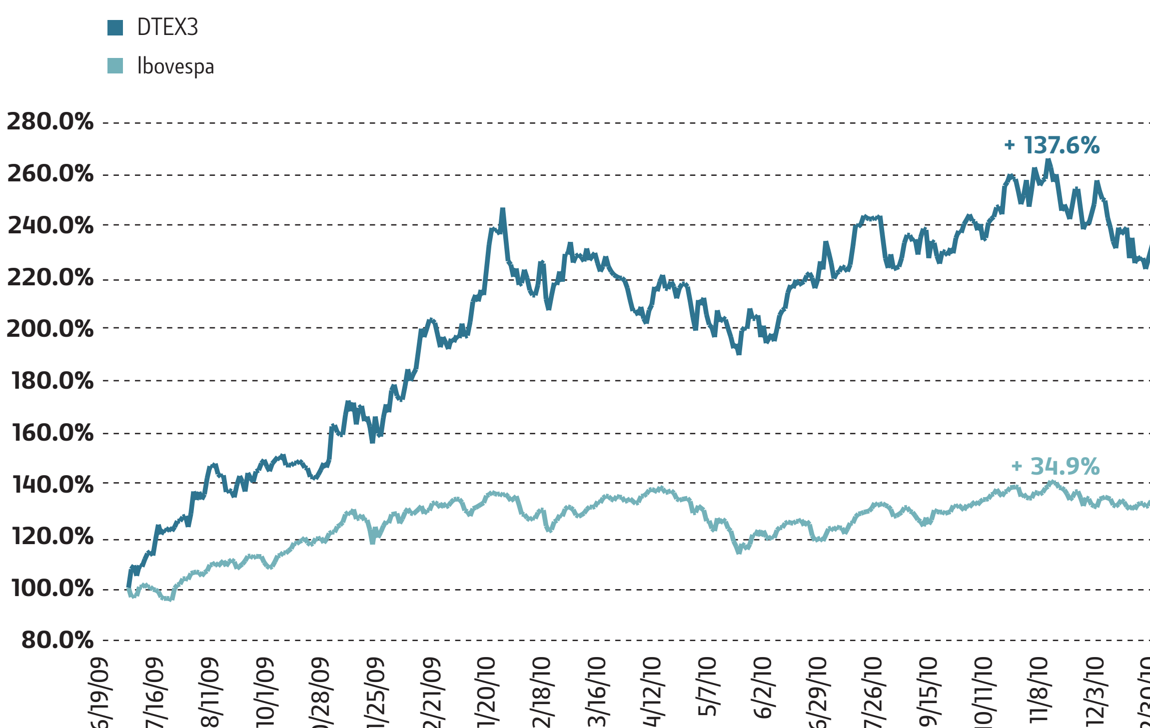
During the period, 297 million shares were traded in 573,000 transactions, which represented a financial trading volume of R$5.1 billion. This figure corresponds to an average daily volume of 1.1 million shares or R$20.8 million.

The Company is listed on the BM&FBovespa Novo Mercado, and is part of the Ibovespa and the ISE – Corporate Sustainability Index. In 2010, Duratex was classified in 11th place in the 4th edition of the Ibovespa Company Transparency Study. The study involved the analysis of corporate transparency including quantitative and qualitative analysis of 123 criteria of corporate and social responsibility, governance and sustainability. The study included 31 companies of the universe of 55 included in the Ibovespa.

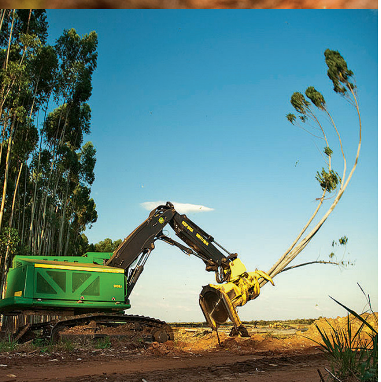
The listing of the Company's shares on the BM&FBovespa Novo Mercado, a differentiated segment of the market which includes companies, on a spontaneous basis, that are outstanding in terms of the adoption of higher standards of corporate governance, as well as committing themselves to arbitration through the BM&FBovespa Novo Mercado Arbitration Chamber for the resolution of any and every dispute of controversy which could arise between the Company, its shareholders and managers.

As a way of enforcing its commitment to the best practices, in addition to the requirements of the Novo Mercado, Duratex also has a differentiated policy for the distribution of dividends, paying out 30% of adjusted net earnings, with one third of its Board of Directors consisting of independent members, as well as adopting the directives of the Global Reporting Initiative in its Annual Sustainability Reports.

Share Performance Base 100



Starting date before the merger with Satipel, until 31/Dec/2010.

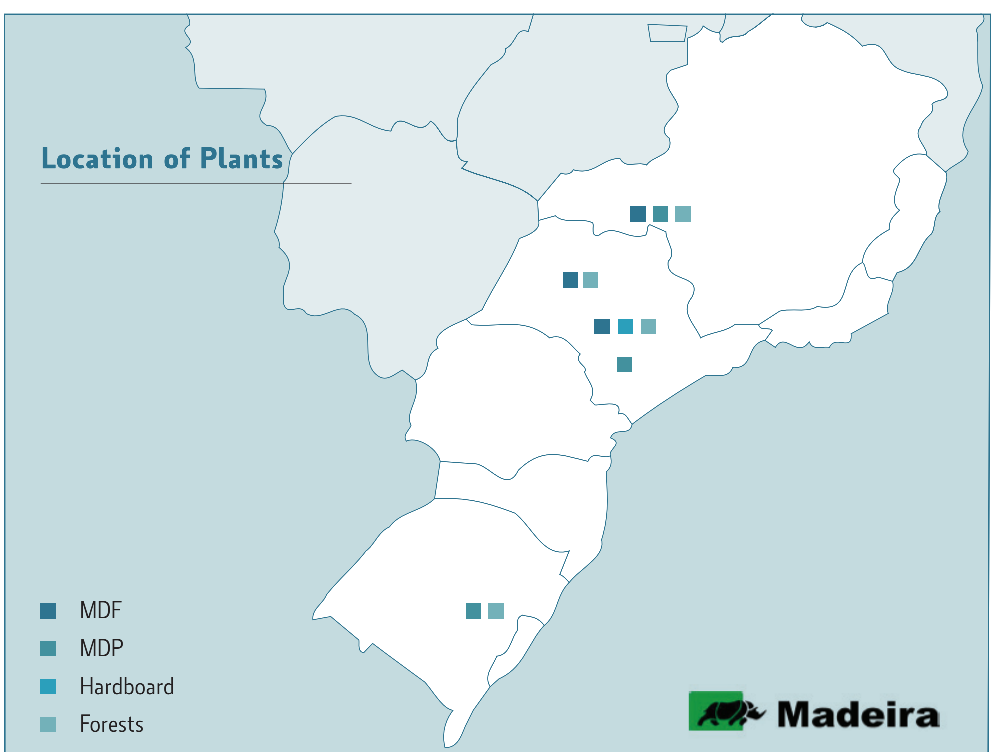


WOOD DIVISION

A pioneer in the introduction of wood panel manufacturing processes in Brazil, Duratex through its Wood Division, is the leader in the Brazilian market, with the largest variety of products and patterns used mainly as an input, for the furniture industry, which accounts for directly and indirectly around 80% of its sales. Wood Division operates five industrial plants in Brazil – in Agudos, Botucatu and Itapetininga (SP), Uberaba (MG) and Taquari (RS) – and has a high degree of self-sufficiency in the supply of wood, thanks to the sustainable maintenance of 225,000 hectares of forestry plantations, with approximately 250 million trees distributed over 324 farms.

The units of Agudos (SP), Botucatu (SP) and Uberaba (MG) have a nominal installed production capacity of 1,800,000 m³/year of MDF – Medium Density Fiberboard, the result of gluing together wood fibre with synthetic thermo-fixing resin under simultaneous pressure and heat, which results in a panel which is dimensionally stable, flat, with a smooth surface. Laminated floorings and mouldings (skirting board) uses MDF as its main raw material. The plants at Uberaba (MG), Itapetininga (SP) and Taquari (RS) have a nominal installed production capacity of 1,900,000 m³/year of MDP – Medium Density Particleboard, resulting from the use of continuous presses, modern particle classifiers and complex software for the controlling of the processes, also glued together with resins and particularly recommended for the production of residential and commercial furniture in straight lines and organic forms, that do not require machine-finished low reliefs, grooves or rounded corners. Hardboard is produced at the unit at Botucatu (SP) with a capacity of 210,000 m³/year. This is a panel made from wood fibres, similarly to MDF, in a dampening process, without the addition of resin. In total the company has approximately 3.9 million m³/year of panel production capacity, which corresponds to approximately 40% of the total panels produced by the sector in Brazil.

One important differential in this business area is Duraflora S.A., a wholly-owned subsidiary of the company, which manages the land where the forests are planted, and which supplies the panel production lines, thus reducing the risk of a wood supply shortage. There are approximately 225,000 hectares of land (52% owned and 48% leased), of which approximately 60% is located in the state of São Paulo, 30% in the Minas Triangle, and 10% in Rio Grande do Sul, with an average logging distance of 80 km to the plants. This situation provides Duratex with a cost of wood that is much lower than its competitors.



The high degree of productivity is due to the planting of selected saplings, which are produced internally by the Company. As a result of the expansion projects underway, annual sapling production has reached 28 million, an increase of 17% compared to 2009.

The forestry areas of Lençóis Paulista, Botucatu, Itapetininga and Agudos (SP) and Uberlândia (MG) carry Certification for Good Forestry Management awarded by the Forest Stewardship Council – FSC Brasil, an internationally recognised organisation, which attests to the fact that forestry management is carried out in accordance with the principles of conservation and sustainability.

The management of the forestry areas of Botucatu and the sapling production nursery carry ISO 14,001 environmental certification and all the industrial units carry ISO 9001 certification.

Products from the Wood Division are widely sold and accepted in all markets. Basic information is visibly printed on labels, packaging and presented through the services provided. During the year no cases of non-compliance were registered with respect to voluntary codes for the health and safety of clients and consumers, product labeling, services or complaints received referring to violation or loss of client data. For the moment no analysis of life cycle has been made of the Company's products. **PR1 | PR2 | PR3 | PR4**

Performance

The year 2010 saw the merger between Duratex and Satipel, on August 31, 2009, and the production ramp-up at two new panel plants inaugurated in the same year: MDP at Taquari (RS), MDF in Agudos (SP) and MDF in Uberaba (MG).

Amounts expressed in R$ '000, except where otherwise indicated

Duratex S,A, Wood Division	BEFORE ADJUSTMENTS TO IFRS 2010	2009 (1)	Var. (%)	AFTER ADJUSTMENTS TO IFRS 2010	2009 (2)	Var. (%)
Shipment (on m³)						
Standard	1,408,248	1,195,695	17.8%	1,408,248	910,443	54.7%
Coated	903,929	801,162	12.8%	903,929	588,748	53.5%
Total	2,312,177	1,996,857	15.8%	2,312,177	1,499,191	54.2%
Results						
Net revenue	1,830,285	1,487,621	23.0%	1,830,285	1,172,806	56.1%
Domestic market	1,755,189	1,389,451	26.3%	1,755,189	1,082,982	62.1%
Export markets	75,096	98,170	(23.5%)	75,096	89,824	-16.4%
Net revenue per unit (in R$ per m³ shipped)	791.59	744.98	6.3%	791.59	782.29	1.2%
Operating profit before financial result	445,577	164,766	170.4%	458,516	109,020	320.6%
Depreciation, amortisation and depletion	175,943	138,188	27.3%	331,921	203,487	63.1%
Change in fair value of biological asset	-	-	-	(183,765)	(96,853)	89.7%
Employee benefits	-	-	-	(7,325)	(1,791)	308.9%
EBITDA	621,520	302,954	104.8%	599,347	213,863	180.2%
Extraordinary events	(19,245)	115,706	-	(19,245)	96,606	-
Recurring EBITDA	602,275	418,660	43.7%	580,102	310,469	86.8%
Recurring EBITDA margin	32.9%	28.1%	-	31.7%	26.5%	-

(1) *Pro-forma* data before IFRS adjustments.

(2) After IFRS adjustments, figures contemplate 8 months (January to August) of Duratex and 4 months (September to December) of Satipel + Duratex.

According to Abipa (Brazilian Panel Industry Association), demand for panels increased by 21% compared to 2009, reaching approximately 6.2 million m^3 for the year, which represents an expansion of approximately 1.1 million m^3 in the period. This increase represents approximately 14% of the effective capacity of the industry and is equivalent to two new plants similar to those recently inaugurated by Duratex. The volume shipped by the Company totalled 2,312,000 m^3, which represents 37% of the market. Taking a pro-forma base criteria for 2009 (12 months of Duratex and Satipel) the increase in volume shipped amounted to 15.8%, taking the base of 1,997,000 m^3 shipped in that year.

Annual expansion in net revenue amounted to 56.1%, to R$1,830.3 million, on an accounting basis and 23.0% on a pro forma base of R$1,487.6 million. This level of growth, higher than the expansion in Volume Shipped, reflects the more favourable prices and sales mix in 2010, as a result of the good period being enjoyed in the market.

Sales abroad continue to suffer pressure from the unfavourable exchange rate, still affected by the crisis that began in 2008, which has severely affected the construction sector in more developed countries.

Operating result, as measured by EBITDA, saw a significant variation in the Wood division compared to the result before the IFRS adjustments, as a consequence of the combination of businesses (merger between Duratex and Satipel) and the market value of the biological asset (forestry). In addition to these changes, statutory participations, profit-sharing and the recognition of the value of the stock options granted to executives were all incorporated proportionally in the operating result, thus reducing EBITDA compared to the previous comparison base. With the objective of reflecting the cash generation of the business, and bringing it closer to the EBITDA previously reported, adjustments will be made in the calculation base to disregard, in addition to depreciation, amortisation and exhaustion, also the variation in the fair value of the biological assets and employee benefits of R$191.1 million in 2010 and R$98.6 million in 2009.

Under the IFRS standard, even disregarding this adjustment in the calculation, recurring EBITDA during 2010 practically doubled, to R$580.1 million, corresponding to an EBITDA margin of 31.7%. By way of comparison, recurring EBITDA in 2010, before adjustments, totalled R$602.3 million, with EBITDA margin of 32.9%. The difference in the current margins, which are lower than that under the previous format, is due to the recognition of statutory participations, profit-sharing and stock options booked at the operational line.

Highlights

Duratex continually invests in research and development of products and solutions to become increasingly competitive and innovative. To this end it maintains a team of trained employees that monitor global trends, developing and producing new products and patterns in the market that are in keeping with the desires of clients and consumers in the furniture and building segments.

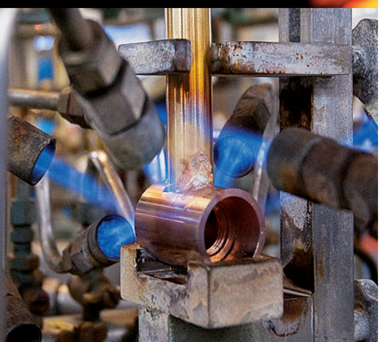
The planting of Duratex's forestry plantations is carried out using saplings produced at its own nursery, which are planted in previously prepared soil. This process is called "minimal cultivation". Harvesting is carried out six to seven years after planting. The year saw a high degree of movement in the forestry area, which is part of the strategy for the Wood Division's operations. The sapling nursery increased its production from 24 million to 28 million saplings. In addition to this, the sapling selection program, which has been going on for almost a quarter of a century at Duratex, has permitted the selection of material appropriate to the climactic conditions and the soil in the location of its plantations.

Forestry integration constitutes a major competitive advantage, because it guarantees near self-sufficiency in the supply of wood. In addition to the supply of its own wood, the location of the forests, being close to the production plants, which in turn are close to the main consumer markets, provides the Company with a cost differential, as a consequence of more efficient logistics. The purchase at auction of eight farms, in July 2010, added to the others in the interior of São Paulo and Reforestry base in Minas Gerais guarantees a surplus would supply in these regions, which provides the condition for future expansion to panel production capacity. Only the unit located in Taquari (RS) has a greater dependence on the supply of wood from third parties.

In this regard, the extremely privileged location of the farms, with respect to the industrial assets, and the high level of productivity, results in a wood supply cost that is extremely competitive, making Duratex a benchmark in its operational segment. Another important step taken in the direction of guaranteeing the Company's cost differential, was the verticalization of the resin process. At the end of the 1st half of 2010 a resin factory was inaugurated in Agudos (SP), which supplies resin to the panel factories located in the state of São Paulo.

This is an important input used in the production of panels and this plant should be at full production capacity by the 2nd half of 2011, which will result in gains in the scale. The production of its own resin is of strategic importance in Duratex's verticalization process, because it constitutes a significant share of approximately 15% of the final panel cost. The fact that the plant is integrated to the panel production operation permits the manufacture of the resin appropriate to the process, the manufacturing equipment and the panel produced. The challenge for Duratex is to research and develop, over the next few years, resins with technology that is more adapted to the raw materials and the processes, with a low consumption and cost, with increased panel quality.

This resin unit is located close to the plant at Agudos, which has the largest MDF production line in the world, with an annual pressing capacity of 800,000 m^3. In parallel to this, at this unit a new low pressure coating line was installed. While a second production line for laminated flooring is also at the implementation stage, which provide for added value to the panels.



The merger with Satipel has enabled there to be gains made in production scale and geographical diversification, with plants located in the state of São Paulo, Uberaba (MG) and Taquari (RS), as well as in the fact that the production lines of the two companies complement one another. Thanks to this aspect, the Company is now the largest producer of industrialised wood panels in the southern hemisphere.

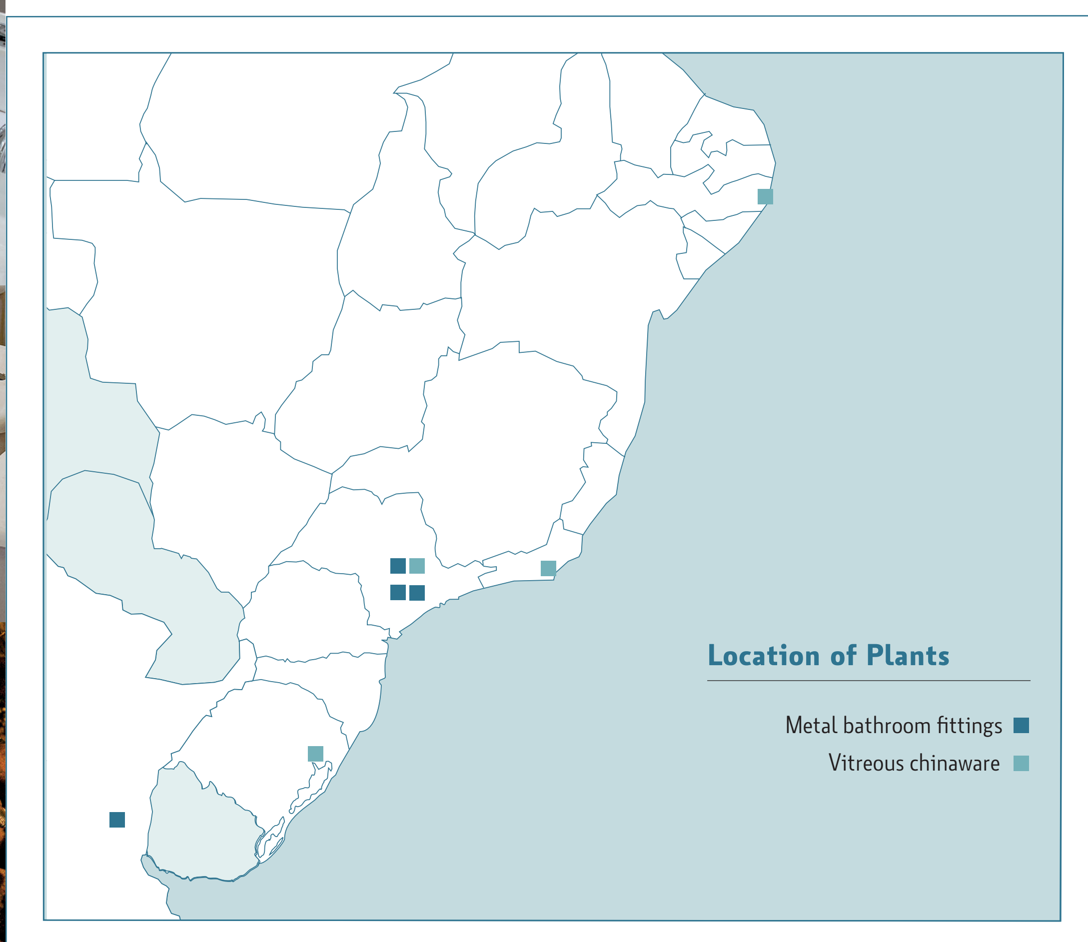
DECA DIVISION

This Division is responsible for the manufacture of metal bathroom fittings, vitreous chinaware and accessories, sold in Brazil and exported to more than 30 countries under the Deca and Hydra brand names, which are outstanding for their extensive product lines, contemporary design and superior quality. The Company is the leader in the Brazilian market for metal bathroom fittings, a position which will be also occupied in the vitreous chinaware segment once the ongoing investments are complete, at which time the Company will reach a market share of approximately 40%, in addition to featuring among the top 10 players in this segment in the world.

Deca operates throughout the national market through a retail network, fulfilling demand for economy products up to the more sophisticated retail products, for consumers that seek products with a higher element of design and sophistication, with quality being the universal aspect of its lines. For new constructions, Deca has a management division dedicated to providing a differentiated service to construction companies.

The operation is distributed in the form of two units for the manufacture of metal bathroom fittings, in São Paulo and Jundiaí (SP), in addition to the unit in Argentina (Deca Piazza), and five in the vitreous chinaware segment: two in Jundiaí, one in São Leopoldo (RS), one in Cabo de Santo Agostinho (PE) and one in Queimados (RJ).

From 2011, the Company will also have a unit in João Pessoa (PB), called Deca Nordeste Louças Sanitárias, the Duratex having announced its intention to acquire this company in November 2010. The Division had an annual production capacity at the end of 2010, of 24.2 million pieces, being 17.0 million in metal and 7.2 million in vitreous china. This



capacity at the end of 2011 will have increased to 29.9 million pieces a year. The Company maintains national sales coverage and an extensive after sales network spread throughout the country, with the retail sector being its most important distribution channel.

The Sanitary Ceramics units, in São Leopoldo (RS), as well as the metal bathroom fittings units in São Paulo for basic valves and Planidil metal, for Hydra valves, carry ISO 9000 certification.

The products of the Deca Division are widely accepted in all markets, without any restrictions on their sale. The relevant information is disclosed in a transparent manner on the labels and packaging, and through the services offered. No cases were identified in 2010 of non-compliance with voluntary codes related to the health and safety of clients and consumers with regard to the labelling of the Company's products and services, or complaints related to the violation of privacy or loss of customer data. The products of the Deca division have not yet been subjected to an analysis of life cycle . **PR1 | PR2 | PR3 | PR4**

Performance

Deca's performance, during the year, was very positive. The buoyant period in the construction sector had a widely beneficial effect on the business environment, enabling this division to operate at a high capacity utilization rate in 2010, benefiting substantially from economies of scale. In that period, there was a 9.3% increase in volume shipped, and a 20.4% rise in net revenue, resulting from a more favourable sales mix, and an increase in net revenue per unit of 10.2%. By way of comparison, the Abramat index (Brazilian Construction Materials Association), which indicates the performance of sales in the construction materials industry, showed an increase of 12.4% in 2010, with Deca thus outperforming the sector as a whole.

Amounts expressed in R$ '000. except where otherwise indicated

Duratex S,A,Deca Division	BEFORE ADJUSTMENTS TO IFRS 2010	2009	Var. (%)	AFTER ADJUSTMENTS TO IFRS 2010	2009	Var. (%)
Shipments (thousands of pieces)						
Basic	7,965	7,326	8.7%	7,965	7,326	8.7%
Finished	13,673	12,475	9.6%	13,673	12,475	9.6%
Total	21,638	19,801	9.3%	21,638	19,801	9.3%
Results						
Net revenue	911,525	757,244	20.4%	911,525	757,244	20.4%
Domestic market	873,880	723,683	20.8%	873,880	723,683	20.8%
Export market	37,645	33,561	11.2%	37,645	33,561	11.2%
Net revenue per unit (in R$ per m^3 shipped)	42.13	38.24	10.2%	42.13	38.24	10.2%
Operating result before financial results	273,908	164,031	67.0%	257,039	149,854	71.5%
Depreciation and Amortisation	40,254	35,630	18.0%	40,254	35,630	13.0%
Employee benefits	-	-	-	(3,638)	(1,161)	213.4%
EBITDA	314,162	199,661	57.3%	293,655	184,323	59.3%
Extraordinary events	(23,203)	-	-	(23,203)	-	-
Recurring EBITDA	290,959	199,661	45.7%	270,452	184,323	46.7%
Recurring EBITDA margin	31.9%	26.4%	-	29.7%	24.3%	-

The recurring result for the year, as measured by EBITDA, under both sets of accounting standards, saw a strong nominal expansion of more than 46%. Recurring EBITDA for the year, after IFRS adjustments, amounted to R$ 270.5 million, the equivalent to EBITDA margin of 29.7%, compared to 24.3% in 2009. In the previous report, before IFRS adjustments, and as a comparison base, EBITDA amounted to R$ 290.9 million, with EBITDA margin of 31.9%, discounting extraordinary events. The basic difference is due to the proportional recognition of statutory participations, profit-sharing and the recognising of stock options granted, previously booked below the operational line.

It is estimated that the construction market is divided the remodelling segment, with 60%, and new constructions, with 40%. The natural delay in sales to the remodelling segment, estimated at between 6 and 12 months, and for new constructions, estimated at between 18 and 24 months, provides more stability to the Division's results.

Highlights EN26 | EN27 (partially met)

The expansion of the unit at Pernambuco (Cabo de Santo Agostinho), whose completion is scheduled for the beginning of 2011, will increase the production capacity of the plant by 800,000 pieces/year. The expansion project and start-up of the unit at Queimados (RJ), scheduled for the beginning of 2012 and the purchase of Elizabeth Louças Sanitárias were the main highlights of the year.

During 2010, the Deca Division invested R$7.3 million in research and development, focusing on the preservation of resources, in production processes with raw materials, packaging and water saving. 150 new products were launched in the market, and the strategy has been to add a further two new attributes to the brand, in addition to the ones already known, of design, quality and aspiration. Innovation and sustainability and value to the portfolio of products with the Quadra and DK lines, for the export market, and in the metal bath and fitting segment, the Polo, Link and Quadratta lines, and the Disco and Clean accessories.

One of Deca's differentials is the wide projection of its brand. It has a mix of products that is extensive and varied, attending to all segments of the market, from the economic to the most sophisticated. Independent of segment, there are solutions that provide greater efficiency in the consumption of water, under the Rational Water Use Program, which includes 170 items in production, and which, from 2011, will be grouped under the new brand name: ech2o. The technology used in these products ensures water saving with sophistication and comfort, in addition to contributing to the preservation of environment.

Of particular note, therefore, are the launches in 2011, of products that combine aspects related to innovation, technology, comfort, sustainability and

design. The mix of products includes: a shower with a remote-control which allows the programming of water temperature and flow preferences. Sub-products, such as aerators, which provide water saving, or ecological showers, which use up to 6 litres of water a minute, through the use of air injection technology, which provides a different sensation when taking a shower. Another product launch will be a shower that transforms positive ions into negative ions, providing a sensation of relaxation. Equipped with a filter to avoid blockages, it eliminates 90% of the chlorine from the water.

The process was also begun of revamping the Deca's 300 authorised service outlets, which includes the remodelling and modernisation of these installations. The Division also expanded its network of service outlets, to increase its brand presence in more locations in Brazil. The intention is to increase the number of outlets by between 20% and 25%.

A digital marketing area was created, for the application of relationship strategies through social networks, internet, and digital communication, with the objective of interacting with consumers.

The Deca Division is structured to meet the new requirements of National Solid Residue Policy, sanctioned in 2010. Even so, consumers of Deca's line of metal bathroom products are provided with orientation as to the correct disposal of packaging, which receives identification of recyclable material.

Ibase+NBCT-15 social balance sheet

1 – Calculation Base				2010 – R$ '000				2009 – R$ '000
Net revenue (RL)				2,741,810				1,930,050
Operating results (RO)				715,555				258,874
Gross payroll (FPB)				325,553				293,804
Total value added (VAT)				1,571,236				1,023,504
2 – Internal Social Indicators	R$ '000	% of FPB	% of RL	% of VAT	R$ '000	% of FPB	% of RL FPB	% of VAT
Food	15,658	4.81	0.57	1.00	15,307	5.21	0.79	1.50
Compulsory social charges	165,911	50.96	6.05	10.56	146,672	49.92	7.60	14.33
Private pension	4,978	1.53	0.18	0.32	4,565	1.55	0.24	0.45
Health	16,217	4.98	0.59	1.03	16,599	5.65	0.86	1.62
Occupational health and safety	9,538	2.93	0.35	0.61	8,849	3.01	0.46	0.86
Education	237	0.07	0.00	0.02	178	0.06	0.00	0.02
Culture	56	0.02	0.00	0.00	-	-	-	-
Professional training and development	1,142	0.35	0.04	0.07	795	0.27	0.04	0.08
Nursery or day-care assistance	35	0.01	0.00	0.00	27	0.00	0.00	0.00
Sport	113	0.03	0.00	0.00	-	-	-	-
Profit-sharing	20,992	6.45	0.77	1.34	26,746	9.10	1.39	2.61
Transport	10,696	3.29	0.39	0.68	7,887	2.68	0.41	0.77
Others	1,648	0.51	0.06	0.10	1,385	0.47	0.07	0.14
Total – External Social Indicators	**247,221**	**75.94**	**9.02**	**15.73**	**229,010**	**77.95**	**11.87**	**22.38**
3 – External Social Indicators	R$ '000	% of RO	% of RL	% of VAT	R$ '000	% of RO	% of RL FPB	% of VAT
Education	315	0.04	0.01	0.02	673	0.26	0.03	0.07
Culture	19	0.00	0.00	0.00	982	0.38	0.05	0.10
Health and sanitation	0	0.00	0.00	0.00	0	0.00	0.00	0.00
Sport	5	0.00	0.00	0.00	150	0.06	0.00	0.01
Others	48	0.00	0.00	0.00	756	0.29	0.04	0.07
Total contributions to society	**387**	**0.05**	**0.01**	**0.02**	**2,561**	**0.99**	**0.13**	**0.25**
Total – External social indicators	**387**	**0.05**	**0.01**	**0.02**	**2,561**	**0.99**	**0.13**	**0.25**
4 – Environmental Indicators	R$ '000	% of RO	% of RL	% of VAT	R$ '000	% of RO	% of RL FPB	% of VAT
4.1 – Investments related to the production/operation of the Company								
Environmental contingencies and liabilities	149	0.02	0.00	0.00	19	0.00	0.00	0.00
Environmental education	7	0.00	0.00	0.00	1	0.00	0.00	0.00
Others	17,567	2.46	0.64	1.12	10,586	4.09	0.55	1.03

Total investment related to the operation/production of the Company	**17,723**	**2.48**	**0.65**	**1.13**	**10,606**	**4.10**	**0.55**	**1.04**
4.2 – Investment in external programs and/or projects								
Environmental education community projects	301	0.04	0.01	0.02	478	0.18	0.02	0.05
Preservation and/or revitalisation of degraded environments	1,020	0.14	0.04	0.06	-	-	-	-
Total investments in external programs and/or projects	**1,321**	**0.18**	**0.05**	**0.08**	**478**	**0.18**	**0.02**	**0.05**
Total investments in the environment (4.1 + 4.2)	**19,044**	**2.66**	**0.69**	**1.21**	**11,084**	**4.28**	**0.57**	**1.08**

Distribution of investments in the environment	R$ '000	% of total	R$ '000	% of total
Total investment in preventative environmental measures	7,953	41.76	4,420	39.88
Total investment in environmental maintenance initiatives	9,922	52.10	6,645	21.96
Total investment in environmental compensation initiatives	1,169	6.14	19	0.06
Quantity of environmental, administrative and judicial cases brought against the entity:		1		1
Value of fines and compensation payments related to environmental matters, ruled either administratively or legally		149,556		19,270
With regard to the establishment of annual targets for the minimising of residues,, the consumption in general in production/ operations to increase efficiency in the use of natural resources, the Company :		( ) does not have targets (X) fulfilled 51 to 75% ( ) fulfilled 0 to 50% ( ) fulfilled 76 to 100%		( ) does not have targets (X) fulfilled 51 to 75% ( ) fulfilled 0 to 50% ( ) fulfilled 76 to 100%

5 – Workforce Indicators	2010 at units	2009 at units
Number of employees at the end of the period	9,368	8,681
Number of employees joining the company during the period	2,333	1,581
Number of employees leaving during the period	1,646	1,841
Number of outsourced workers	1,682	1,428
Number of student trainees	148	113
Number of employees over 45 years old	1,330	1,242

No. of employees by age group:		
Less than 18	17	36
Between 18 and 35	5,772	5,267
Between 36 and 45	2,249	2,136
Between 46 and 60	1,286	1,207
Over 60	44	35
No. of employees with by level of schooling:		
Illiterate	0	0
With elementary education	2,508	2,405
With high school education	5,171	4,693
With higher education	1,447	1,352
Postgraduate	242	231
No. of women who work at the company	927	826
% of supervisory positions occupied by women	14.9%	14.2%
No. of men who work at the Company	8,441	7,855
% of supervisory positions occupied by men	92.9%	92.5%
No. of Blackswho work at the company	1,904	1,721
% of supervisory positions occupied by Blacks	2.5%	2.7%
No. of disabled persons or those with special needs	272	268
Gross remuneration segregated by:		
Employees	275,193	264,869
Managers	9,837	11,902
Difference between the minimum salary paid and the national or regional minimum salary		
Difference between the lowest salary paid by the company and the minimum salary	4.39%	4.12%
Source	Payroll/National	Payroll/National

6 – Significant information with regard to the exercising of Corporate Citizenship	2010	2009
Ratio between the highest and lowest remuneration at the company	86.11	79.28
Total number of accidents in the workplace	372	224
Social and environmental projects developed by the company were defined by:	( ) directors (X) directors and management ( ) all employees	( ) directors (X) directors and management ( ) all employees
Standards of safety and hygiene in the work environment, were defined by:	( ) directors and management ( ) all employees (X) everybody + CIPA	( ) directors and management ( ) all employees (X) everybody + CIPA

6 – Significance with regard to the exercising Corporate Citizenship		2010		2009
With regard to freedom to join a union, the right of collective wage bargaining and the internal representation of workers, the company:		( ) is not involved (X) follows the norms of the OIT ( ) encourages and follows the OIT		( ) is not involved (X) follows the norms of the OIT ( ) encourages and follows the OIT
Private pension arrangements include:		( ) directors ( ) directors and management (X) all employees		( ) directors ( ) directors and management (X) all employees
Employee profit-sharing includes:		( ) directors ( ) directors and management (X) all employees		( ) directors ( ) directors and management (X) all employees
In the selection of suppliers, the same standards of ethics, and social and environmental responsibility adopted by the Company are:		( ) are not considered (X) are suggested ( ) are required		( ) are not considered (X) are suggested ( ) are required
With regard to the participation of employees in voluntary work programs, the Company:		( ) not involved ( ) supports (X) organises and encourages		( ) not involved ( ) supports (X) organises and encourages
Total number of consumer complaints and criticisms:		at the company 0 at Procon 21 in court 50		at the company 0 at Procon 43 in court 46
% of complaints and criticisms attended to or resolved:		at the company 0 at Procon 24% in court 16%		at the company 0 at Procon 30% in court 28%
Number of fines and client compensations, determined by consumer protection bodies or the courts:		at Procon 1239 in court 36.891		at Procon 500 in court 29.534
Number of labour processes:				
Brought against the entity		400		227
Considered to have grounds		87		132
Considered to be groundless		150		63
Total value of fines and compensation payments paid as a result of court rulings:		2,920,754		1,890,460
Total value added distributed (in R$'000):		1,571,236		1,023,504
Distribution of value added:	in R$'000	% of total	in R$'000	% of total
Government	522,998	33.29	384,904	37.61
Employees	430,734	27.41	367,622	35.92
Shareholders	155,039	9.87	68,804	6.72
Third parties	150,257	9.56	89,891	8.78
Retained	312,208	19.87	112,283	10.97
7 – Other Information				

management report and financial statements

DURATEX

SCENARIO AND MARKET

The significant economic growth expectation for 2010 is being confirmed. The Focus report of December 31, 2010, prepared by the Central Bank, indicates an expansion of GDP equivalent to 7.6% over 2009, offsetting the poor performance of the economy at that year. The good momentum has being helped by the financing terms offered and the credit availability, with an increase of approximately 20% over 2009, reaching R$1.7 trillion. It was also helped by the income expansion, due to real increases in wages and creation of new jobs, which led to the unemployment rate to finish the year at 5.3%, one of the lowest level on records, according to IBGE data.

As a result from the pace of economic expansion, there were inflationary pressures arising mainly on food, services, and commodities from the second half of the year. This situation motivated the Central Bank to use measures to contain the activity level, and thus, reduce such pressures. Therefore, there was an increase of compulsory reserves on term deposits as a way to reduce liquidity in the market, and increasing the interest rate at 0.50% on the first meeting in January 2011, raising the annual rate to 11.25%. The adoption of a more cautious speech, by the monetary authority, suggests that this move will be followed by further measures in order to keep inflation under control.

On the external front, there is still strong discomfort with the fiscal situation of some countries in the European Community, especially after Greece and Ireland seek support from the IMF and European Central Bank. The measures to contain the financial crisis impacted the uncertainty level, causing a slower recovery of economic activities in these countries. Moreover, relevant European economies, such as Spain, Portugal, and Italy continue to be under speculative attack on their solvency ability.

In this scenario, Brazil stands out from the developed economies and continues to contribute to attract foreign capital. Throughout the year, Foreign Direct Investment totaled US$48.5 billion and net international reserves totaled Us$288.6 billion, 20.7% higher than at the end of 2009, according to Central Bank data. The capital attraction causes currency exchange pressure, maintaining the Real stronger against Dollar, whose price ended the year at R$1.6662 per Dollar, compared to R$1.7412 at the end of 2009.

DURATEX 60 YEARS

In 2011, Duratex completes 60 years of its establishment. It was born from the vision of two great entrepreneurs, Alfredo Egydio de Souza Aranha and Eudoro Villela, who decided to introduce into Brazil the new process for manufacturing hardboard panels, which were made from wood processing, originated in the reforestation activity. Over the years, the company maintained the aura of their entrepreneurial founders. Diversified itself by incorporating the operations of Deca in 1972, and later on via acquisition of Agudos, Itapetininga units – SP, and Gravataí – RS, it joint the particle board panels business.

The entrepreneurial characteristic of its founders still remains in Duratex's culture. As an example, the company introduced the medium-density panels in Brazil in 1997, known as MDF (Medium Density Fiberboard), and on following year, introduced the laminate flooring and vitreous china manufactured by new technology in the country, known as fireclay, which allowed great developments in the segment through variety of design.

The company reaches 60 years not only as a leader in the manufactured wood panels, metals fittings, and vitreous china segments in Brazil, and the Southern Hemisphere, but also rejuvenated. Its assets have a low average age, and the company uses the latest technology. It has an integrated model of wood supply and resin manufacturing, used in most processes of panels. The association with Satipel, occurred in 2009, ensured significant geographic diversification with gains in logistics, besides of human capital. In February 2011, in the celebration year, the company acquires another operation in the vitreous china segment, in João Pessoa – PB, strengthening its presence in the northeast market, and approaching even more to their customers in that region.

From the corporate governance point of view, Duratex's history was based by the proximity to the capital market. It was established as a public company with shares listed on the stock exchange. The company has improved, and nowadays its shares are listed on the Novo Mercado differentiated segment, which includes those shares of companies that spontaneously agreed to adhere to a set of principles that contribute to the improvement of corporate governance.

The social and environmental responsibility has not been set-aside over the years. It was the first Latin American Company to have its forests certified under the Green Seal. It is signatory to the Global Compact of the United Nations Organization (UNO), and develop actions aimed to issues of Human Rights, Labor Rights, Environmental Protection, and Corruption Combat. It is the founding member of the Green Building Council Brazil, an organization dedicated to promote the construction-sustained activity. The company produces inventory of carbon emissions and contributed to the elaboration of the Carbon Efficient Index from BM&FBovespa. The permanent preservation areas on its farms are places where academic studies attest the balance of forestry with the local flora and fauna.

In overall, this work ensures that the company is positioned to benefit with the economic growing momentum in a sustainable way, and to create value along the supply chain.

STRATEGIC MANAGEMENT

Responsive to market opportunities, Duratex maintains ongoing significant investment aimed at expanding capacity in its acting segments. In Deca Division, metals and vitreous china are inserted into a program for the adequacy of the supply capacity to the growing demand linked, due to a favorable construction scenario. In metal fittings, capacity is expected to increase by 15,2% over existing capacity, representing 18,2 million items per year, between 2010 and 2011. In sanitary ware, investments targeted to units of Cabo de Santo Agostinho – PE and Queimados – RJ are planned to raise the capacity to 11.7 million pieces per year (+63% compared to the earlier period). These projects are to be completed during the first quarter of 2011 and 2012 respectively.

In the Wood Division, the investments are aimed at a new line of laminate flooring and coating. Focusing on the future capacity expansions, and maintenance of the integrated model of timber supply, the company is planning to increase its land and forest plantations in the coming years. Thus, in 2010, 8,671 hectares of land with planted forests were purchased in the state of Sao Paulo. Given the economies of scale in the production of panels, in April 2010 was completed the equipment assembly and the start-up of a unit for the manufacture of resins. This unit allows for 65% self-sufficiency in the supply of such raw material.

At the corporate level, the process of deploying a new IT infrastructure based on SAP platform was completed. The migration of the database and its integrity tests was held successfully in July.

CONSOLIDATED PERFORMANCE

Financial statement made available today, with the CVM and BM&FBovespa, includes the international reporting standard IFRS (International Financial Reporting Standards) in accordance with instructions CVM457/07 and CVM485/10.

As the adjustments arising from IFRS adoption impacted significantly the Company's financial statements, and with the goal of making a transparent transition within the best practices, we will be presenting the financial highlights before and after adjustments, for better comparability.

Before IFRS Adjustments (in R$ '000, unless otherwise indicated)	4Q10	3Q10	4Q09	jan-dec/10	jan-dec/09*
Balance Sheet					
Total Assets	5,011,224	4,821,099	4,335,941	5,011,224	4,335,941
Stockholders Equity	2,623,453	2,544,140	2,331,106	2,623,453	2,331,106
Income Statement					
Net Revenue	719,616	703,312	620,538	2,741,810	2,244,864
Gross Profit	290,577	281,331	220,328	1,079,264	781,138
Gross Margin	40.4%	40.0%	35.5%	39.4%	34.8%
EBITDA (1)	269,404	245,431	189,176	935,679	502,615
EBITDA Margin	37.4%	34.9%	30.5%	34.1%	22.4%
Net Income	131,186	118,384	88,687	442,064	191,400
Net Margin	18.2%	16.8%	14.3%	16.1%	8.5%
Indicators					
Current liquidity (2)	2.0	1.96	1.37	2.0	1.37
Net Debt (3)	978,244	1,046,643	1,107,959	978,244	1,107,959
Net Debt/EBITDA	0.91	1.07	1.46	1.05	2.20
Average Equity	2,583,797	2,499,464	2,302,481	2,467,183	2,269,417
ROE (4)	20.3%	18.9%	15.4%	17.9%	8.4%

* Proforma.

(1) EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization): measurement of operational performance provided by Earnings before Interest, Taxes, Depreciation and Amortization (LAJIDA).
(2) Current liquidity: result from the division of current assets by current liabilities and reflects the amount of reais available to face the short-term requirements.
(3) Net Indebtedness: Total Financial Debts (–) Cash.
(4) ROE (Return on Equity): performance measurement provided by the division of Net Income for the period annualized by average Net Equity.

MAJOR CHANGES DUE TO THE IFRS ADOPTION

The main changes in the financial statements based on previous and the current standard are related to:

Business Combination: In this item, the main difference was due to the association between Duratex Satipel. As approved at the Extraordinary General Meeting of August 31, 2009, the first was incorporated by the second through the exchange of shares, although the first was larger than the second.

The accounting standard CPC 15 (IFRS3), which deals with business combinations, requires identification of the accounting acquirer in a business combination. In this context, considering the agreement for the business governance agreed between the parties, the shareholders of the "old Duratex" now have the control of the combined business, for purposes of accounting standard. On August 31st, 2009 there was the formalization of the agreements, being that date considered as "acquisition date" for purposes of accounting recognition of the transaction.

Thus, there was the recognition of Duratex SA as the accounting acquirer under CPC 15/IFRS 3 terms (for details see Notes 2.2.1 (b) and 28 included on the Financial Statements).

Biological Assets: In December 31, 2010, Duratex had approximately 136.200 hectares of land, being all cultivated, mainly with eucalyptus, which is used as raw material at production of wood panels, flooring, and components, and in addition, for sale to third parties.

These forest reserves are recognized by its fair value, deducted by the estimated selling costs at harvest period. Gains or losses from the recognition of a biological asset at fair value, less sale costs, are recognized in the results. The appropriate depletion in the result is formed by the formation cost portion and the parcel concerning the difference in fair value.

The formations costs of these assets are recognized in the result as incurred, and are presented net of the effects of changes in fair value of biological assets in the income statement (see Note 2.13 and 13 of the Financial Statements).

Employee Benefits: There was recognition of existing credit in the Fundo Programa Previdencial of Fundação Itaúsa Industrial. This credit has its origin in the participant's choices in withdrawing money or early retirement (Note 26 of Financial Statements).

Reclassification: Bonuses and bylaw participation, before classified as profit distribution, were reclassified to operating expenses and costs, as appropriate, thus impacting EBITDA.

Following the reconciliation tables of Total Assets and Equity, for the indicated periods, in the previously accounting standard and adjustments to the current standard:

Total Asset (in R$´000)	12.31.2010	09.30.2010	12.31.2009
Previous accounting standard	**5,011,224**	**4,821,099**	**4,335,942**
Business Combination	757,805	763,790	780,856
Biological Assets	332,164	329,614	280,572
Employee Benefits	66,802	64,061	55,838
Others Adjusts	2,874	(8,472)	13,320
After IFRS adjustment	**6,170,869**	**5,970,092**	**5,466,528**
Variation	**1,159,645**	**1,148,993**	**1,130,586**

Equity (em R$´000)	12.31.2010	09.30.2010	12.31.2009
Previous accounting standard	**2,623,453**	**2,544,140**	**2,331,106**
Business Combination	556,242	560,192	571,456
Biological Assets	219,228	217,545	185,177
Employee Benefits	44,089	42,280	36,853
Others Adjusts	9,516	37,111	17,308
After IFRS adjustment	**3,452,528**	**3,401,268**	**3,141,900**
Variation	**829,075**	**857,128**	**810,794**

The following analysis includes consolidated data with the IFRS adjustments. The Quarterly reports for the periods from January to March, April to June and July to September, 2010 and 2009, in the new accounting standard, will be resubmitted to the CVM in due time. Any analysis of such periods, included herein, intend to allow greater comparability between periods, within the best practices of governance and transparency.

After IFRS adjustments (in R$ '000, unless otherwise indicated)	4Q10	3Q10	4Q09	Jan-Dec/10	Jan-Dec/09.
BALANCE SHEET					
Cash	616,549	452,899	300,924	616,549	300,924
Current assets	1,676,028	1,493,094	1,164,874	1,676,028	1,164,874
Total assets	6,170,867	5,970,092	5,466,527	6,170,867	5,466,527
Current liabilities	856,245	749,166	901,935	856,245	901,935
Total Financial Debt	1,593,962	1,500,800	1,419,075	1,593,962	1,419,075
Stockholders Equity	3,452,528	3,401,268	3,141,900	3,452,528	3,141,900
INCOME STATEMENT					
Net Revenue	719,616	703,312	620,538	2,741,810	1,930,050
Domestic Market	690,320	674,764	597,376	2,629,069	1,806,665
Foreign Market	29,296	28,548	23,162	112,741	123,385
Gross Profit	288,232	322,790	257,766	1,117,460	664,415
Gross Margin	40.0%	45.9%	41.5%	40.8%	34.4%
EBITDA	255,010	231,812	180,589	893,002	398,186
EBITDA Margin	35.4%	33.0%	29.1%	32.6%	20.6%
Net Income	143,452	152,437	114,789	467,247	181,087
Net Margin	19.9%	21.7%	18.5%	17.0%	9.4%
INDICATORS					
Current ratio	1.96	1.99	1.29	1.96	1.29
Net Debt	977,413	1,047,901	1,118,151	977,413	1,118,151
Net Debt/EBITDA	0.96	1.13	1.55	1.09	2.81
Average Equity	3,426,899	3,355,646	3,103,218	3,355,646	2,521,034
ROE	16.7%	18.2%	14.8%	13.9%	7.2%
SHARES					
Earnings per share (R$)	0.31	0.33	0.25	1.02	0.47
Closing Price (R$)	17.85	18.35	16.20	17.85	16.20
Book Value per Share (R$)	7.53	7.51	6.94	7.53	6.94
Market Value (R$1.000) (1)	8,172,411	8,402,099	7,417,973	8,172,411	7,417,973

* According to CPC15: includes 12 months of "old" Duratex and the period from September to December of Satipel.

(1) The Market Value was calculated by multiplying the share price by the numbers of shares, net of the treasury shares in the periods.

Extraordinary events that affected the results (not included in the table above):

• 3rd quarter of 2010: EBITDA and Net Income were both benefited due to recovery of allowance for doubtful accounts and sales of assets by (+) R$6.004 thousand and (+) R$3.962 thousand, respectively.

• 4th quarter of 2010: as a result of lawsuit upheld, already judged, related to PIS under the Supplementary Law No. 7/70, the Company benefited from the compensation values for the amounts established in accordance with legal procedures, which resulted in a credit of (+) R$36,444 thousand in EBITDA, equivalent to (+) R$23,855 thousand in net income (see Note 16 of Financial Statements under PIS semiannually).

• 3rd quarter of 2009: due to the merger between Duratex and Satipel, the lines of Cost of Goods Sold, EBITDA, and Net Income include the following non-recurrent values: (-) R$4,689 thousand, (-) R$96,716 thousand, and (-) R$67,465 thousand, respectively, in the previous standard before IFRS adjustments. After IFRS adjustment, the impact became (-) R$77,616 million (EBITDA) and (-) R$54,859 thousand (Net Income), keeping the COGS adjustment unchanged. The difference was made by the recognition of contingencies against equity.

• 2009: In addition to events concerning the association between Duratex and Satipel, there were extraordinary events during the 1st and 2nd quarters regarding the deactivation of the Jundiaí – SP hardboard unit, write off of equipment in Taquari – RS, early derivatives liquidation and start-up process of the MDF plant in Uberaba – MG. In total, these events accounted for (-) R$17,078 thousand in the COGS, (-) R$18,990 million in EBITDA and (-) R$17,018 thousand Net Income.

EBITDA

BEFORE ADJUSTMENTS TO IFRS

EBITDA for the 4Q totaled R$233,0 million with margin of 32.4%. The retraction of margin verified in the fourth quarter reflects lower volumes, considered normal given the business seasonality, besides labor cost pressures, due to wages adjustments, and increase in some operating expenses (Selling, General, and Administrative Expenses). For the year, EBITDA totaled R$893,2 million, equivalent to a margin of 32.6%, representing strong growth over the 27.5% margin in 2009.

Before IFRS adjustments R$´000	4Q10	3Q10	%	4Q09	%	Jan-Dec/10	Jan-Dec/09.	%
EBITDA	**269,404**	**245,431**	**9.8**	**189,176**	**42.2**	**935,681**	**502,615**	**86.2**
EBITDA Margin	**37.4%**	**34.9%**	**-**	**30.5%**	**-**	**34.1%**	**22.4%**	**-**
Extraordinary Events	(36,444)	(6,004)	-	-	-	(42,448)	115,706	-
EBITDA Recurrent	**232,960**	**239,427**	**-2.7**	**189,176**	**22.9**	**893,233**	**618,321**	**44.5**
Recurrent EBITDA Margin	**32.4%**	**34.0%**	**-**	**30.5%**	**-**	**32.6%**	**27.5%**	**-**

** Pro forma.*

AFTER ADJUSTMENTS TO IFRS

The company's operational results, measured by EBITDA, experienced great changes with the advent of the new accounting methodology. The main differences are related to biological assets, employee benefits, and the reclassification of accounts, previously located below the operational line, relocated to operation results: Employee Interest and Profit Sharing Plan – Law 10.101/00.

In order to provide greater transparency in the EBITDA calculation, we provide a recurrent table below, where the non-cash events tied to Biological Assets are disregarded, whose variation, due to changes in wood prices, consumption, and productivity, among others, cause great volatility in the results, for the same reason that was disregarded, for calculating purposes, the Employee Benefit.

EBITDA for the 4Q totaled R$218,6 million with margin of 30.4%. The retraction of margin verified in the fourth quarter reflects lower volumes, considered normal as business seasonality, besides the labor cost pressures, due to wages adjustments, and increase in some operating expenses (Selling, General, and Administrative Expenses). In the year, EBITDA totaled R$850,6 million, equivalent to a margin of 31.0%, representing strong growth over the 25.6% margin in 2009.

After IFRS adjustments R$´000	4Q10	3Q10	%	4Q09	%	Jan-Dec/10	Jan-Dec/09.	%
Operational profit before Financial Results	**196,618**	**217,183**	**-9.5**	**162,279**	**21.2**	**715,555**	**258,874**	**176.4**
Depreciation/Amortization/Depletion	95,488	89,879	6.2	103,409	-7.7	372,175	239,117	55.6
Change in the Fair Value of Biological Assets	(34,354)	(72,509)	-52.6	(84,158)	-59.2	(183,765)	(96,853)	89.7
Employee Benefits	(2,742)	(2,741)	-	(941)	191.3	(10,963)	(2,952)	271.5
EBITDA	**255,010**	**231,812**	**10.0**	**180,589**	**41.2**	**893,002**	**398,186**	**124.3**
EBITDA Margin	**35.4%**	**33.0%**	**-**	**29.1%**	**-**	**32.6%**	**20.6%**	**-**
Extraordinary Events	(36,444)	(6,004)	-	-	-	(42,448)	96,606	-
EBITDA Recurrent	**218,566**	**225,808**	**-3.2**	**180,589**	**21.0**	**850,554**	**494,792**	**71.9**
Recurrent EBITDA Margin	**30.4%**	**32.1%**	**-**	**29.1%**	**-**	**31.0%**	**25.6%**	**-**

* includes 12 months of "old" Duratex and the period from September to December of Satipel.

OPERATIONS

Wood Division

The year 2010 was characterized by the consolidation of the association between Duratex and Satipel held in August 31, 2009, and by a ramp-up movement of new wood panels, which were commissioned during that same year: MDP in Taquari – RS, MDF in Agudos – SP and MDF in Uberaba – MG.

According to ABIPA (Brazilian Association of Panels), the demand for panels grew 21% over 2009, reaching approximately 6.2 million m^3 in the year, which corresponds a growth close to 1.1 million m^3 for period. This growth represents approximately 14% of carried capacity in the industry and is equivalent to two new plants similar to the ones Duratex brought to market. The Comapany'shipping volume totaled 2,312 thousand m^3, representing 37% of the market. Taking as a base criteria the pro forma 2009 (12 months and Duratex Satipel) data, shipped volume increased by 15.8%, over a base of 11,997 thousand m^3 in 2009.

Revenue expanded by 56.1% to R$1,830.2 million in accounting basis and 23.0% on a pro forma basis (R$1,487.6 million). This growth level, above shipments, reflects more favorable price and sales mix, in line with the market timing.

Revenues abroad remain pressured by unfavorable currency exchange rates and market condition by itself, still affected by the crisis triggered at the end of 2008, which impacted strongly the construction sector in developed markets.

Before IFRS Adjustments	4Q10	3Q10	%	4Q09	%	Jan-Dec/10	Jan-Dec/09.	%
Shipment (in m³)								
Standard	352,893	372,331	-5.2	351,107	0.1	1,408,248	1,195,695	17.8
Coated	216,330	217,788	-0.7	230,861	-6.3	903,929	801,162	12.8
Total	**569,223**	**590,119**	**-3.5**	**581,968**	**-2.2**	**2,312,177**	**1,996,857**	**15.8**
Financial Highlights (R$1,000)								
Net Revenue	**474,059**	**472,565**	**0.3**	**401,781**	**18.0**	**1,830,285**	**1,487,621**	**23.0**
DOMESTIC MARKET	453,964	453,824	-	387,523	17.1	1,755,189	1,389,451	26.3
FOREIGN MARKET	20,095	18,741	7.2	14,258	40.9	75,096	98,170	-23.5
Unit Net Revenue (in R$ per m³ shipped)	**832.82**	**800.80**	**4.0**	**690.38**	**20.6**	**791.59**	**744.98**	**6.3**
EBITDA	**177,287**	**163,792**	**6.2**	**123,399**	**40.7**	**621,519**	**302,954**	**104.8**
Extraordinary Events	(13,241)	(6,004)	-	-	-	(19,245)	115,706	-
Recurrent EBITDA	**164,046**	**157,788**	**1.9**	**123,399**	**30.0**	**602,274**	**418,660**	**43.7**
Recurrent EBITDA Margin	**34.6%**	**33.4%**	**-**	**30.7%**	**-**	**32.9%**	**28.1%**	**-**

** Pro forma.*

After IFRS Adjustments	4Q10	3Q10	%	4Q09	%	Jan-Dec/10	Jan-Dec/09,	%
Financial Highlights (R$1,000)								
Net Revenue	**474,059**	**472,565**	**0.3**	**401,781**	**18.0**	**1,830,285**	**1,172,806**	**56.1**
Unit Net Revenue (in R$ per m³ shipped)	**832.82**	**800.80**	**4.0**	**690.38**	**20.6**	**791.59**	**782.29**	**1.2**
Operational Profit before Financial Results	**119,901**	**150,018**	**-20.1**	**109,885**	**9.1**	**458,516**	**109,020**	**320.6**
Depreciation/Amortization/Depletion	84,717	79,887	6.0	93,430	-9.3	331,921	203,487	63.1
Change in the Fair Value of Biological Assets	(34,354)	(72,509)	-52.6	(84,158)	-59.2	(183,765)	(96,853)	89.7
Employee Benefits	(1,806)	(1,843)	-2.0	(610)	196.0	(7,325)	(1,791)	308.9
EBITDA	**168,458**	**155,553**	**8.3**	**118,547**	**42.1**	**599,347**	**213,863**	**180.2**
Extraordinary Events	(13,241)	(6,004)	-	-	-	(19,245)	96,606	-
Recurrent EBITDA	**155,217**	**149,549**	**3.8**	**118,547**	**30.9**	**580,102**	**310,469**	**86.8**
Recurrent EBITDA Margin	**32.7%**	**31.6%**	**-**	**29.5%**	**-**	**31.7%**	**26.5%**	**-**

* includes 12 months of "old" Duratex and the period from September to December of Satipel. The shipment, for the effect of Unit Net Revenue is of 1,499.191 m³.

Operating income, measured by EBITDA, presents wide variation in Wood Division with respect to past results, due to the adoption of new accounting standards and a reflection of the business combination (merger between Duratex and Satipel), as well as the market valuation of biological assets (forests). Besides these changes, bonuses, statutory recognition, and the value of stock options granted in favor of executives have been incorporated, proportionately, as operating expenses, thereby reducing the EBITDA for the previous base. With an objective to reflect the cash flow business, and estimate it in EBITDA presented above, an adjustment was made on the basis of calculation by disconsidering, besides depreciation and amortization, the change in fair value of biological assets and the benefit to employees. During the 4Q10 such adjustments accounted for (-) R$36.2 million and (-)R$191.1 million for the year.

The recurrent EBITDA for 2010 almost doubled, reaching R$580,1 million, with a margin of 31.7%, even after disconsidering such adjustments. During the quarter, this result totaled R$155,2 million, having the margin reached 32.7%. The non-recurring events impacting the result are the same as discussed before. As a comparison basis while results presented before, the IFRS change, EBITDA for 4Q10 would add to R$164,0 million (34.6% margin) and for the year R$602,3 million with 32.9% margin, already net of non-recurring events. The difference between margins pre and post IFRS adjustment is due to the recognition of profit sharing in the operating result.

Deca Division

Deca's performance over the year was very positive. The good momentum for the construction industry favored the business environment, allowing this division to operate with high industrial occupancy rates in 2010, benefiting itself from economies of scale. During this period, there was an expansion of 9.3% in volume shipped and 20.4% in Net Revenue, due to favorable sales mix and increased unitary revenue by 10.2%. As a comparison basis, the ABRAMAT Index, an indicator of sales performance in the building materials industry, expanded by 12.4%, thus, Deca overcome the sector performance.

When compared to the previous quarter, the 4Q10 Net Revenue increased 6.4% even though decreased slightly, a fact explained by the higher price base, due to the expansion of finishing products on sale mix.

Concerning the EBITDA, the basic difference between this new reporting format, after IFRS adjustments, and before, was given by the proportional at the operating profit line of values linked to profit bonuses and statutory participation, and the recognition of stock options, granted in favor of executives, beyond benefit adjustment to employees.

The recurrent result to the year, measured by EBITDA, in both accounting standards, showed strong nominal growth exceeding 46%. The EBITDA margin also increased strongly, with growth exceeding 500 basis points. The recurrent result during the year, after IFRS adjustments, totaled R$270.5 million, having a series of operational expenditures, aimed at promoting products, and increasing labor costs, mainly due to salary negotiation, concentrated at the last quarter. Thus, the result amounted to R$63.3 million with margin of 25.8%.

The previous reporting standard, before IFRS adjustments, and as a basis of comparison with reports made so far, EBITDA would add to R$72,3 million (margin of 29.4%) during 4Q10 and for the year R$290,9 million with a margin of 31.9%, net of extraordinary events.

Before IFRS Adjustments	4Q10	3Q10	%	4Q09	%	Jan-dec/10	Jan-dec/09	%
Shipment (In 1,000 Pieces)								
Basic	1,853	2,058	-10.0	2,022	-8.4	7,965	7,326	8.7
Finishing	3,560	3,471	2.6	3,455	3.0	13,673	12,475	9.6
Total	**5,413**	**5,529**	**-2.1**	**5,477**	**-1.2**	**21,638**	**19,801**	**9.3**
Financial Highlights (R$1,000)								
Net Trevenue	**245,557**	**230,747**	**6.4**	**218,757**	**12.3**	**911,525**	**757,243**	**20.4**
Domestic Market	236,356	220,940	6.9	209,853	12.6	873,880	723,682	20.8
Foreign Market	9,201	9,807	-4.5	8,904	3.8	37,645	33,561	11.2
Unit Net Revenue (in R$ per shipped piece)	**45.36**	**41.73**	**8.7**	**39.94**	**13.6**	**42.13**	**38.24**	**10.2**
EBITDA	**92,117**	**81,639**	**16.9**	**65,777**	**44.9**	**314,162**	**199,661**	**57.7**
Extraordinary Events	(23,203)	-	-	-	-	(23,203)	-	-
Recurrent EBITDA	**68,914**	**81,639**	**-11.5**	**65,777**	**9.7**	**290,959**	**199,661**	**46.1**
Recurrent EBITDA Margin	**28.1%**	**35.4%**	**-**	**30.1%**	**-**	**31.9%**	**26.4%**	**-**

After IFRS Adjustments	4T10	3T10	%	4T09	%	jan -dez/10	jan-dez/09	%
Financial Highlights (R$1,000)								
Net Revenue	**245,557**	**230,747**	**6.4**	**218,757**	**12.3**	**911,525**	**757,243**	**20.4**
Unit Net Revenue (in R$ per m³ shipped)	**45,36**	**41,73**	**8.7**	**39,94**	**13.6**	**42,13**	**38,24**	**10.2**
Operational Profit before Financial Results	**76,717**	**67,165**	**14.2**	**52,394**	**46.4**	**257,039**	**149,854**	**71.5**
Depreciation/Amortization/Depletion	10,771	9,992	7.8	9,979	7.9	40,254	35,630	13.0
Employee Benefits	(936)	(898)	4.2	(331)	182.8	(3,638)	(1,161)	213.4
EBITDA	**86,552**	**76,259**	**13.5**	**62,042**	**39.5**	**293,655**	**184,323**	**59.3**
Extraordinary Events	(23,203)	-	-	-	-	(23,203)	-	-
Recurrent EBITDA	**63,349**	**76,259**	**-16.9**	**62,042**	**2.1**	**270,452**	**184,323**	**46.7**
Recurrent EBITDA Margin	**25.8%**	**33.0%**	**-**	**28.4%**	**-**	**29.7%**	**24.3%**	**-**

ADDED VALUE

The total value added after the adjustment in the year of 2010 totaled R$1,571.2 million, an increase of 49.5% compared to the previous year. Of this amount, R$523.0 million was intended to federal, state, and municipal governments as taxes and contributions, representing 14.4% of revenues and 33.3% of total value added.

CAPEX

During the year, were invested R$459.6 million:

- acquisition of 8,671 hectares of land with planted forests in the state of São Paulo, which will contribute to the supply of further expansion in the region;
- Finalization of assembly works and start-up of the new resin plant located in Agudos – SP. This unit ensures 100% of resin supply for panels produced in the state of Sao Paulo, which represents approximately 65% of the total production capacity.
- acquisition and implementation of a new paper impregnating machine and a low pressure coating equipment for panels, which will allow the expansion in shipping capacity of value added products;
- acquisition and deployment of modern equipment aiming the production of laminate flooring;
- installment of a new kiln and peripheral equipment, aiming for the capacity expansion of vitreous china in the unit of Cabo de Santo Agostinho – PE;
- acquisition and implementation of a new electroplating equipment to expand the capacity of metal fittings products;
- conclusion of the implementation process of a new IT platform based on SAP system, which allows higher data integrity and flexibility expanding activities.

On February 4th, 2011 was completed the process to acquire all when quota of Elizabeth Louças Sanitárias, by signing the Final Sale Contract, for an amount of R$80 million. This company is located in Joao Pessoa – PB, which ensures significant additional capacity, estimated at 1.8 million items per year, 25% of increase when compared to current capacity, and increasing Deca's presence in a region with fast growth in construction activity. With this acquisition, the unit was renamed as: **DECA NORDESTE LOUÇAS SANITÁRIAS**.

CAPITAL MARKETS

Duratex market cap at the end of the year totaled R$8.,72.4 million, based on the final quotation of the share, R$17.85. This closing price represents a variation to the final quotation in the previous year, of 10.2%. As a comparison basis, the Bovespa Index (Bovespa), the market's main benchmark, presented an evolution of 1% over the same period.

During the year there were performed 573 thousand negotiations with the company's stock, in which were traded 297 million shares worth R$5,1 billion. This liquidity level ensured the share's presence in the Ibovespa Index portfolio, composed of approximately 60 stocks, which main inclusion criteria include aspects tied to stock liquidity.

ISE – Corporate Sustainability Index, another important market benchmark index, also have Duratex shares in the portfolio. This index is composed of approximately 40 stocks of companies that stood out in applying the international sustainability concept based on the Triple Bottom Line, which includes on an integrated fashion, social, environmental and economic-financial information, to which were incorporated practices related to corporate governance, characteristics of the business, product nature and climate change.

Duratex shares are listed on Novo Mercado of BM&FBovespa, a differentiated listing segment that includes those companies, which spontaneously, stand out in adopting the highest standards of corporate governance. Under the rules of Novo Mercado, the company is subject to arbitration at the BM&FBovespa Arbitration Chamber to solve any dispute or controversy that may arise between the company, shareholders, and managers.

To reinforce their commitment with best practices, in addition to the prerequisites of the Novo Mercado, the company has a differentiated policy of dividends distribution, equivalent to 30% of adjusted net income, holds 1/3 of independent board member, and adopts the international reporting standard known as GRI (Global Reporting Initiative).

Shareholding structure as of December 2010
Itaúsa: 39.9%
Ligna: 17.8%
Local Pension Funds: 1.9%
Foreign Investors: 29.1%
Others: 11.2%
Treasury: 0.1%

DIVIDENDS

Duratex has a differentiated dividend policy equivalent to 30% of the adjusted net income for the period. According to a board meeting held on December 17, 2010, the Board of Directors decided to credit to the stockholders, interest on own capital attributed as dividends, in the amount of R$66,185 thousand. Additionally, in December 31, 2010 R$22.878 thousand were provisioned to be paid as dividends, which amounts to an annual remuneration worth R$154,687 thousand, or approximately R$0.3374 per share.

SOCIAL AND ENVIRONMENTAL RESPONSABILITY

At the end of the period, the company had 9,541 employees, who were paid the amount of R$325.6 million during the year.

(Amounts in R$1,000)	4Q10	3Q10	4Q09	Jan-Dec/10	Jan-Dec/09
Employees (number)	9,541	9,639	8,681	9,541	8,681
Remuneration	88,389	84,437	78,481	325,553	293,804
Mandatory legal charges	40,775	40,016	34,261	156,910	134,674
Differentiated benefits	13,698	12,558	11,061	48,707	39,826

Since 2008 Duratex follows the Global Compact, of the United Nations Organization (UNO), principles that encourages the business sector to adopt social and environmental responsible practices. The company's activities in this context are governed by ten principles, which involve Human Rights, Labor Rights, Environmental Protection and Anti-Corruption measures.

The company invested in actions directed to the environment R$17,6 million, with a highlight to the effluent treatment, waste collection and maintenance of forest areas.

Training and development activities of employees consumed 222,771 hours and demanded an investment of R$1.4 million in the year, having benefited 53,026 people.

Social, sports incentives, and environmental investments amounted R$799,800 during the year. Highlights: (i) Musical Vozes Project with participation of maestro João Carlos Martins and Orquestra Bachiana together with the duo Chitãozinho and Xororó, where the event income was donated to the WCF Brazil under the Na Mão Certa Program; (ii) Teatro Itinerante Um Mundo Sustentável that seeks to raise awareness to children and adolescents about sustainability issues, and (iii) Atleta do Futuro Project in partnership with municipal governments of Agudos, Botucatu, Itapetininga e Jundiaí – SP.

It is planned for 2011 a series of projects to be executed with a focus on social and environmental, culture and sport matters. In total, it should be invested R$2,480 thousand.

Over the year, Duratex received numerous recognitions for social and environmental responsibility performance with the highlight of the inclusion of its shares on the ISE – Corporate Sustainability Index of the BM&FBovespa.

INDEPENDENT AUDITORS

In compliance with CVM Instruction No.381 of January 14, 2003, and the circular letter CVM/SEP/SNC No. 02/2003 of March 20, Duratex and its subsidiaries reported that they did not hired other services, which are not related to auditing, the company PricewaterhouseCoopers Independent Auditors responsible for external audit of the Company for the period ended December 31, 2010.

The policy of the Company's contracting services not related to external audit with our independent auditors is based on internationally accepted principles that preserve the independence of auditors and consist of: (a) the auditor should not audit their own work, (b) the auditor should not perform management functions in your client, and (c) the auditor must not promote the interests of his client.

ACKNOWLEDGEMENTS

We appreciate the support from our shareholders, the dedication and commitment of our employees, the partnership with suppliers, and the confidence of our customers placed in the company.

The Administration

BALANCE SHEETS

In thousands of reais

ASSETS		PARENT COMPANY			CONSOLIDATED (IFRS)		
		12/31/2010	12/31/2009	01/01/2009	12/31/2010	12/31/2009	01/01/2009
Current Assets	Note	**1,345,406**	**808,051**	**971,478**	**1,676,028**	**1,164,874**	**1,308,658**
Cash and cash equivalents	5	309,000	16,098	358,082	616,549	300,924	598,125
Trade accounts receivable	6	578,661	432,110	313,307	564,810	459,844	360,429
Inventories	7	322,491	229,983	222,027	362,293	262,054	275,155
Other receivables		56,108	29,389	32,673	27,300	20,099	9,897
Taxes recoverable	8	73,301	91,290	43,262	96,715	110,717	62,103
Other credits		5,845	9,181	2,127	8,361	11,236	2,949
Non-Current Assets		**4,111,519**	**4,191,086**	**2,284,706**	**4,494,839**	**4,301,653**	**2,423,888**
Related parties		444	21,039	32,104	–	–	–
Linked deposits		10,807	7,524	6,888	12,908	9,014	9,742
Other credits		26,635	27,078	31,448	39,514	43,219	34,401
Pension plan credits		62,035	51,859	49,088	66,802	55,838	52,888
Recoverable taxes and contributions	8	28,506	51,604	56,459	35,605	64,076	58,464
Deferred income tax and social contribution	9	52,957	97,171	57,085	69,866	113,889	76,851
Investments in subsidiaries	11	1,350,103	1,394,682	879,298	-	-	-
Other investments		179	179	111	652	652	585
Property, plant and equipment	12	2,039,934	2,009,907	1,162,781	2,698,783	2,592,207	1,692,758
Biological assets	13	–	–	–	1,030,717	870,446	466,526
Intangible assets	14	539,919	530,043	9,444	539,992	552,312	31,673
Total Assets		**5,456,925**	**4,999,137**	**3,256,184**	**6,170,867**	**5,466,527**	**3,732,546**

LIABILITIES AND STOCKHOLDERS´EQUITY

		PARENT COMPANY			CONSOLIDATED (IFRS)		
		12/31/2010	12/31/2009	01/01/2009	12/31/2010	12/31/2009	01/01/2009
Current Liabilities	Note	**723,735**	**819,122**	**580,887**	**856,245**	**901,935**	**854,659**
Loans and financing	15	303,255	553,718	184,237	431,608	615,266	486,155
Suppliers		169,108	115,302	176,747	126,238	108,067	118,856
Personnel		80,143	66,496	63,835	86,105	75,046	71,383
Accounts payable		35,389	33,630	27,433	45,701	40,121	98,297
Related parties		–	–	55,947	–	–	–
Taxes and contributions		36,777	8,947	13,860	59,347	22,347	19,822
Dividends payable		99,063	41,029	58,828	107,246	41,088	60,146
Non-Current Liabilities		**1,281,324**	**1,038,832**	**760,139**	**1,862,094**	**1,422,692**	**962,082**
Loans and financing	15	989,512	706,496	618,069	1,162,354	803,809	649,358
Provisions	16	81,443	111,636	79,376	142,423	168,928	128,713
Deferred income tax and social contribution	9	207,192	215,377	54,006	443,071	430,204	180,811
Related parties		17	–	5,488	–	–	–
Other		3,160	5,323	3,200	114,246	19,751	3,200
Stockholders'equity	18	**3,451,866**	**3,141,183**	**1,915,158**	**3,452,528**	**3,141,900**	**1,915,805**
Capital		1,288,085	1,288,085	943,626	1,288,085	1,288,085	943,626
Costs on issue of shares		(7,823)	(7,823)	–	(7,823)	(7,823)	–
Capital reserves		303,103	295,753	236,744	303,103	295,753	236,744
Revaluation reserves		104,590	112,919	67,593	104,590	112,919	67,593
Revenue reserves		1,360,660	1,039,747	742,690	1,360,660	1,039,747	742,690
(-) Treasure shares		(8,890)	(2,177)	(75,495)	(8,890)	(2,177)	(75,495)
Carrying value adjustments		412,141	414,679	–	412,141	414,679	–
Equity attributable to equity holders of the parent company		**3,451,866**	**3,141,183**	**1,915,158**	**3,451,866**	**3,141,183**	**1,915,158**
Minority interest		**–**	**–**	**–**	**662**	**717**	**647**
Total Liabilities And Equity		**5,456,925**	**4,999,137**	**3,256,184**	**6,170,867**	**5,466,527**	**3,732,546**

STATEMENTS OF INCOME

In thousands of reais, except for net income per share

	PARENT COMPANY		CONSOLIDATED (IFRS)	
	2010	2009	2010	2009
Net sales revenue	**2,633,085**	**1,819,779**	**2,741,810**	**1,930,050**
Variation in fair value of biological assets	–	–	183,765	96,853
Cost of products sold	(1,755,457)	(1,291,556)	(1,808,115)	(1,362,488)
Gross profit	**877,628**	**528,223**	**1,117,460**	**664,415**
Selling expenses	(289,426)	(207,328)	(308,354)	(231,552)
General and administrative expenses	(98,977)	(97,407)	(109,330)	(109,699)
Management expenses	(9,469)	(12,410)	(10,115)	(15,768)
Other operating income (expenses), net	28,544	(46,153)	25,894	(48,522)
Operating profit before financial result and result on investments	**508,300**	**164,925**	**715,555**	**258,874**
Financial income	33,867	34,566	52,377	40,666
Financial expenses	(128,922)	(94,484)	(150,257)	(89,891)
Equity result in the results of investees	150,662	83,642	–	–
Profit before income tax and social contribution	**563,907**	**188,649**	**617,675**	**209,649**
Income tax and social contribution – current	(59,339)	(9,951)	(98,930)	(33,003)
Income tax and social contribution – deferred	(37,673)	771	(51,498)	4,441
Net income for the year	**466,895**	**179,469**	**467,247**	**181,087**
Net income attributable to:				
Company shareholders	466,895	179,469	466,895	179,469
Minority interest	-	-	352	1,618
Basic net income per share (R$)	**1.0197**	**0.4663**		
Diluted net income per share (R$)	**1.0023**	**0.4575**		

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

In thousands of reais

	note	CAPITAL	COSTS ON ISSUE OF SHARES	CAPITAL RESERVES	REVALUATION RESERVES	REVENUE RESERVES	EQUITY VALUATION ADJUSTMENTS	TREASURY SHARES	ACCUMULATED PROFIT	TOTAL	NON-CONTROLLERS PARTICIPATION	TOTAL EQUITY
Balances at December 31, 2008		**943,626**	**–**	**236,744**	**106,550**	**519,375**	**775**	**(75,495)**	**–**	**1,731,575**	**647**	**1,732,222**
Adjustments to the biological assets of subsidiary	13	–	–	–	–	–	–	–	187,665	187,665	-	187,665
Adjustments to pension plan	26	–	–	–	–	–	–	–	32,398	32,398	-	32,398
Adjustments to pension plan – Parent company	26	–	–	–	–	–	–	–	2,508	2,508	-	2,508
Adjustments of unrealized profit in the parent company		–	–	–	–	–	–	–	(31)	(31)	-	(31)
Income tax and social contribution on the realization of revaluation reserve of land		–	-	-	(38,957)	-	-	-	–	(38,957)	-	(38,957)
Transfer between reserves		–	–	–	–	222,540	–	–	(222,540)	–	-	–
Exemption of accumulated translation difference		–	–	–	–	775	(775)	–	-	–	-	–
Adjusted Balances at January 1, 2009		**943,626**	**–**	**236,744**	**67,593**	**742,690**	**–**	**(75,495)**	**–**	**1,915,158**	**647**	**1,915,805**
Comprehensive Income for the year												
Net Income for the year		–	–	–	–	–	–	–	179,469	179,469	1,618	181,087
Participation in the comprehensive income of subsidiaries		–	–	–	–	–	(6,514)	–	–	(6,514)	-	(6,514)
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**(6,514)**	**-**	**179,469**	**172,955**	**1,618**	**174,573**
Business combination with Satipel on 08/31/2009	28	344,459	(7,823)	50,347	52,775	90,627	-	(2,177)	19,671	547,879	-	547,879
Adjustments on business combination		–	–	–	-	-	421,193	-	149,831	571,024	-	571,024
Share options granted	25	–	–	8,662	-	-	-	-	–	8,662	-	8,662
Acquisition of treasury shares		–	–	–	-	-	-	(5,438)	–	(5,438)	-	(5,438)
Cancellation of treasury shares		–	–	–	-	-	-	80,933	(80,933)	–	-	–
Appropriation of net income:												
Interest on capital 1st half-year		–	–	–	-	-	-	-	(31,121)	(31,121)	-	(31,121)
Interest on capital 2nd half-year		–	–	–	-	-	-	-	(36,065)	(36,065)	-	(36,065)
Realization of revaluation reserve		–	–	–	(5,578)	-	-	-	5,578	–	-	–
Income tax and social contribution on the realization of revaluation reserve of land		-	-	-	(1,871)	-	-	-	-	(1,871)	-	(1,871)
Addition to Reserves		–	–	–	-	8,973	-	-	(8,973)	–	-	–
Appropriation to reserves		–	–	–	-	197,457	-	-	(197,457)	–	(1,548)	(1,548)
Balances at December 31, 2009		**1,288,085**	**(7,823)**	**295,753**	**112,919**	**1,039,747**	**414,679**	**(2,177)**	**–**	**3,141,183**	**717**	**3,141,900**
Comprehensive Income for the year		-	-	-	-	-	-	-	-	-	-	-
Net Income for the year		-	-	-	-	-	-	-	466,895	466,895	352	467,247
Participation in the comprehensive income of subsidiaries		-	-	-	-	-	(2,537)	-	-	(2,537)	-	(2,537)
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**(2,537)**	**–**	**466,895**	**464,358**	**352**	**464,710**
Share options granted	25	-	-	7,350	-	-	-	-	-	7,350	-	7,350
Acquisition of treasury shares		-	-	-	-	-	-	(19,847)	-	(19,847)	-	(19,847)
Decrease by sale of treasury shares		-	-	-	-	-	-	13,134	375	13,509	-	13,509
Realization of revaluation reserve		-	-	-	(8,329)	-	-	-	8,329	–	-	–
Appropriation of net income:		-	-	-	-	-	-	-	-	-	-	-
Dividends 2nd half-year	18	-	-	-	-	-	-	-	(22,878)	(22,878)	-	(22,878)
Interest on capital 1st half-year	18	-	-	-	-	-	-	-	(66,185)	(66,185)	-	(66,185)
Interest on capital 2nd half-year	18	-	-	-	-	-	-	-	(65,624)	(65,624)	-	(65,624)
Addition to Reserves		-	-	-	-	23,231	-	-	(23,231)	–	-	–
Appropriation to tax incentives		-	-	-	-	2,272	-	-	(2,272)	–	-	–
Appropriation to reserves		-	-	-	-	295,409	-	-	(295,409)	–	(407)	(407)
Balances at December 31, 2010		**1,288,085**	**(7,823)**	**303,103**	**104,590**	**1,360,660**	**412,141**	**(8,890)**	**–**	**3,451,866**	**662**	**3,452,528**

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

STATEMENTS OF VALUE ADDED

In thousands of reais

(Demonstration mandatory by accounting practices adopted in Brazil and supplementary information under IFRS)

	PARENT COMPANY		CONSOLIDATED	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Revenue	**3,481,714**	**2,452,528**	**3,622,441**	**2,579,699**
Gross sales revenue	3,413,282	2,420,229	3,544,055	2,544,399
Other revenue	69,177	34,509	79,406	36,197
Allowance for Doubtful Accounts	(745)	(2,210)	(1,020)	(897)
Inputs acquired from third parties	**(2,014,455)**	**(1,510,946)**	**(1,731,407)**	**(1,357,744)**
Cost of sales	(1,736,986)	(1,239,679)	(1,417,246)	(1,045,900)
Materials, energy, outsourced services and others	(277,469)	(271,267)	(314,161)	(311,844)
Gross Value Added	**1,467,259**	**941,582**	**1,891,034**	**1,221,955**
Depreciation , amortization and depletion	(187,959)	(105,756)	(372,175)	(239,117)
Net value Added	**1,279,300**	**835,826**	**1,518,859**	**982,838**
Value added received through transfer	**184,529**	**118,208**	**52,377**	**40,666**
Financial Income	33,867	34,566	52,377	40,666
Equity in the results	150,662	83,642	-	-
Value added to be distributed	**1,463,829**	**954,034**	**1,571,236**	**1,023,504**
DISTRIBUTION OF VALUE ADDED				
Work Compensation	**383,042**	**319,524**	**430,734**	**367,622**
Direct Compensation	320,433	255,470	355,489	289,482
Benefits	38,537	30,081	48,707	39,826
Severance Indemnity Fund (FGTS)	22,474	31,218	24,887	35,410
Other	1,598	2,755	1,651	2,904
Government Compensation	**484,970**	**360,557**	**522,998**	**384,904**
Federal	313,634	165,087	352,502	181,359
State	169,697	193,099	167,350	199,547
Municipal	1,639	2,371	3,146	3,998
Financing Remuneration	**128,922**	**94,484**	**150,257**	**89,891**
Shareholders' Remuneration	**466,895**	**179,469**	**467,247**	**181,087**
Interest on capital/Dividends	154,687	67,186	154,687	67,186
Retained earnings	312,208	112,283	312,208	112,283
Minority interest	–	–	352	1,618
Total Value Added Distributed	**1,463,829**	**954,034**	**1,571,236**	**1,023,504**

STATEMENTS OF COMPREHENSIVE INCOME

In thousands of reais

	PARENT COMPANY		CONSOLIDATED	
	2010	2009	2010	2009
Net income for the year	**466,895**	**179,469**	**467,247**	**181,087**
Other components of comprehensive income				
Participation in comprehensive income of subsidiaries	(2,537)	(6,514)	(2,537)	(6,514)
Comprehensive income for the year, net of tax	**464,358**	**172,955**	**464,710**	**174,573**
Attributable to:				
Company shareholders	464,358	172,955	464,358	172,955
Minority interest	–	–	352	1,618

STATEMENTS OF CASH FLOWS

In thousands of reais

	PARENT COMPANY		CONSOLIDATED	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Operating activities				
Net income for the year	**466,895**	**179,469**	**467,247**	**181,087**
Items not affecting cash				
Depreciation, amortization and depletion	187,959	105,756	372,175	239,117
Variation in the fair value of biological assets	–	–	(183,765)	(96,853)
Interest, foreign exchange and monetary variations, net	114,588	6,597	133,327	(9,359)
Equity in the results	(150,662)	(83,642)	–	–
Provisions, disposal of assets	18,402	40,654	49,874	46,396
Investments in working capital:				
(Increase) Decrease in Assets				
Clients	(144,814)	(60,822)	(142,913)	(115,566)
Inventories	(81,690)	19,580	(103,884)	24,662
Other Assets	98,160	52,813	83,256	2,930
Increase (Decrease) in Liabilities				
Suppliers	58,060	(105,706)	19,441	(48,815)
Personnel Liabilities	10,001	(6,807)	11,164	(6,063)
Accounts Payable	(2,703)	24,082	102,466	(102,693)
Subsidiaries	–	(56,313)	–	–
Taxes and contributions	18,978	(50,665)	34,981	(8,509)
Other liabilities	(35,124)	25,466	(26,506)	31,004
Cash provided by operating activities	**558,050**	**90,462**	**816,863**	**137,338**
Investing activities:				
Investment in biological, fixed and Intangible assets	(151,394)	(199,025)	(459,564)	(286,651)
Capital increase in subsidiaries	(162,300)	(197,668)	–	–
Net cash received in the Merger Satipel S.A.	–	55,151	-	55,384
Net cash received in the Merger Cerâmica				
Monte Carlo S.A e Deca Ind. e Comércio Mat.Sanitários	228,471	–	-	–
Cash used in investing activities	**(85,223)**	**(341,542)**	**(459,564)**	**(231,267)**
Financing activities:				
Financing	444,383	217,581	637,356	381,987
Amortization of financing	(527,304)	(239,269)	(559,517)	(471,195)
Loans from subsidiaries – mutual	21,481	31,036	–	–
Dividends, interest on capital and profit sharing	(112,150)	(94,814)	(112,449)	(95,174)
Treasury shares and others	(6,335)	(5,438)	(6,335)	(5,438)
Cash provided by financing activities	**(179,925)**	**(90,904)**	**(40,945)**	**(189,820)**
Exchange variation on cash and cash equivalents	–	–	(729)	(13,452)
Increase (Decrease) in cash for the year	**292,902**	**(341,984)**	**315,625**	**(297,201)**
Opening Balance	**16,098**	**358,082**	**300,924**	**598,125**
Closing Balance	**309,000**	**16,098**	**616,549**	**300,924**
Supplementary information to cash flows				
Taxes and contributions paid	60,128	28,715	79,149	40,374
Interest paid	93,193	68,690	95,912	94,934

NOTES TO THE FINANCIAL STATEMENTS

All amounts in thousands of Brazilian reais, unless otherwise indicated

NOTE 1 – GENERAL INFORMATION

Duratex S.A. is a publicly-held corporation headquartered in the city of São Paulo – SP, Brazil. Its controlling shareholders are Investimentos Itaú S.A. (Itaúsa Group), Brazil's largest group, with significant operations in the financial, chemical and information technology sectors, and Companhia Ligna de Investimentos, which has important operations in the retail market and in the distribution of civil construction and woodworking inputs and also operates in property construction and rental.

The main activities of Duratex and its Subsidiaries comprise the manufacture of wood panels (Wood Division), vitreous chinaware and metal sanitary ceramic and metal products (Deca Division). Duratex presently has got thirteen industrial plants in Brazil and one in Argentina, maintains branches in the main Brazilian cities and commercial Subsidiaries in the United States and Europe.

The Wood Division operates five industrial plants in Brazil, responsible for the production of hardboard, medium density panels (MDP), medium, high and super density fiberboard panels (MDF,HDF,SDF) Durafloor laminate flooring and components for the furniture industry, and also operates an industrial resin production plant.

The Deca Division operates seven industrial plants in Brazil and one in Argentina, responsible for the production of sanitary ceramic and metal products under the trademarks Deca, Hydra, Belize and Deca Piazza (in Argentina).

- Of the largest wood panel manufacturer of the Southern Hemisphere and one of the largest in the world;
- Of the second largest manufacturer of vitreous chinaware in Brazil;
- Of the leader Company in the manufacturing of metal fittings of the Brazilian market.

The Extraordinary General Meeting held on August 31, 2009 approved the merger of Duratex S.A. in accordance with the conditions and terms established in the Merger Agreement and in the Valuation Reports. For the purposes of this merger, the increase in the Company's capital arising from the, due to the transfer of the equity of Duratex S.A. to Satipel S.A was approved, and capital was increased from R$344,459 to R$1,288,085, through the issue of 348,785,970 new common shares, without no par value, which were assigned to the shareholders of the former Duratex S.A.

The following proportions were adopted in the replacement of the common and preferred shares issued by the former Duratex by common shares issued by Satipel Industrial S.A.:

(i) 3.05360401 shares issued by the new Duratex S.A. (former Satipel Industrial S.A.) for each share of the former Duratex S.A. held by the controlling shareholders, and

(ii) 2.54467001 shares issued by the new Duratex S.A. (former Satipel Industrial S.A.) for each common and preferred share of the former Duratex S.A. held by the other shareholders.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies applied in the preparation of these consolidated financial statements are as set out below. These policies were consistently applied in the years presented.

2.1 – Basis of preparation

The financial statements were prepared considering the financial assets (including derivative financial instruments) measured at fair value, and all other assets of the former Duratex S.A. at their historical cost, as a basis of valuation, whereas the assets of Satipel Industrial and Satipel Florestal S.A. were measured at their fair values (see Notes 2.2.1 (b) and 28).

The preparation of financial statements requires the use of certain critical accounting estimates and the use of judgment by the Company's management in the process of applying the Group's accounting policies. The areas requiring the highest level of judgment and having the highest complexity, as well as the areas where assumptions and estimates are significant for the consolidated financial statements, are disclosed in Note 3.

(a) Consolidated financial statements

The consolidated financial statements were prepared and are being presented according to the accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPCs), as well as by the international accounting rules for financial reports (International Financial Reporting Standards – IFRS), issued by the International Accounting Standards Board (IASB).

(b) Individual financial statements

The individual financial statements of the Parent Company were prepared in accordance with accounting practices adopted in Brazil, issued by Brazilian Accounting Pronouncements Committee ("CPC") and are being presented together with the consolidated financial statements.

These are the first financial statements prepared in accordance with the CPCs and International Financial Reporting Standards (IFRS). The main differences between the accounting practices adopted in Brazil (old "BRGAAP") and CPCs/IFRS are described in Note 31.

2.2 – Consolidation

2.2.1 – Consolidated financial statements

(a) Subsidiaries

Subsidiaries are all entities (including specific-purpose entities) whose financial and operating policies can be conducted by the Company and in which the Company has a shareholding exceeding half the voting rights.

The consolidated financial statements include the companies: Duratex S.A. and its direct Subsidiaries: Duraflora S.A., Estrela do Sul Participações Ltda., Duratex Empreendimentos Ltda., Duratex Comercial Exportadora S.A., DRI – Resinas Industriais S.A and its indirect Subsidiaries: Duratex North America Inc., Duratex Europe NV., TCI Trading S.A., and Deca Piazza S.A.

Intercompany transactions, as well as the balances and unrealized gains and losses in respect of those transactions, were eliminated. The Subsidiaries' accounting policies were adjusted to ensure consistency with the accounting policies of the Company.

(b) Business combination

The business combination is accounted for under the acquisition method. The cost of an acquisition is measured, on the acquisition date, at the consideration amount transferred, evaluated on the fair value basis, including the value of any ownership interest held by non-controlling shareholders in the acquired Company, regardless of the proportion.

The portion exceeding the acquisition cost, which is the amount that exceeds the fair value of the Company's interest in the acquired identifiable net assets, is recorded as goodwill. If the acquisition cost is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in the statement of income.

(c) Transactions and participation of non-controlling entities

These are recorded in an identical manner to transactions with the Company's shareholders. For acquisitions of non-controlling ownership interests, the difference between any consideration paid and the acquired portion of the controlling shareholder's net assets is recorded in stockholders' equity, as well as the gains or losses on sales to non-controlling shareholders.

2.2.2 – Individual financial statements

Subsidiaries are accounted for under the equity method. The same adjustments are made both in the individual and consolidated financial statements, in order to arrive at the same net income and stockholders' equity attributable to the parent Company's shareholders. In the Company's case, the Brazilian accounting practices applied in the individual financial statements differ from the IFRS applicable to separate financial statements only in respect of the valuation of investments in subsidiaries under the equity method of accounting. IFRS requires the valuation at cost or fair value.

2.3 – Presentation of segment information

The segment information is presented consistently with the decision-making process of the main operating decision maker. The main operating decision maker, responsible for allocating funds and evaluating the performance of operating segments, is the Company's Board of Directors, in charge of the Group's strategic decision making, with the support of the Supervisory Board.

2.4 – Foreign currency translation

(a) Functional currency and presentation currency

The items included in the financial statements of each of the companies are measured using the main currency of the economic environment where the Company operates (the "functional currency"). The consolidated financial statements are being presented in Brazilian reais, which is the Company's functional and presentation currency.

(b) Transactions and balances

Transactions with foreign currencies are converted into the functional currency by using exchange rates prevailing on the transaction or valuation dates, when the items are measured. Exchange gains and losses resulting from the settlement of those transactions and from the conversion at year-end exchange rates of monetary assets and liabilities in foreign currencies are recognized in the statement of income as financial income or expense, except when they are recorded in stockholders' equity when considered to be a hedge operation for net investments.

(c) Companies of the group

The net income and financial position of the Subsidiaries located abroad (none of which have a currency of a hyperinflationary economy) whose functional currency differs from the presentation currency (Brazilian reais) are converted into the presentation currency as follows:

- Assets and liabilities, translated by the exchange rate of the balance sheet date;
- Income and expenses, translated by the average exchange rate;
- All resulting exchange-related differences are recognized in stockholders' equity, in the caption "accumulated conversion adjustments".

2.5 – Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits, other short-term highly liquid investments, with original maturities of three months or less and subject to an insignificant risk of change in value, and overdraft accounts that are presented in the balance sheet as "loans" in current liabilities.

2.6 – Financial assets

2.6.1 – Classification

The classification of financial assets is determined by management when they are initially recognized, and depends on the purpose for which they were acquired.

(a) Financial assets measured at fair value through profit or loss

These are financial assets maintained for trading, acquired mostly for short-term sale, including derivatives not designated as hedge instruments, which are classified as current assets.

(b) Loans and receivables

Loans and receivables comprise non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets, except for those maturing at least 12 months after balance sheet date, which are classified as non-current assets. Loans and receivables comprise trade accounts receivable, other accounts receivable, cash and cash equivalents, except for short-term investments.

2.6.2 – Recognition and measurement

The regular purchases and sales of financial assets are recognized on the trading date, which is the date when the Company and its subsidiaries commit to buy or sell the asset. Investments are initially recognized at fair value, plus transaction costs for all financial assets not classified at fair value through the results. Financial assets classified at fair value through the results are initially recognized at fair value, and transaction costs are charged to the results. Financial assets are written-off when the rights to receive cash flows from the investments have been realized or transferred. In the latter case, as long as the Company and its subsidiaries have transferred virtually all ownership risks and benefits. Financial assets measured at fair value through the results are subsequently recorded at fair value. Loans and receivables are recorded at the amortized cost using the effective interest rate method.

Gains or losses resulting from fluctuations in the fair value of financial assets measured at fair value through the results are presented in the statement of income in "Other net gains (losses)" in the period in which they occur.

The fair values of publicly quoted assets and liabilities are based on current purchase prices. If the market for a financial asset (and for securities not listed in a stock exchange) is not active, the Company establishes fair value by using valuation techniques. These techniques include the use of transactions with third parties, reference to other substantially similar instruments, analysis of discounted cash flow models and option pricing models making maximum use of information generated by the market and the least possible use of information generated by the management of the Company.

2.6.3 – Offsetting of financial instruments

Financial assets and liabilities can be reported at their net amounts in the balance sheet only when there is a legal right to offset the amounts recognized and there is intent to settle them on a net basis, or realize the asset and settle the liability simultaneously.

2.6.4 – Impairment of financial assets

At the end of each reporting period, the Company evaluates whether there is objective evidence that a financial asset or group of financial assets has been impaired. An asset or group of financial assets have been impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the assets (a "loss event") and such loss event(s) will have an impact on the estimated future cash flows of the financial asset or group of financial assets which can be reliably estimated.

The criteria used by the Company to determine whether there is objective evidence of an impairment loss include:

• Issuer's or debtor's relevant financial difficulties;
• A breach of contract, such as a default or delay in the payment of interest or principal;
• The disappearance of an active market for that financial asset due to financial difficulties;

Observable data indicating a measurable reduction in the estimated future cash flows from a financial asset portfolio since the initial recognition of those assets, even if the decrease cannot yet be identified in respect of the individual financial assets in the portfolio, including:

a) adverse changes in the payment situation of the portfolio's borrowers;

b) national or local economic conditions correlating with adverse changes in the payment situation of the portfolio's borrowers;

c) national or local economic conditions correlating with defaults on the portfolio's assets;

The Company and its subsidiaries first evaluate whether there is an objective evidence of impairment.

The loss amount is measured as the difference between the book value of the assets and the present value of estimated future cash flows (excluding future credit losses not yet incurred) discounted based on the existing interest rate originally contracted for the financial assets. The book value of the assets is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or investment maintained through maturity has a variable interest rate, the discount rate utilized to measure the impairment loss is the current effective interest rate determined in accordance with the contract. For practical purposes, the Company and its subsidiaries can measure the impairment based on the fair value of an instrument obtained by utilizing an observable market price.

If, in a subsequent period, the value of the impairment loss decreases and the decrease can objectively be related to an event occurring after the impairment has been recognized, such as an improvement in the debtor's credit classification, the reversal of the previously recognized impairment loss is recognized in the consolidated statement of income.

2.7 – Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date the derivative agreement is entered into, and are subsequently re-measured at fair value through the results.

Derivatives are contracted as a form of financial risk management, and the Company's policy is not to enter into leveraged derivative transactions.

Although the Company does not have a hedge accounting policy, it has determined certain debts at fair value through the results, as from the transition date (January 1, 2009), because of the existence of derivative financial assets directly related to loans, as a manner of eliminating the recognition of gains and losses in different periods.

2.8 – Trade accounts receivable

Trade accounts receivable are recorded and maintained at the nominal value of the securities obtained on sales of products, plus exchange variations, where applicable. Trade accounts receivable substantially refer to short-term operations and are, therefore, not discounted to present value, as no significant adjustment would arise therefrom. The provision for impairment is constituted based on the analysis of risks of realization of the credits receivable, in an amount considered sufficient by management to cover potential losses in the realization of these assets.

Recoveries of written-off items are credited to "other operating income (loss), net", in the statement of income.

2.9 – Inventories

Inventories are stated at average purchase or production costs, not exceeding replacement costs or realizable amounts, less an allowance to cover possible losses, when applicable. Imports in transit are stated at the cost of each import.

2.10 – Intangible assets

Intangible assets comprise goodwill, customer portfolio, trademarks, patents and rights of use of software. They are stated at acquisition cost less amortization over the period, calculated on a straight-line basis, in accordance with the established useful life.

Goodwill

Goodwill is represented by the positive difference between the paid or payable amount for the acquisition of a business and the net fair value of assets and liabilities of the acquired subsidiary or business combination. Goodwill is not amortized but it is tested annually to identify the need to record impairment losses.

Trademarks and patents

Separately acquired trademarks and licenses are initially stated at historical cost. Trademarks and licenses acquired in a business combination are recognized at fair value on the acquisition date. Since they have a defined useful life, trademarks and licenses are subsequently recorded at cost less accumulated amortization.

Contractual relationships with customers – customer portfolio

Only customer relationships acquired in a business combination are recognized at fair value on the acquisition date. Customer relationships have a finite useful life and are recorded at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected useful life of the customer relationship.

Software

Acquired software licenses are recorded as capital expenditures at the costs incurred to acquire the software and prepare them for use. The cost is amortized over the estimated useful life of the software.

2.11 – Property, plant and equipment

Items of property, plant and equipment are stated at the cost of acquisition, formation or construction, including financing costs related to acquisition of qualified assets, less accumulated depreciation calculated on the straight-line basis, taking into consideration the estimated economic useful lives of the assets, which are reviewed at the end of each year.

Subsequently incurred costs are added to an asset's book value or are recognized as a separate asset, as applicable, and only when it is likely that associated future economic benefits associated to the asset will be obtained and the cost of the asset can be reliably measured. The book value of replaced items and parts is written-off. All other maintenance and repair costs are recorded in the results in the year in which the costs are incurred.

The book value of property, plant and equipment is reduced to recoverable value if the book value exceeds the estimated recoverable value.

The Company and its subsidiaries have not adopted the option for deemed cost in accordance with CPC 37 (Technical Interpretation – ICPC – 10), because assets were evaluated at market value in recently realized business combination, spontaneous revaluations were effected in the periods when they were permitted, the plants were recently constructed and the utilization of economic useful lives for depreciation purposes.

2.12 – Impairment of non-financial assets

The Company and its subsidiaries realize tests to verify whether the book value of its non-financial assets exceeds their recoverable value. Goodwill is tested annually and all other assets are tested whenever there is objective evidence of the existence of probable losses. For this purpose, the companies take into consideration the effects arising from obsolescence, demand, competition and other economic factors. For impairment valuation purposes, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Units).

2.13 – Biological assets

Forest reserves are recognized at fair value, less the estimated cost of sales at harvest time, as described in Note 3. For immature plantations (up to two years old), the cost is considered to approximate fair value. Gains or losses on the recognition of a biological asset at fair value, less cost of sales, are recognized in the results. The depletion appropriated to the result is composed by the formation cost portion and the fair value difference portion.

The formation costs of these assets are recognized in the results as incurred. The effect of the variation in the fair value of a biological asset is presented in an appropriate account in the statement of income.

2.14 – Loans and financing

Borrowings are initially recognized at fair value when funds are received, net of transaction costs, and are subsequently stated at amortized cost, that is, with the addition of charges and interest proportional to the period elapsed (calculated on a pro rata temporis basis), using the effective interest rate method, except for borrowings hedged by derivative instruments, which are stated at fair value.

2.15 – Accounts payable to suppliers and provisions

Accounts payable to suppliers are obligations to pay for goods or services that were purchased in the ordinary course of business and are classified as current liabilities if the payment is due in a period of up to one year. Otherwise, the accounts payable are presented as non-current liabilities.

They are initially recognized at nominal value which is equivalent to fair value and subsequently measured at amortized cost using the effective interest rate method.

Provisions are recognized when there is a present legal or not-formalized obligation resulting from past events and when there is the likelihood that a disbursement of funds will be required to settle the obligation and its amount can be reliably estimated. Provisions are not recognized for future operating losses.

2.16 – Current and deferred income tax and social contribution on net income

The income tax and social contribution are calculated based on the net income for the year before taxation, adjusted by inclusions and exclusions in accordance with tax legislation. Deferred income tax and social contribution are recognized on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. In practice, the tax adjustments to the accounting net income, by the inclusion of expenses and exclusion of revenues, which are temporary differences, generate the recognition of deferred tax assets or liabilities.

These taxes are recognized in the statement of income, except for the proportion related to items directly recognized in equity. In this case, the tax is also recorded in equity.

Deferred taxes and contributions are recognized only if their offset against future income is probable.

2.17 – Employee benefits

a) Pension plans

The Company and its subsidiaries offer to all employees a defined contribution plan managed by Fundação Itaúsa Industrial. The regulation establishes that the sponsoring companies shall make a contribution ranging from 50% to 100% of the amount contributed by the employees.

The Company has already offered a defined benefit plan to its employees, but this plan is being extinguished, with access not being permitted to new participants.

Regarding the defined contribution plan, the Company and its subsidiaries have no further payment obligations after the contribution is made. The contributions are recognized as employee benefit expenses when due. Contributions made in advance are recognized as an asset to the extent that these contributions lead to an effective reduction in future payments.

(b) Share-based compensation

The Company offers to its executives a compensation plan based on stock options, according to which it receives the employees' services as a consideration for the stock purchase options granted. The fair value of the employees' services, received in exchange for the stock options granted, is recognized as an expense, with a corresponding entry to stockholders' equity, during the period when the executives render the services and acquire the right to exercise the stock options. The fair value of options granted is calculated at the date of the granting of the options, and, at each financial statement date, the Company revises its estimates of the quantity of shares it expects to issue, based on the conditions of the acquisition of rights.

(c) Profit sharing

The Company and its subsidiaries compensate their employees with profit sharing if established performance targets are met. This remuneration is recognized as a liability and an expense in operating results (cost of goods sold, selling expenses and administrative expenses) when the employee obtains the established performance conditions.

2.18 – Capital

The ordinary shares are classified in equity. Incremental costs directly attributable to the issuance of new shares or options are presented in equity as a deduction from the funds obtained, net of taxes.

The amount paid for the acquisition of treasury shares, including any directly attributable costs, is deducted from equity attributable to the shareholders until the shares are cancelled, sold or utilized in the stock option plan.

2.19 – Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of products in the normal course of the activities of the Company and its Subsidiaries. The revenue is stated net of taxes, returns, discounts or rebates granted, as well as elimination of inter Company sales, and is recognized when its amount can be reliably measured, and when it is probable that future economic benefits will be obtained by the Company and when specific criteria for each of the activities have been complied with.

(a) Sale of goods

The Sales Revenues are recognized on the delivery of the products, as well as the transfer of risks and benefits to the buyer.

(b) Financial income

Financial income is recognized in accordance with the elapsed period using the effective interest rate method. When an impairment loss is identified for a receivable, the Company and its Subsidiaries reduces the book value to its recoverable value, which corresponds to the estimated future cash flow, discounted at the original effective contractual interest rate of the instrument.

2.20 – Leases

The Company has lease contracts for land, utilized for forestation. In these contracts, the risks and rights of ownership are retained by the lessor and the leases are, therefore, classified as operating leases. The costs incurred in operating lease agreements are recorded with the cost of formation of biological assets, on a straight-line basis, over the contractual period. The Company and its Subsidiaries does not have financial leases.

2.21 – Distribution of dividends and interest on capital

The distribution of dividends to Company shareholders is recognized as a liability in the financial statements at the end of each year, and the balance is calculated based on the minimum dividend established in the Company's by-laws, net of the amounts approved and paid during the year.

As provided in the by-laws, the Company may pay interest on capital, assigning the amounts as dividends. The tax benefit of interest on capital is recognized in the statement of income.

2.22 – Standards, changes and interpretations of standards not yet in effect

Standards, changes and interpretations of standards not yet in effect and which were not adopted in advance by the Company and its subsidiaries:

The standards and changes to existing standards listed below were published and are mandatory for the accounting periods commencing on January 1, 2011 or thereafter or for subsequent periods. However, none of these standards or changes in standards was adopted in advance by the Company and its subsidiaries.

- **IFRS 9 "Financial instruments"** issued in November 2009, to replace IAS 39: "Financial instruments: Recognition and measurement", which introduces new requirements for the classification and measurement, will be applicable beginning January 1, 2013.
- **IAS 24 Revised "Related Party Disclosures"** issued November 2009. Replaces IAS 24 "Related Party Disclosures" issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and with other entities related to the government. Its application is mandatory for the periods beginning on or after January 1, 2011.

NOTE 3 – CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

In the preparation of the financial statements, accounting judgments, estimates and assumptions are utilized to record certain assets and liabilities and other transactions. The definition of the estimates and accounting judgments adopted by management was prepared by using the information available at the time of the preparation of the financial statements date, involving the experience of past events and the forecast of future events. Therefore, the financial statements include several estimates, such as: the useful lives of property, plant and equipment items, realization of deferred tax credits, allowance for doubtful accounts, inventory losses, evaluation of the fair value of biological assets, provision for contingencies and impairment losses.

The main estimates and assumptions that may present risk, with the likelihood of requiring adjustments to asset and liability book values, are as follows:

a) Risk of variation in the fair value of biological assets

The Company adopted several estimates to evaluate its forestry reserves in accordance with the methodology established by CPC 29/IAS 41. These estimates were based on market references, which are subject to scenario changes impacting the Company's financial statements. In this context, a 5% reduction in standing wood prices would result in a reduction in the fair value of biological assets of about R$44,880, net of tax effects. If the discount rate presented a 0.5% increase, it would result in a reduction in the fair value of biological assets of about R$11,220, net of tax effects

b) Estimated loss (impairment) of goodwill

Annually the Company and its Subsidiaries test the possible loss of goodwill in compliance with the accounting policy presented in Notes 2.10 and 2.12. The balance could be impacted by changes in the economic or marketing scenario, without however an important effect in relation to stockholder's equity.

c) Pension plan benefits

The current value of assets related to pension plans depends on a number of factors that are determined based on actuarial calculations, which use a series of assumptions. Among the assumptions used in determining values are the discount rate and current market conditions. Any changes in these assumptions will affect the corresponding book values.

NOTE 4 – FINANCIAL RISK MANAGEMENT

4.1 – Financial risk factors

The Company and its Subsidiaries are exposed to market risks related to fluctuations in interest rates, exchange rates, and credits.

Consequently, risk management follows the policies approved by the Supervisory Board and is monitored by the Risk and Audit Committee. The Company and its subsidiaries have procedures to manage those situations and can use hedge instruments to reduce the impacts of those risks. These procedures include the monitoring of levels of exposure to each market risk, in addition to establishing decision making levels. All hedge operations effected by the Group are intended to protect its debts and investments, and it does not conduct, nor has conducted, and no operations with leveraged financial derivatives are realized.

(a) Market risk

(i) Exchange rate risk: The exchange rate risk corresponds to a reduction in the values of the Group's assets or an increase in its liabilities due to an alteration in the exchange rate. The Group has an exchange rate risk policy establishing the maximum amount in foreign currency to which it can be exposed to exchange rate variations.

In view of the risk management procedures, the objective of which is to minimize the foreign exchange exposure of the Company and its subsidiaries, "hedge" mechanisms are maintained in order to protect the major part of the foreign exchange exposure.

STATEMENT OF FOREIGN CURRENCY TRANSACTIONS SUBJECT TO EXCHANGE FLUCTUATIONS

In thousands of reais

ASSETS IN FOREIGN CURRENCY		LIABILITIES IN FOREIGN CURRENCY	
Imports in transit	23,204	BNDES	55,279
Accounts receivable from customers abroad	27,615	Resolution 2770	44,578
Subsidiaries companies located abroad	22,159	Import financing	3,145
SWAP/NDF/US$/EUR vs. CDI	44,827	Suppliers	25,837
TOTAL ASSETS + FINANCIAL INSTRUMENTS	**117,805**	**TOTAL LIABILITIES**	**128,839**
FOREIGN EXCHANGE COVERAGE (EXPOSURE)	**(11,034)**		

(ii) Operations with Derivatives

In derivative operations no verifications, monthly settlements or margin calls are made and the contracts are settled on maturity, and are recorded at fair value, considering market conditions for terms and interest rates.

The outstanding contracts at December 31, 2010 were as follows:

(a) US$x Interbank deposit certificate (CDI) swap agreements

The Company had four agreements of this nature, with an aggregate notional amount of US$5,957,000, with varying maturities up to April 10, 2014, and an asset (purchase) position in US dollars and a liability (sale) position in CDI.

The Company contracted the transactions for the purpose of converting its debts denominated in US dollars into debts indexed to the CDI.

(b) Fixed rate x CDI swap agreements

The Company had seven agreements with an aggregate amount of R$660,000, maturing through April 28, 2015, with an asset position in fixed rate and a liability position in a percentage of CDI.

The Company contracted these transactions with the objective of converting its total fixed interest rate debts into CDI-indexed debts.

(c) Non-Deliverable Forward (NDF) Agreement

The Company had one agreement of this type, the total contractual amount of which was US$21,000,000, maturing on January 3, 2011, and a long (purchase) position in US dollars.

The Company contracted this transaction for the purpose of converting its US dollar liabilities into Brazilian reais. In this transaction, the agreement is settled on the maturity date, considering the difference between the forward exchange rate (NDF) and the end-of-period exchange rate (Ptax).

(d) Calculation of the fair value of positions

The fair value of the financial instruments was calculated by utilizing pricing effected based on the present value estimated for both the liability and asset positions, in where the difference between the two represents the market value of the Swap.

STATEMENT OF CONSOLIDATED POSITION OF DERIVATIVE FINANCIAL INSTRUMENTS

Values in R$ thousand

	REFERENCE VALUE (NOTIONAL)			FAIR VALUE			ACCUMULATED EFFECT	
	12.31.2010	12.31.2009	01.01.09	12.31.2009	12.31.2010	01.01.09	Amount receivable/ received	Amount payable/ paid
I. Swap contracts								
Asset position								
CDI	–	3,000	42,450	-	3,016	45,047	-	-
Foreign currency (USD)	14,139	244,896	238,238	10,189	243,574	316,948	-	-
Prefixed rate	–	230,000	-	699,451	229,140	-	6,038	-
Reference Rate (TR)	660,000	-	80,000	-	-	90,105	-	-
Liability position								
CDI	(674,139)	(477,896)	(318,238)	(711,165)	(560,540)	(415,410)	-	(7,564)
Prefixed rate	-	-	(42,450)	-	-	(45,007)	-	-
II. Futures contract (NDF)								
Commitment of purchase	-	-	-	-	-	-	-	-
Foreign currency (USD)	36,269		(148,382)	(1,012)	-	(4,346)	-	(1,01012)

The gains or losses on the transactions listed above were offset in the liability and asset positions of interest rate and foreign currency, whose effects were already recognized in the financial statements.

(e) Sensitivity analysis

Presented below is a statement of the sensitivity analysis of financial instruments, including derivatives, describing the risks which could generate material losses for the Group, with a Probable Scenario (Base Scenario) plus two other scenarios, under the terms determined by CVM No 475/08, representing a 25% and 50% deterioration in the considered risk variable.

For the rates of risk variables used in the Probable Scenario, BM&FBOVESPA (São Paulo Stock, Futures and Commodities Exchange)/Bloomberg quotations for the respective maturity dates were used.

SENSITIVITY ANALYSIS TABLE

Values in R$ thousand

Risk	INSTRUMENT/OPERATION	DESCRIPTION	PROBABLE SCENARIO	POSSIBLE SCENARIO	REMOTE SCENARIO
Interest rate risk	*SWAP – PRE-FIXED/CDI*	CDI Increase	(177)	(36,929)	(74,942)
	Subject to hedge: fixed rate loans.		177	36,929	74,942
	Net effect		–	–	–
Foreign exchange	SWAP – US$/CDI (Res.2770)	Decrease US$	(1,476)	(4,543)	(7,610)
	Subject to hedge: foreign currency debt (US$)	(increase – US$)	1,476	4,543	7,610
	Net effect		–	–	–
Foreign exchange	SWAP – US$/CDI (Finimp)	Decrease US$	(13)	(475)	(937)
	Subject to hedge: foreign currency debt (US$)	(increase – US$)	419	780	1,140
	Net effect		**406**	**305**	**203**
Foreign exchange	NDF (US$)	Decrease US$	(322)	(9,134)	(17,945)
	Subject to hedge: foreign currency debt (US$)	(increase – US$)	322	9,134	17,945
	Net effect		–	–	–
		Totals	**406**	**305**	**203**

(III) Cash flow or fair value risk associated to the interest rate

The interest rate risk is the risk of suffering economic loss due to adverse changes in interest rates. This risk is continually monitored to evaluate a possible need to contract derivative transactions to hedge against the rate volatility.

(a) Credit Risk

The Group's sales policy is directly associated to the level of credit risk it is willing to accept in the course of its business. The diversification of its portfolio of receivables, the selection of its customers, and the monitoring of sales financing terms and individual position limits are procedures adopted to minimize defaults or realization losses in accounts receivable.

For temporary cash investments and all other investments, the Company follows the policy of working with blue-chip institutions and not concentrating its investments in only one economic group.

(b) Liquidity risk

The Company and its subsidiaries have a debt policy with the objective of defining the limits and parameters of debt and the minimum funds which should be maintained, the latter being the higher of the following: amount equivalent to 60 days of net revenue; amount of the debt service plus dividends and/or interest on capital forecast for the following six months.

Listed below are the maturities of financial liabilities contracted by the Company and its subsidiaries as presented in the financial statements:

12/31/2010	PARENT COMPANY Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	CONSOLIDATED Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Loans	303,255	543,373	414,960	31,179	431,608	695,090	436,085	31,179
Suppliers and other liabilities	169,108	-	-	-	126,238	-	-	-
Total	**472,363**	**543,373**	**414,960**	**31,179**	**557,846**	**695,090**	**436,085**	**31,179**

The budget projection for the next fiscal year, approved by the Board of Directors, shows the Company's cash generating capacity to meet the obligations, if the budget is attained.

4.2 Capital management

The Company and its Subsidiaries manage their capital with the objective of ensuring the continuity of their operations, as well as providing shareholders with a return on their investment, also by capital cost optimization and the control of the level of indebtedness by monitoring the financial leveraging index. This index corresponds to the ratio between net debt and total capital.

	12.31.10	12.31.09	01.01.09
A -Loans and financing	**1,593,962**	**1,419,075**	**1,135,513**
short – term	931,608	615,266	486,155
long – term	1,162,354	803,809	649,358
B-(-) Cash and cash equivalents	**616,549**	**300,924**	**598,125**
C=(A-B) Net debt	**977,413**	**1,118,151**	**537,388**
D- Stockholders' equity	**3,452,528**	**3,141,900**	**1,915,805**
C/D=Financial leverage index	**28%**	**36%**	**28%**

4.3 Fair value estimate

It is assumed that the balances of accounts receivable from customers and payable to suppliers at book values less the loss (impairment) are close to their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate which is available to the Company and its Subsidiaries for similar financial instruments.

The Company and its Subsidiaries apply CPC 40/IFRS 7 for financial instruments measured at fair value, which requires disclosure of the measurement criteria. As the Company has only level 2 derivatives, it uses the following evaluation techniques:

- The fair value of the interest rate "swap" is calculated by the present value of the estimated future cash flows based on yield curves adopted by the market;

- The fair value of future foreign exchange contracts is determined based on future exchange rates at balance sheet dates, with the resulting value discounted to present value.

The financial instruments by category/level are presented below:

	LOANS AND RECEIVABLES			FINANCIAL INSTRUMENT DERIVATIVES			OTHER FINANCIAL ASSETS AND LIABILITIES			TOTAL		
Assets	12.31.2010	12.31.2009	01.01.09	12.31.2010	12.31.2009	01.01.09	12.31.2010	12.31.2009	01.01.09	12.31.2010	12.31.2009	01.01.09
Cash and cash equivalents	616,549	300,924	598,125	-	-	-	-	-	-	616,549	300,924	598,125
Trade accounts receivable	564,810	459,844	360,429	-	-	-	-	-	-	564,810	459,844	360,429
Total	**1,181,359**	**760,768**	**958,554**	**–**	**–**	**–**	**–**	**–**	**–**	**1,181,359**	**760,768**	**958,554**
Liabilities												
Loans and financing	1,593,962	1,419,075	1,135,513	-	-	-	-	-	-	1,593,962	1,419,075	1,135,513
Financial intruments Derivatives (*)	-	-	-	2,537	84,810	12,663	-	-	-	2,537	84,810	12,663
Suppliers	-	-	-	-	-	-	126,238	108,067	118,856	126,238	108,067	118,856
Total	**1,593,962**	**1,419,075**	**1,135,513**	**2,537**	**84,810**	**12,663**	**126,238**	**108,067**	**118,856**	**1,722,737**	**1,611,952**	**1,267,032**

(*) The derivative financial instrument are presented at net value, asset or liability, and refer in their totality to level 2 financial instruments.

NOTE 5 – CASH AND CASH EQUIVALENTS

	PARENT COMPANY			CONSOLIDATED – ACCORDING TO IFRS		
	12.31.2010	12.31.2009	01.01.09	12.31.2010	12.31.2009	01.01.09
Cash and banks	13,193	11,399	6,070	26,713	20,604	15,146
Fixed income securities	92	78	72	1,229	19,224	52,917
Bank deposit certificates	295,715	4,621	199,506	588,607	261,096	377,628
Investments in securities abroad	–	–	152,434	–	–	152,434
Total	**309,000**	**16,098**	**358,082**	**616,549**	**300,924**	**598,125**

The balance of financial investments is represented by bank deposit certificates remunerated by reference to the variation of interbank deposit certificates (CDI) and foreign securities in US dollars remunerated by an interest rate. Although they have long-term maturities, bank deposit certificates can be redeemed at any time without losses in remuneration.

NOTE 6 – TRADE ACCOUNTS RECEIVABLE

	PARENT COMPANY			CONSOLIDATED – ACCORDING TO IFRS		
	12.31.2010	12.31.2009	01.01.09	12.31.2010	12.31.2009	01.01.09
Domestic clients	583,072	464,284	349,241	567,768	484,957	364,426
Foreign clients	28,390	2,697	–	30,397	12,429	35,874
Allowance for doubtful accounts	(32,801)	(34,871)	(35,934)	(33,355)	(37,542)	(39,871)
Total	**578,661**	**432,110**	**313,307**	**564,810**	**459,844**	**360,429**

The balances of accounts receivable by maturity are as follows:

	PARENT COMPANY			CONSOLIDATED – ACCORDING TO IFRS		
	12.31.2010	12.31.2009	01.01.09	12.31.2010	12.31.2009	01.01.09
Falling due	527,037	411,451	292,644	513,202	430,123	343,617
Due up to 30 days	23,734	18,076	11,537	24,001	20,071	11,541
From 31 to 60 days	5,822	884	1,513	5,828	1,126	1,513
From 61 to 90 days	4,911	183	1,320	4,911	6,928	1,320
From 91 to 180 days	10,712	2,637	1,184	10,721	3,018	1,184
More than 180 days	39,246	33,750	41,043	39,502	36,120	41,125
Total	**611,462**	**466,981**	**349,241**	**598,165**	**497,386**	**400,300**

The Company and its Subsidiaries have a Credit Policy, the objective of which is to establish the procedures to be followed in granting credit in business operations, sales of products and services, domestically and abroad.

The determination of the limit occurs through credit analysis, considering the history of a Company, its capacity as a borrower of credit and market information.

The credit limit could be defined based on a percentage of net revenues, stockholders' equity, or a combination of these, also considering the average volume of monthly purchases, but always supported by the evaluation of the economic and financial situation, documents and conduct of the Company.

Customers are classified as A, B, C and D based on the length of relationship and payment history.

Classification	TIME SINCE REGISTRATION	PAYMENT HISTORY	% CUSTOMER PORTFOLIO BALANCE IN 2010
A	over 5 years	Punctual	53%
B	over 3 years	Up to 1 day late	11%
C	below 3 years	Over 1 day late	30%
D		Defaulted	6%

The maximum credit risk exposure on the report presentation date is the book value of each class of trade accounts receivable listed above. The Group has no securities as guarantee.

NOTE 7 – INVENTORY

	PARENT COMPANY			CONSOLIDATED – ACCORDING TO IFRS		
	12.31.2010	12.31.2009	01.01.09	12.31.2010	12.31.2009	01.01.09
Finished goods	86,343	73,642	90,121	103,684	98,486	132,180
Raw materials	119,589	66,395	57,803	120,191	69,097	66,738
Work in progress	60,988	43,652	30,640	70,477	44,464	31,466
General warehouse	50,239	41,960	42,319	51,505	45,664	43,611
Advances to suppliers	5,332	4,334	1,144	16,436	4,343	1,160
Total	**322,491**	**229,983**	**222,027**	**362,293**	**262,054**	**275,155**

NOTE 8 – RECOVERABLE TAXES AND CONTRIBUTIONS

The Company has recoverable federal and state tax credits, the compositions of which are as follows:

	CONTROLADORA			CONSOLIDADO – EM IFRS		
	12.31.2010	12.31.2009	01.01.09	12.31.2010	12.31.2009	01.01.09
Current						
Income tax (IRPJ) and social contribution (CSLL) to be offset	15,479	5,045	16,754	19,237	7,477	23,102
ICMS, PIS and COFINS on the acquisition of property, plant and equipment (*)	48,639	73,885	26,189	57,781	79,371	27,968
PIS and COFINS to be offset	550	584	-	11,001	6,015	8,490
ICMS and IPI recoverable	8,633	11,556	-	8,696	17,634	2,224
Other	-	220	319	-	220	319
Total	**73,301**	**91,290**	**43,262**	**96,715**	**110,717**	**62,103**
Non-current						
ICMS, PIS and COFINS on the acquisition of property, plant and equipment (*)	28,506	51,604	56,459	35,605	64,076	58,464
Total	**28,506**	**51,604**	**56,459**	**35,605**	**64,076**	**58,464**

(*) State Value-Added Tax (ICMS), Social Integration Program (PIS) and Social Contribution on Revenues (COFINS) recoverable were mainly generated on the acquisition of property, plant and equipment items for the industrial plants.

Under current legislations, offsets of PIS/COFINS will be effected in 12, 24 and 48 months, and offsets of ICMS will be in 48 months.

NOTE 9 – DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

Deferred income tax and social contribution are calculated on income tax losses and the negative basis of social contribution, temporary differences between the calculation bases of tax on assets and liabilities, and in compliance with the CPCs/IFRS. The tax rates, currently defined to determine the deferred taxes, are 25% for income tax and 9% for social contribution.

Deferred tax assets are recognized to the extent that it is likely that future taxable income will be available to be utilized to offset temporary differences, considering projections of future income prepared and based on internal assumptions and on future economic scenarios, which could, therefore, be subject to change.

	PARENT COMPANY			CONSOLIDATED – ACCORDING TO IFRS		
	12.31.2010	12.31.2009	01.01.09	12.31.2010	12.31.2009	01.01.09
Deferred tax asset – short term	**25,853**	**55,627**	**53,542**	**30,561**	**64,199**	**72,334**
Tax losses and negative basis of social contribution	–	3,127	–	–	3,892	3,686
Temporarily non-deductible provisions:						
Provision for sundry labor charges and costs	8,845	6,421	11,208	9,470	7,033	12,765
Tax provisions	–	–	20,268	–	304	27,409
Provisions for losses on inventory	3,264	1,758	–	3,337	2,142	–
Provision for adjustment of assets to the market value	6,996	7,322	–	7,019	7,327	–
Provision for commissions payable	1,254	1,117	818	1,254	1,292	818
Sundry provisions	3,658	6,970	4,668	7,645	13,297	11,076
Result of swap (cash vs. accrual basis)	1,836	28,912	16,580	1,836	28,912	16,580
Deferred tax asset – long-term	**27,104**	**41,544**	**3,543**	**39,305**	**49,690**	**4,517**
Provision for sundry labor charges and costs	6,380	4,113		7,396	4,817	–
Tax Provisions	8,925	24,690		19,330	31,781	–
Allowance for doubtful accounts	789	2,629	3,543	847	2,849	4,517
Provision for loss on investments	492	916	–	492	916	–
Provision for adjustment of assets to market value	–	127	–	–	127	–
Sundry provisions	566	451	–	566	451	–
Effect of business combination – CPCs/IFRS	9,952	8,618	–	10,674	8,749	–
Total deferred tax assets	**52,957**	**97,171**	**57,085**	**69,866**	**113,889**	**76,851**
Non-current liabilities						
Income tax and social contribution on revaluation reserve	(42,030)	(45,726)	(22,206)	(73,633)	(80,032)	(47,334)
Income tax and social contribution on present value adjustment of loans	(13,916)	(12,345)	–	(13,916)	(12,345)	–
Income tax and social contribution on swap result (cash vs. Accrual basis)	–	–	(11,813)	(657)	(85)	(11,813)
Income tax and social contribution on depreciation (25% credit of social contribution)	(4,565)	(4,565)	(3,297)	(13,568)	(8,786)	(7,006)
Income tax and social contribution on unsettled exchange rate variations – cash basis	(3,494)	(7,328)	–	(3,494)	(7,328)	–
Income tax and social contribution on goodwill based on future profitability	(753)			(753)		
Income tax of subsidiaries companies located abroad (Deca Piazza)	–	–	–	(525)	–	–
Income tax and social contribution on CPC/IFRS adjustments	(142,434)	(145,413)	(16,690)	(336,525)	(321,628)	(114,658)
Total deferred tax liabilities	**(207,192)**	**(215,377)**	**(54,006)**	**(443,071)**	**(430,204)**	**(180,811)**

NOTE 10 – RELATED PARTIES

a) Transactions with Subsidiaries

Description	RELATED PARTIES											
	DURATEX COML. EXPORTADORA			DURAFLORA			TCI TRADING			DURATEX EMPREENDIMENTOS		
	12.31.2010	12.31.2010	01.01.09	12.31.2010	12.31.2010	01.01.09	12.31.2010	12.31.2010	01.01.09	12.31.2010	12.31.2010	01.01.09
Assets												
Trade accounts receivable	17	6,042	2	16	138	2	–	–	–	–	–	–
Dividends receivables	1,775	–	10,054	22,167	14,389	19,034	–	–	–	–	–	–
Other receivables	–	–	–	–	1,671	66	–	198	5	–	1	–
Controlled companies	–	177	8,497	261	20,694	23,607	–	–	–	183	67	–
Liabilities												
Suppliers	–	–	–	27,163	17,593	30,756	2,424	7,251	85,262	–	–	–
Accounts payable	–	–	55,947	–	–	–	–	–	–	–	–	–
Controlled companies	17	–	–	–	–	–	–	–	–	–	–	5,488
	12.31.2010	12.31.2009		12.31.2010	12.31.2009		12.31.2010	12.31.2009		12.31.2010	12.31.2009	
Result												
Sales	21,743	58,898	–	–	92	–	–	–	–	–	–	–
Purchases	–	–	–	255,838	177,028	–	74,268	96,319	–	–	–	–
Financial	(158)	7,662	–	778	(15)	–	(88)	(942)	–	12	(181)	–

Description	CONTROLLED COMPANIES											
	DECA IND E COMÉRCIO			CERÂMICA MONTE CARLO			DRI – RESINAS INDL.			ESTRELA DO SUL		
	12.31.2010	12.31.2009	01.01.09	12.31.2010	12.31.2009	01.01.09	12.31.2010	12.31.2009	01.01.09	12.31.2010	12.31.2009	01.01.09
Assets												
Trade accounts receivable	–	756	177	–	2,605	2	21,311	11	–	–	–	-
Dividends receivables	–	–	–	–	276	543	–	–	-	–	–	–
Other receivables	–	–	–	–	17	15	–	–	267	–	2	–
Controlled companies	–	–	–	–	–	–	–	–	–	–	101	–
Liabilities												
Suppliers	–	13,734	855	–	30	–	40,750	–	-	–	–	–
Accounts payable	–	6	–	–	–	–	–	–	-	–	–	–
	12.31.2010	12.31.2009	-	12.31.2010	12.31.2009	-	12.31.2010	12.31.2009	-	12.31.2010	12.31.2009	-
Result												
Sales	–	–	–	–	4,590	–	3	–	-	-	–	–
Purchases	–	42,591	–	–	2,093	–	78,792	–	-	–	12,999	–
Financial	–	–	–	–	–	–	–	–	-	–	–	–

Description	INDIRECT SUBSIDIARIES											
	JACARANDÁ MIMOSO			DURATEX NORTH AMERICA			DURATEX EUROPE			DECA PIAZZA		
	12.31.2010	12.31.2009	01.01.09	12.31.2010	12.31.2009	01.01.09	12.31.2010	12.31.2009	01.01.09	12.31.2010	12.31.2009	01.01.09
Assets												
Trade accounts receivable	–	–	–	8,108	–	–	6,100	–	–	1,627	–	–
Result												
Sales	-	–	–	11,689	–	–	8,268	–	–	1,683	–	–
Purchases	4,940	–	–	–	–	–	–	–	–	–	–	–
Financial	-	–	–	(77)	–	–	98	–	–	(25)	–	–

b) Other related parties

Description	OTHER RELATED PARTIES														
	LEO MADEIRAS MAQS. & FER. LTDA			LEROY MERLIN CIA BRAS. BRICOLAGEM			LIGNA FLORESTAL LTDA.			ELEKEIROZ S.A.			ITAUTEC S.A.		
	12.31.2010	12.31.2009	01.01.09	12.31.2010	12.31.2009	01.01.09	12.31.2010	12.31.2009	01.01.09	12.31.2010	12.31.2009	01.01.09	12.31.2010	12.31.2009	01.01.09
Assets															
Trade accounts receivable	10,846	11,289	–	16,411	14,238	–	–	–	–	–	–	–	84	70	–
Property, plant and equipment	–	–	–	–	–	–	–	–	–	–	–	–	1,058	446	–
Liabilities															
Suppliers	3	–	–	5	–	–	–	–	–	467	–	–	89	34	–
	12.31.2010	12.31.2009	-	12.31.2010	12.31.2009	-	12.31.2010	12.31.2009	-	12.31.2010	12.31.2009	-	12.31.2010	12.31.2009	-
Result															
Sales	86,191	32,696	–	58,590	26,951	–	–	–	–	31	–	–	2	476	–
Purchases	84	27	–	–	–	–	–	–	–	15,010	-	-	–	–	–
Lease costs (*)	–	–	–	–	–	–	13,640	3,469	–	–	–	–	–	–	–

(*) Refers to costs with the rural leasing agreement entered into by the subsidiary Duraflora S.A. with Ligna Florestal Ltda. (controlled by Ligna de Investimentos) in connection with property used for reforestation. The monthly charges for this lease are R$1,109. This agreement will expire on July 2036 and may be renewed automatically for a further 15 years, and will be readjusted annually by the average price practiced by the Company for the sale of MDP panels.

Other transactions with related parties are trade purchases and sales, in the normal course of business of the Company, realized under market conditions.

c) Management remuneration

The remuneration paid or payable to the management of the Company and its subsidiaries for the fiscal year 2010 was R$10,115 in fees (R$15,768 – December 31, 2009), R$15,400 as participations (R$9,813 – December 31, 2009), and R$7,350 as long-term remuneration based on Stock Options (R$8,663 – December 31, 2009).

NOTE 11 – INVESTMENTS IN SUBSIDIARIES

	DIRECT				
Description	DURATEX COML. EXP.	DURAFLORA	ESTRELA DO SUL	DURATEX EMPREEND.	DECA IND. COMÉRCIO
Number of shares/quotas held (Thousand)					
Common	1	148	–	–	–
Preferred	2	43	–	–	–
Quotas	–	–	12	2,874	–
Interest %	**100,00**	**100,00**	**99,99**	**100,00**	**–**
Capital	10,297	318,218	12	2,874	–
Equity	34,909	1,231,161	5,824	5,428	–
Net income (loss) for the period	5,006	121,729	429	329	–
Movement of investments					
At December 31, 2008	**107,545**	**443,950**	**–**	**5,565**	**105,519**
Equity in transition balance sheet adjustments of subsidiaries	283	189,890	–	–	–
Elimination of RNR	(32)	–	–	–	–
Income tax on revaluation reserve	-	(25,128)	-	-	-
At January 01, 2009	**107,796**	**608,712**	**–**	**5,565**	**105,519**
Merger of Satipel	–	–	88,895	–	–
Business combination with Satipel	–	152,310	–	–	–
Realization of negative goodwill	–	15,152	–	–	–
Equity in results - CPCs/IFRS	17	(694)	–	–	–
Elimination of RNR	32	–	–	–	–
Equity in results	(9,248)	59,200	5,403	(466)	21,238
Exchange variation on equity	(6,514)	–	–	–	–
Amortization of goodwill	–	(66)	–	–	–
Transfer between assets	–	88,903	(88,903)	–	–
Advances for capital increases	–	69,318	–	–	–
Dividends	–	(14,389)	–	–	–
Complement/reversal of dividends	(139)	(620)	–	–	–
At December 31, 2009	**91,944**	**977,827**	**5,395**	**5,099**	**126,757**
Equity in results of subsidiaries	6,382	86,751	429	329	7,470
Equity in results of subsidiaries – CPCs/IFRS	60	33,498	–	–	–
Reflex of equity adjustment	(46)	-	-	-	-
Amortization of goodwill	–	(69)	–	–	–
Advances for capital increases	–	158,500	–	–	–
Exchange variation on equity	(2,537)	–	–	–	–
Dividends	(1,189)	(30,123)	-	-	-
Capital decrease with quotes of Deca Ind.e Comércio	(59,703)	-	-	-	59,703
Merger of subsidiary on 06.30.2010	-	-	-	-	(179,326)
Goodwill distributed in originating accounts	-	-	-	-	(14,604)
Goodwill due to expectation of future profitability Transfered to intangible assets	-	-	-	-	-
Elimination of RNR	(1,163)	-	-	-	-
Wind-up of subsidiary	-	-	-	-	-
At December 31, 2010	**33,748**	**1,226,383**	**5,824**	**5,428**	**–**

	DIRECT			INDIRECT					
CERÂMICA MONTE CARLO	DRI – RES. INDUSTRIAIS	TOTAL	DECA PIAZZA	NORTH AMERICA	DURATEX OVERSEAS	DURATEX EUROPE	DECA IND. COMÉRCIO	TCI TRADING	JACARANDÁ MIMOSO
–	97	-	16,446	500	–	3	–	1,230	-
–	97	-	–	–	–	–	–	1,230	-
-	-	-	–	–	–	–	–	–	82,850
–	**99,98**	**-**	**100,00**	**100,00**	**–**	**100,00**	**–**	**82,00**	**100,00**
–	75,150	-	5,876	886	–	19,904	–	3,000	82,850
–	78,732	-	5,014	7,451	–	22,159	–	3,783	90,229
–	3,582	-	17	589	–	1,278	–	1,981	3,040
51,656	**50**	**714,285**	**11,595**	**16,534**	**45,954**	**38,537**	**63,516**	**2,651**	**46,663**
–	–	190,173	-	-	-	-	-	-	-
–	–	(32)	-	-	-	-	-	-	-
-	-	(25,128)	-	-	-	-	-	-	(1,614)
51,656	**50**	**879,298**	**11,595**	**16,534**	**45,954**	**38,537**	**63,516**	**2,651**	**45,049**
–	–	88,895	–	-	-	-	-	-	-
–	–	152,310	-	-	-	-	-	-	-
–	–	15,152	-	-	-	-	-	-	-
–	–	(677)	-	-	-	-	-	-	-
–	–	32	-	-	-	-	-	-	-
8,171	(11)	84,287	(2,899)	81	358	(1,102)	(5,447)	8,880	(104)
–	–	(6,514)	(3,244)	(4,067)	(11,866)	(9,152)	-	-	-
(978)	–	(1,044)	–	-	-	-	-	-	-
–	–	–	–	-	-	-	-	-	-
57,050	71,300	197,668	–	–	–	–	–	–	39,895
(276)	–	(14,665)	–	(5,340)	(15,896)	(5,338)	-	(8,510)	-
699	–	(60)	–	-	-	-	-	-	-
116,322	**71,339**	**1,394,682**	**5,452**	**7,208**	**18,550**	**22,945**	**58,069**	**3,021**	**84,840**
13,326	3,581	118,268	17	589	500	1,278	1,634	1,856	3,039
–	–	33,558	-	-	-	-	-	-	-
-	-	(46)	-	-	-	-	-	-	-
(243)	–	(312)	-	-	-	-	-	-	-
–	3,800	162,300	–	–	–	–	–	–	2,350
–	–	(2,537)	(455)	(346)	542	(2,064)	–	–	–
-	-	(31,312)	-	-	(14,952)	-	-	(1,775)	-
-	-	–	-	-	-	-	(59,703)	-	-
(91,548)	-	(270,874)	-	-	-	-	-	-	-
(15,703)	-	(30,307)	-	-	-	-	-	-	-
(22,154)	-	(22,154)	-	-	-	-	-	-	-
-	-	(1,163)	-	-	-	-	-	-	-
-	-	-	-	-	(4,640)	-	-	-	-
–	**78,720**	**1,350,103**	**5,014**	**7,451**	**–**	**22,159**	**–**	**3,102**	**90,229**

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED	LAND	CONSTRUCTIONS AND IMPROVEMENTS	MACHINERY, EQUIPMENT AND FACILITIES	ASSETS IN PROGRESS	FURNITURE AND FIXTURES	VEHICLES	OTHER ASSETS	TOTAL
Opening balance at 01/01/2009								
Cost	58.006	299.047	1.116.688	327.415	18.228	12.518	74.430	1.906.332
Accumulated depreciation	–	(157.332)	(518.061)	–	(13.400)	(7.687)	(47.071)	(743.551)
Net book value	**58.006**	**141.715**	**598.627**	**327.415**	**4.828**	**4.831**	**27.359**	**1.162.781**
At 12/31/2009								
Opening balance	58.006	141.715	598.627	327.415	4.828	4.831	27.359	1.162.781
Acquisitions	–	83	30.080	132.004	759	2.192	2.866	167.984
Write-offs	(908)	(27)	(342)	(837)	(788)	(793)	(16.791)	(20.486)
Depreciation	–	(12.079)	(68.030)	–	(947)	(2.031)	(2.939)	(86.026)
Transfers	–	44.251	366.705	(417.393)	103	–	9.393	3.059
Merger of Satipel	15.257	173.129	549.484	36.346	1.867	3.370	3.142	782.595
Net book value	**72.355**	**347.072**	**1.476.524**	**77.535**	**5.822**	**7.569**	**23.030**	**2.009.907**
Opening balance at 12/31/2009								
Cost	72.355	530.695	2.204.049	77.535	21.380	19.962	76.851	3.002.827
Accumulated depreciation		(183.623)	(727.526)		(15.557)	(12.393)	(53.821)	(992.920)
Net book value	**72.355**	**347.072**	**1.476.523**	**77.535**	**5.823**	**7.569**	**23.030**	**2.009.907**
At 12/31/2010								
Opening balance	72.355	347.072	1.476.523	77.535	5.823	7.569	23.030	2.009.907
Acquisitions	8	1.174	42.340	102.352	730	1.396	2.633	150.633
Write-offs	–	(64)	–	–	(640)	(3.130)	(7.234)	(11.068)
Depreciation		(20.224)	(138.029)		(1.135)	(1.837)	(2.459)	(163.684)
Transfers	16.361	11.058	30.276	(39.288)	538	42	(6.700)	12.287
Merger of CMC and Deca Ideal	–	20.005	15.817	–	654	111	5.272	41.859
Net book value	**88.724**	**359.021**	**1.426.927**	**140.599**	**5.970**	**4.151**	**14.542**	**2.039.934**
Balance at 12/31/2010								
Cost	88.724	562.868	2.292.482	140.599	22.662	18.381	70.883	3.196.599
Accumulated depreciation	–	(203.847)	(865.555)	–	(16.692)	(14.230)	(56.341)	(1.156.665)
Net book value	**88.724**	**359.021**	**1.426.927**	**140.599**	**5.970**	**4.151**	**14.542**	**2.039.934**

CONSOLIDATED

	LAND	CONSTRUCTIONS AND IMPROVEMENTS	MACHINERY, EQUIPMENT AND FACILITIES	ASSETS IN PROGRESS	FURNITURE AND FIXTURES	VEHICLES	OTHER ASSETS	TOTAL
Opening balance at 01/01/2009								
Cost	470.404	349.501	1.203.567	381.964	27.063	26.916	83.861	2.543.276
Accumulated depreciation	–	(181.408)	(579.764)	–	(21.055)	(15.090)	(53.201)	(850.518)
Net book value	**470.404**	**168.093**	**623.803**	**381.964**	**6.008**	**11.826**	**30.660**	**1.692.758**
At 12/31/2009								
Opening balance	470.404	168.093	623.803	381.964	6.008	11.826	30.660	1.692.758
Acquisitions	3.228	109	34.200	164.878	953	4.002	3.248	210.618
Write-offs	(3.916)	(39)	(408)	(857)	(814)	(884)	(16.952)	(23.870)
Depreciation/amortization	–	(13.746)	(74.082)	–	(1.175)	(4.418)	(3.047)	(96.468)
Transfers	–	42.270	368.537	(424.779)	(42)	(287)	9.216	(5.085)
Merger of Satipel	37.606	176.213	549.635	40.462	2.522	4.631	3.185	814.254
Net book value	**507.322**	**372.900**	**1.501.685**	**161.668**	**7.452**	**14.870**	**26.310**	**2.592.207**
Opening balance at 12/31/2009								
Cost	507.322	567.610	2.154.932	161.668	29.682	34.378	82.557	3.538.149
Accumulated depreciation	–	(194.710)	(653.246)	–	(22.230)	(19.508)	(56.248)	(945.942)
Net book value	**507.322**	**372.900**	**1.501.686**	**161.668**	**7.452**	**14.870**	**26.309**	**2.592.207**
At 12/31/2010								
Opening balance	507.322	372.900	1.501.686	161.668	7.452	14.870	26.309	2.592.207
Acquisitions	94.817	1.347	61.118	136.330	790	10.484	3.792	308.678
Write-offs	(80)	(64)	(139)	–	–	(3.545)	(7.640)	(11.468)
Depreciation/amortization		(21.697)	(149.207)	–	(1.343)	(5.464)	(2.521)	(180.232)
Transfers	157	25.785	98.675	(129.510)	925	1.104	(7.538)	(10.402)
Merger of CMC and Deca Ideal	–	–	167	(2.746)	–	–	2.579	–
Net book value	**602.216**	**378.271**	**1.512.300**	**165.742**	**7.824**	**17.449**	**14.981**	**2.698.783**
Balance at 12/31/2010								
Cost	602.216	594.422	2.314.453	165.742	31.397	42.421	73.857	3.824.508
Accumulated depreciation	–	(216.151)	(802.153)	–	(23.573)	(24.972)	(58.876)	(1.125.725)
Net book value	**602.216**	**378.271**	**1.512.300**	**165.742**	**7.824**	**17.449**	**14.981**	**2.698.783**

Assets in progress substantially refer to buildings, machinery, and equipment being installed.

The Company and its subsidiaries have formalized contracts for the acquisition of equipment and services totaling approximately R$30 million in obligations assumed until December 31, 2010.

As provided for in Technical Interpretation ICPC 10 of the Brazilian Accounting Pronouncements Committee, approved by CVM Resolution no. 619/09, the Company reviewed the estimated useful lives of its key assets to calculate the depreciation for the year 2010. The review of the estimate generated a higher depreciation expense for 2010 of R$41.

ANNUAL DEPRECIATION RATES	
Constructions and improvements	4,00%
Machinery, equipment and facilities	6,47%
Furniture and fixtures	10,00%
Vehicles	10% a 20%
Other assets	10% a 20%

NOTE 13 – BIOLOGICAL ASSETS (FOREST RESERVES)

Through its wholly-owned subsidiary Duraflora S.A., the Company is the owner of eucalyptus and pine forestry reserves, which are principally utilized as raw materials to produce wood panels, floors and components, and also for sale to third parties.

These reserves function as a guarantee of supplies for the factories, as well as a protection against risks of future wood price increases. This is a sustainable operation integrated to the manufacturing facilities, which, jointly with a supply network, provides a high degree of self-sufficiency in wood supplies.

At December 31, 2010 the Group had roughly 136.2 thousand hectares of planted areas (December 31, 2009: 125.6 thousand hectares and January 1, 2009: 79.0 thousand hectares), maintained in the states of São Paulo, Minas Gerais, and Rio Grande do Sul. Due to the business combinations, 44.8 thousand hectares were added in 2009, with a further 6.5 thousand hectares in 2010 after purchases in the state of São Paulo.

a) Fair value estimate

Fair value is determined based on the estimate of the volume of wood ready for harvesting, at current prices for standing wood, except for (i) forests up to two years old which are stated at cost, because of the decision that such values approximate fair values;(ii) forests in formation for which the discounted cash flow method is employed.

Biological assets are measured at fair value, less cost of sales at the time of harvesting.

Fair value was determined by valuing the estimated ready-to-harvest volumes at current market prices, based on volume estimates. The assumptions utilized were:

i. Discounted cash flow – estimated volume of ready-to-harvest wood considering current market prices, net of planting costs to be realized and the capital cost of land utilized for planting (brought to present value).

ii. Prices – Cubic meter prices in R$are obtained by market surveys which are disclosed by specialized firms in regions and for products similar to those of the Company, in addition to prices practiced in third-party transactions, also in active markets.

iii. Differentiation – the volumes harvested were segregated and valued according to species (a) pine and eucalyptus, (b) region, (c) destination: sawmill and processing.

iv. Volumes – estimate of volumes ready for harvesting (6th year for eucalyptus and 12th year for pine), based on projected average productivity for each region and species. Average productivity may vary based on age, rotation, climatic conditions, quality of seedlings, fires, and other natural risks. In the case of matured forests, the actual volumes of wood are utilized. Rotating physical inventories are realized as of the second year of a forest's life and the effects are incorporated in the financial statements.

v. Regularity – expectations with regard to future wood prices and volumes are reviewed at least every quarter, or as rotational physical inventories are concluded.

b) Composition of Balances

The balance of the biological assets is composed of the cost of forest formation and the difference in the formation fair value costs, as shown below:

	31.12.10	31.12.09	01.01.09
Cost of formation of biological assets	471.536	362.857	182.184
Difference between cost and fair value	559.181	507.589	284.342*
Fair value of the biological assets	1.030.717	870.446	466.526

Forests are unencumbered from any third-party liens or warranties, including financial institutions. In addition, there are no forests with the tittles to which are restricted.

c) Movement

The following are the movement of balances at the beginning and end of the year:

	12/31/2010	12/31/2009
Opening balance	**870.446**	**466.526**
Purchases	58.455	3.560
Business combination	-	370.100
Depletion	(168.283)	(124.284)
Fair value	270.099	154.544
Closing balance	**1.030.717**	**870.446**

The increased balance results from an increase in planted areas to support the expansion of the Company's operations.

The positive adjustment in the value results from higher prices for standing wood, the increase in effective planted areas and greater productivity.

NOTE 14 – INTANGIBLE ASSETS

PARENT COMPANY	*SOFTWARE*	TRADEMARKS AND PATENTS	GOODWILL DUE TO FUTURE PROFITABILITY	CUSTOMER PORTFOLIO	TOTAL
Opening balance at 01/01/2009					
Cost	16.836	2.043	–	-	18.879
Accumulated amortization	(9.435)	-	-	-	(9.435)
Net book value	**7.401**	**2.043**	**-**	**-**	**9.444**
At 12/31/2009					
Opening balance	7.401	2.043	-	-	9.444
Additions	12.040	135	-	-	12.175
Write-offs	(2.264)	-	-	-	(2.264)
Amortization	(1.019)	-	-	(7.311)	(8.330)
Merger of Satipel S.A.	2.445	-	-	-	2.445
Business combination	-	-	187.573	329.000	516.573
Net book value	**18.603**	**2.178**	**187.573**	**321.689**	**530.043**
Opening balance at 12/31/2009					
Cost	29.056	2.178	187.573	329.000	547.807
Accumulated depreciation	(10.453)	-	-	(7.311)	(17.764)
Net book value	**18.603**	**2.178**	**187.573**	**321.689**	**530.043**
At 12/31/2010					
Opening balance	18.603	2.178	187.573	321.689	530.043
Additions	11.691	278	-	-	11.969
Amortization	(2.341)	-	-	(21.933)	(24.274)
Merger of Cerâmica Monte Carlo	27	-	22.154	-	22.181
Net book value	**27.980**	**2.456**	**209.727**	**299.756**	**539.919**
Balance at 12/31/2010					
Cost	40.774	2.456	209.727	329.000	581.957
Accumulated depreciation	(12.794)	-	-	(29.244)	(42.038)
Net book value	**27.980**	**2.456**	**209.727**	**299.756**	**539.919**
Average amortization rate	10%	0%	0%	6,67%	

CONSOLIDATED	*SOFTWARE*	TRADEMARKS AND PATENTS	GOODWILL DUE TO FUTURE PROFITABILITY	CUSTOMER PORTFOLIO	TOTAL
Opening balance at 01/01/2009					
Cost	17.047	2.046	22.154	-	41.247
Accumulated amortization	(9.574)	-	-	-	(9.574)
Net book value	**7.473**	**2.046**	**22.154**	**-**	**31.673**
At 12/31/2009					
Opening balance	7.473	2.046	22.154	-	31.673
Additions	12.072	135	-	-	12.207
Write-offs	(2.264)	-	-	-	(2.264)
Amortization	(1.049)	-	-	(7.311)	(8.360)
Merger	2.483	-	-	-	2.483
Business combination	-	-	187.573	329.000	516.573
Net book value	**18.715**	**2.181**	**209.727**	**321.689**	**552.312**
Opening balance at 12/31/2009					
Cost	29.338	2.181	209.727	329.000	570.246
Accumulated depreciation	(10.623)	-	-	(7.311)	(17.934)
Net book value	**18.715**	**2.181**	**209.727**	**321.689**	**552.312**
At 12/31/2010					
Opening balance	18.715	2.181	209.727	321.689	552.312
Additions	11.706	278	-	-	11.984
Amortization	(2.371)	-	-	(21.933)	(24.304)
Net book value	**28.050**	**2.459**	**209.727**	**299.756**	**539.992**
Balance at 12/31/2010					
Cost	41.044	2.459	209.727	329.000	582.230
Accumulated depreciation	(12.994)	-	-	(29.244)	(42.238)
Net book value	**28.050**	**2.459**	**209.727**	**299.756**	**539.992**
Average amortization rate	10%	0%	0%	6,67%	

NOTE 15 – LOANS AND FINANCING

FINANCIAL INSTITUTIONS

Type	Charges	Amortization	Guarantees
BNDES	TJLP + 2.3% p.a.	monthly and quarterly	Surety – Itaúsa
BNDES	TJLP + 2.7 p.a.	monthly and quarterly	Guarantee – Ligna
BNDES	TJLP + 3.5 p.a.	quarterly	Surety – 70% Itaúsa
FINAME	TJLP + 2.5% p.a.	monthly	Chattel mortgage and PN
Industrial credit	Tr + 10.5% p.a.	February, 2009	Surety
Industrial credit /SWAP	11.7% p.a.	up to April 2015	Surety – Duratex Coml. Exp.S.A
Industrial credit	95.4% CDI	April 2010	
Industrial credit	Selic + 2% p.a.	up to December 2011	Surety – Ligna
Bank credit/Exports	107.7% CDI	up to October 2012	
FUNDIEST	30% IGP-M per month	up to November 2020	Guarantee – Ligna
FUNDOPEN	IPCA + 3% p.a.	up to December 2023	Surety – 70% Itaúsa
PROIM/PROINVEST /PRO FLOR.	IGP-M + 4.0%p.a /IPCA + 6% p.a	up to January 2018	Surety – Ligna and Mortgage of assets
Rural Promissory Note discounted	6.75% p.a	up to April 2011	Surety – Duratex Coml. Exp. S.A
Rural Promissory Note discounted	6.75% p.a	up to June 2010	Surety
Financial leasing	100% CDI	up to September 2011	Promissory Note
	LOCAL CURRENCY		
BNDES	Basket of currencies + 2.1% p.a.	monthly and quarterly	Surety – Itaúsa
BNDES	Basket of currencies + 2.4% p.a.	monthly and quarterly	Guarantee – Ligna
BNDES	Basket of currencies + 3.8% p.a.	Up to october 2016	Surety – 70% Itaúsa
Resolution 2770/SWAP	US$ + 6.6% p.a	up to September 2012	
Resolution 2770/SWAP	Libor + 1.75% p.a	up to March 2014	Surety – Ligna – Mortgage and trust
Resolution 2770/SWAP	JPY + 1.6 % p.a.	Aug/10	
Import financing	Libor + 1.1% p.a/Euribor + 0.6%p.a	up to March 2012	Surety – Ligna and bonds
	FOREIGN CURRENCY		
TOTAL PARENT COMPANY			
Rural Credit Note	Tr + 9.5 p.a.	October 2009	Surety
Rural Credit Note	12.3% p.a.	July 2009	Surety
Rural Credit Note	10.8% p.a	Dec/12	Surety – Duratex
Export credit notes	104.5% CDI	Sept/12	Surety – Duratex
BNB Agricultural Credit	14.1% p.a.	monthly	Surety
BNDES	TJLP + 4.0 p.a.	monthly	Surety
BNDES	TJLP + 2.3 p.a.	monthly and quarterly	Surety – Itaúsa
FINAME	TJLP + 4.0% p.a./7% p.a.	monthly	Chattel mortgage and PN
FUNDAP	1% p.a.	monthly	Surety – Duratex Coml. Exp.S.A
	LOCAL CURRENCY		
BNDES	Basket of currencies + 4% p.a.	monthly	Surety
BNDES	US$ + 1.7% p.a.	monthly and quarterly	Surety – Itaúsa
A.C.C.	US$ + 4.8% p.a.	up to September 2009	-
A.C.C.	US$ + 4.7% p.a.	up to August 2010	-
Import financing	US$ + 4.5% p.a.	up to May 2010	Promissory note
Import financing	US$ + 3.2% p.a.	up to May 2010	Surety – Duratex S.A
	FOREIGN CURRENCY		
TOTAL SUBSIDIARIES			
Trade bills discounted			
TOTAL CONSOLIDATED			

12/31/2010		12/31/2009		01/01/2009	
CURRENT	NON CURRENT	CURRENT	NON CURRENT	CURRENT	NON CURRENT
43.772	281.368	43.064	285.832	23.671	193.533
28.484	115.275	26.584	142.416	–	–
521	4.980	-	-	-	-
562	1.031	664	1.306	293	481
–	–	–	–	22.038	–
145.405	345.337	130.037	–	–	–
–	–	47.574	–	12.610	140.000
11.682	778	7.933	12.348	–	–
7.974	5.537	12.628	13.920	–	–
4.757	126.511	–	108.793	–	–
	1.300	-	-	-	-
11.818	43.089	6.675	50.917	–	–
16.000	–	–	–	10.000	–
–	–	10.000	–	–	–
159	–	376	287	–	–
271.134	**925.206**	**285.535**	**615.819**	**68.612**	**334.014**
4.731	27.016	4.738	31.859	3.984	32.610
2.837	13.456	2.720	16.536	–	–
58	607	–	–	–	–
13.862	13.329	107.742	27.859	108.418	102.827
8.188	9.198	21.462	10.077	–	–
–	-	129.629	–	3.223	148.618
2.445	700	1.892	4.346	-	-
32.121	**64.306**	**268.183**	**90.677**	**115.625**	**284.055**
303.255	**989.512**	**553.718**	**706.496**	**184.237**	**618.069**
–	–	–	–	90.489	–
–	–	–	–	10.128	–
120.516	89.972	1.898	97.313	–	–
1.640	50.000	-	-	-	-
–	–	–	–	–	4.302
–	–	–	–	–	1.445
4.697	26.337	–	–	–	–
162	972	66	–	342	66
325	–	3.235	–	1.959	–
127.340	**167.281**	**5.199**	**97.313**	**102.918**	**5.813**
–	–	–	–	619	334
1.013	5.561	–	–	–	–
–	–	–	–	87.894	–
–	–	24.806	–	–	–
–	–	–	–	88.618	25.142
–	–	19.171	–	–	–
1.013	**5.561**	**43.977**	**–**	**177.131**	**25.476**
128.353	**172.842**	**49.176**	**97.313**	**280.049**	**31.289**
–	–	12.372	–	21.869	–
431.608	**1.162.354**	**615.266**	**803.809**	**486.155**	**649.358**

Sureties and letters of guarantee securing loans and financing to Duratex S.A. were granted by Itaúsa S.A., totaling R$362,113 (R$365,493 in 2009 and R$253,798 on January 1, 2009), Companhia Ligna de Investimentos, in the amount of R$379,218 (R$412,699 in 2009), and Duratex Comercial Exportadora S.A., totaling R$506,742 (R$130,105 in 2009). In the case of loans and financing obtained by the subsidiaries, the sureties were granted by Itaúsa S.A., totaling R$37,608, Duratex S.A.,totaling R$262,128 (R$118,382 in 2009), and Duratex Comercial Exportadora S.A., in the amount of R$325 (R$3,235 in 2009 and R$1,959 on January 1, 2009).

Restrictive clauses

Loans and financing from The National Bank for Economic and Social Development (BNDES) are subject to restrictive covenants in accordance with usual market practices, which in addition to certain common obligations specify the following:

a) MDP plant in Taquari and MDF plant in Uberaba – present operating licenses, adopt measures and actions intended to avoid or remedy damage to the environment, and measures with regard to occupational health and safety. In the loan agreement for the Taquari MDP plant, the covenants are based on the consolidated balance sheet of Companhia Ligna de Investimentos, which should maintain: current liabilities below 60% of total liabilities and EBITDA margin above 13%. In the financing agreement for the Uberaba MDF plant, the covenants are based on the balance sheet of Duratex S.A, which should keep a debt coverage limit by means of a ratio of net bank debt vs. EBITDA (*) of not over 3.5 times, and a ratio of gross debt/gross debt plus stockholders equity of not more than 0.75.

b) HDF plant in Botucatu, MDFII plant in Agudos, industrial resins in Agudos, ceramics in Jundiaí, Deca Sanitary metals in São Paulo and Jundiaí, and forestry area – during the contractual effectiveness maintain the ratios in the Duratex S.A. annual audited balance sheet: (i)EBITDA (*)/ Net Financial Expenses: above or equal to 3.0 (ii) EBITDA (*)/Net operating revenues equal to or above 0.20: and (iii) Stockholders' Equity/ Total Assets equal to or above 0.45.

If these contractual obligations are not complied with, Duratex S.A. should provide additional guarantees.

These contractual requirements were being complied with as of December 31, 2010.

(*EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization), TJLP – Long-term Interest Rate, IPCA – Amplified Consumer Price Index, IGP-M – General Price Index-Market)

Loans and financing designated at fair value

Certain loans and financing (which can be identified in the table above as "swap") were designated at fair value through the results, as described in Note 2.7.

FINANCIAL INSTITUTIONS – MATURITY

12.31.2010						
Year	PARENT COMPANY			CONSOLIDATED		
	LOCAL CURRENCY	FOREIGN CURRENCY	TOTAL	LOCAL CURRENCY	FOREIGN CURRENCY	TOTAL
2012	407,336	24,500	431,836	552,184	25,496	577,680
2013	101,065	10,472	111,537	105,942	11,468	117,410
2014	110,547	12,667	123,214	115,424	13,663	129,087
2015	154,263	10,094	164,357	159,140	11,090	170,230
2016	77,439	6,093	83,532	82,316	7,089	89,405
2017	22,437	480	22,917	25,349	1,061	26,410
2018	20,940	–	20,940	20,953	–	20,953
2019	15,210	–	15,210	15,210	–	15,210
Other	15,969	–	15,969	15,969	–	15,969
Total	**925,206**	**64,306**	**989,512**	**1,092,487**	**69,867**	**1,162,354**

12.31.2009						
Year	PARENT COMPANY			CONSOLIDATED		
	LOCAL CURRENCY	FOREIGN CURRENCY	TOTAL	LOCAL CURRENCY	FOREIGN CURRENCY	TOTAL
2011	102,352	15,638	117,990	199,665	15,638	215,303
2012	99,919	38,526	138,445	99,919	38,526	138,445
2013	90,005	9,935	99,940	90,005	9,935	99,940
2014	98,892	8,166	107,058	98,892	8,166	107,058
2015	101,473	10,812	112,285	101,473	10,812	112,285
2016	65,266	6,969	72,235	65,266	6,969	72,235
2017	21,057	631	21,688	21,057	631	21,688
2018	21,053	–	21,053	21,053	–	21,053
Other	15,802	–	15,802	15,802	–	15,802
Total	**615,819**	**90,677**	**706,496**	**713,132**	**90,677**	**803,809**

01/01/2009						
Year	PARENT COMPANY			CONSOLIDATED		
	LOCAL CURRENCY	FOREIGN CURRENCY	TOTAL	LOCAL CURRENCY	FOREIGN CURRENCY	TOTAL
2010	163,974	209,482	373,456	166,166	234,746	400,912
2011	21,049	4,379	25,428	22,391	4,500	26,891
2012	26,602	51,119	77,721	27,762	51,210	78,972
2013	30,185	4,379	34,564	31,144	4,379	35,523
2014	30,145	4,379	34,524	30,305	4,379	34,684
2015	33,330	5,776	39,106	33,330	5,776	39,106
2016	27,831	4,189	32,020	27,831	4,189	32,020
Other	898	352	1,250	898	352	1,250
Total	**334,014**	**284,055**	**618,069**	**339,827**	**309,531**	**649,358**

NOTE 16 – CONTINGENCIES

The Company and its subsidiaries are parties to judicial and administrative processes of a labor, civil, and tax nature arising from the normal course of business.

The respective provision for contingencies was constituted considering the evaluation of a likelihood of loss, by the Company's legal advisors.

Based on the opinion of its legal advisors, the Company's management believes that the provision for contingencies constituted presented below is sufficient to cover any likely losses in the processes:

PARENT COMPANY	TAX	LABOR	CIVIL	TOTAL
Opening balance at January 1, 2010	**112,558**	**7,329**	**5,557**	**125,444**
Monetary restatement and interest	4,370	1,965	656	6,991
Constitution	3,080	8,986	183	12,249
Reversal	(51,422)	–	(179)	(51,601)
Payments	–	(4,453)	(1,281)	(5,734)
Closing balance at 12.31.2010	**68,586**	**13,827**	**4,936**	**87,349**
Judicial deposits	(4,650)	(1,063)	(193)	(5,906)
Balance at 12.31.2010 after offsetting of judicial deposits	**63,936**	**12,764**	**4,743**	**81,443**

CONSOLIDATED	TAX	LABOR	CIVIL	TOTAL
Opening balance at January 1, 2010	**171,032**	**9,827**	**5,557**	**186,416**
Monetary restatement and interest	8,418	2,556	656	11,630
Constitution	3,317	10,793	183	14,293
Reversal	(53,660)	–	(179)	(53,839)
Payments	(94)	(6,062)	(1,281)	(7,437)
Closing balance at 12.31.2010	**129,013**	**17,114**	**4,936**	**151,063**
Judicial deposits	(7,163)	(1,284)	(193)	(8,640)
Balance at 12.31.2010 after offsetting of judicial deposits	**121,850**	**15,830**	**4,743**	**142,423**

PARENT COMPANY	TAX	LABOR	CIVIL	TOTAL
Opening balance at January 1, 2009	**84,236**	**6,214**	**5,848**	**96,298**
Merger of Satipel	5,004	886	71	5,961
Business combination	3,843	–	–	3,843
Monetary restatement and interest	4,122	2,650	448	7,220
Constitution	54,894	1,918	(602)	56,210
Reversal	(25,832)	(941)	(177)	(26,950)
Payments	(13,709)	(3,398)	(31)	(17,138)
Closing balance at 12.31.2009	**112,558**	**7,329**	**5,557**	**125,444**
Judicial deposits	(11,284)	(774)	(1,750)	(13,808)
Balance at 12.31.2009 after offsetting of judicial deposits	**101,274**	**6,555**	**3,807**	**111,636**

CONSOLIDATED	TAX	LABOR	CIVIL	TOTAL
Opening balance at January 1, 2009	**135,720**	**9,114**	**5,848**	**150,682**
Merger of Satipel	5,369	1,380	71	6,820
Business combination	3,843	–	–	3,843
Monetary restatement and interest	6,488	3,475	448	10,411
Constitution	64,127	2,090	(602)	65,615
Reversal	(26,940)	(1,113)	(177)	(28,230)
Payments	(17,575)	(5,119)	(31)	(22,725)
Closing balance at 12.31.2009	**171,032**	**9,827**	**5,557**	**186,416**
Judicial deposits	(14,576)	(1,161)	(1,751)	(17,488)
Balance at 12.31.2009 after offsetting of judicial deposits	**156,456**	**8,666**	**3,806**	**168,928**

Tax contingencies principally involve legal discussions on the Plano Verão (summer 1989 anti-inflationary measures) and the PIS six-monthly credits.

a) Summer Plan

Refers to the lawsuit requiring the right to update for inflation the 1989 fiscal year balance sheet by utilizing the full IPC inflation index (gross rate) of 70.28%, thereby avoiding distortions that the non-recognition of the actual inflation rate would cause to the Company's balance sheet and also the taxation on income. A sentence was obtained acknowledging the right to adjust the balance sheet in accordance with the rate of 42.72%, which was effected in the fiscal years of 1994 to 1996. Though the Regional Federal Court (TRF) was opposed to the sentence, the Company obtained, by means of a writ of prevention, the suspension of the appeals in the Superior Court of Justice (STF) and the sentence was maintained. At December 31, 2010 there was a provision of R$48,794 (R$45,733 at December 31, 2009) relating to the offsetting of income tax and social contribution on net income.

b) PIS – Six-monthly payments

Refers to the appeal intended to acknowledge the right of paying PIS pursuant to Complementary Law nº 7/70. A final favorable and unappealable sentence was obtained in the lawsuit in 1997, which led the Company and its subsidiaries to offset the amounts in connection with the credits computed in accordance with the legal procedure. However, the discussions with the authorities are in progress in respect of the expiry of these credits and the desistance from executing the lawsuit. The credits are also subject to approval by the tax authorities. Because of these discussions, the amounts compensated against IRPJ, CSLL, IPI, and COFINS have been provisioned and totaled R$19,380 (R$54,963 at December 31, 2009). The decrease in the balance in 2010 was due a final unappealable decision being obtained for part of the process. Consequent to this decision, the amount of R$36,144 was recognized in the financial statements under the heading "Other Operating Income, net".

c) Contingencies not provisioned

The Company and its subsidiaries are involved in other tax lawsuits which total R$51,159, which in the opinion of the legal advisors, present a possible chance of loss. No provision has, therefore, been constituted.

d) Program for Payment or Installment Payment of Federal Taxes – Law 11.941/09 (REFIS)

The Company and its subsidiaries have enrolled in the Program for Payment or Installment Payment of Federal Taxes, established by Law 11,941 of 05/27/2009. The Program includes debts administered by Federal Revenue Service and the Attorney General of the National Treasury, with maturities until November 30, 2008. The principal disputed taxes and contributions included in this program were:

- Accident Insurance (SAT) in which was being discussed the framework for inclusion or not by company, the salaries of central office administration beginning to be taxed at a rate of 1%.
- Allocation of IPI credits on the purchase of raw materials and packaging not subject to tax.

Based on this law, the Company's management decided to pay on sight the Accident Insurance (SAT) and pay over 12 installments the IPI credits on the purchase of raw materials and packaging not subject to tax.

As a result of the enrollment in REFIS, the Company is obliged to make the installments payments on their due dates and to desist from the lawsuits in progress, as well as to renounce all the alleged rights on which the lawsuits were based. Otherwise, the installment payment program will be immediately rescinded and the benefits lost.

The effect on the result was R $3,947 in 2010 (R $637 in 2009) and the balance payable as a consequence of enrolling in the Program was R$3,202, related to National Social Security Contributions (INSS).

e) Contingent Assets

The Company and its subsidiaries are discussing in court the refund of taxes and contributions, the likelihood of success in which is considered to be favorable according to legal counsel. Because the amounts, presented below, represent contingent assets, they have not been recognized in the financial statements:

	12.31.2010	12.31.2009
IPI credit premium from 1980 to 1985	88,238	81,903
Monetary Restatement of Federal Power Company (Eletrobrás) credits	52,533	-
Refund with holding Tax on Net Income (ILL) paid on dividend distributions from 1989 to 1992	7,800	6,600
Accident Insurance (SAT) from 1975 to 1978 and October 89	3,842	2,959
COFINS – Judicial deposit	3,023	-
PIS – calculation basis	1,191	8,002
PIS and COFINS – Manaus Free-Trade Zone	1,508	1,271
PIS and COFINS – remittance of commissions on overseas sales	1,385	1,205
Other	2,941	1,802
Total	**162,461**	**103,742**

NOTE 17 – RURAL LEASE

The rural lease refers to an agreement entered into by the subsidiary Duraflora S.A.with Ligna Florestal Ltda (controlled by Ligna de Investimentos), in connection with property in Minas Gerais and Rio Grande do Sul, where the forests are located. The monthly charges for this lease are R$1,109.This agreement will expire on July 2036 and may be renewed automatically for a further 15 years, and will be readjusted annually by the average price practiced by the Company for the sale of MDP panels.

The minimum future payments are as follows:

2011	**13,308**
2012 to 2016	**66,540**
2017 onwards	**259,506**
Total	**339,354**

Furthermore, in compliance with CPC 06 – Leasing Operations, the subsidiary Duraflora S.A. records the effects of using the straight-line method for its costs in its rural lease agreements.

NOTE 18 – STOCKHOLDERS' EQUITY

a) Capital

The authorized capital of Duratex S.A. is 920,000,000 (nine hundred and twenty million) shares and the fully subscribed and paid-up capital is R$1,288,085, represented by 458,362,776 registered common shares with no par value.

b) Treasury Shares

	Nº OF SHARES	AMOUNT
Balance at December 31, 2007	**463,205**	**2,177**
Acquisitions in the year	1,154,300	14,475
Utilized in the Stock Option process	(1,092,933)	(7,762)
Balance at December 31, 2007	**524,572**	**8,890**

PRICES

Minimum	Maximum	Weighted average	Latest quotation
3.43	18.78	16.91	17.85

c) Equity Reserves

	PARENT COMPANY AND CONSOLIDATED		
	2010	2009	2009
Capital Reserves	**303,103**	**295,753**	**236,744**
Premium on the subscription of shares	218,720	218,720	168,487
Tax incentives	13,705	13,705	13,592
Prior to Law 6404	18,426	18,426	18,426
Options granted	60,596	52,966	43,289
Options granted to be appropriated	(8,344)	(8,064)	(7,050)
Revaluation Reserve	**104,590**	**112,919**	**67,593**
Revenue Reserves	**1,360,660**	**1,039,747**	**742,690**
Legal	77,616	54,384	45,411
Statutory	1,280,772	985,363	697,279
Tax incentives	2,272	–	–
Treasury shares	**(8,890)**	**(2,177)**	**(75,495)**
Carrying Value Adjustments	**412,141**	**414,679**	**–**

The amount presented in Capital Reserves as premium on the subscription of shares refers to the additional amount paid by shareholders in relation to the nominal value at the time of the subscription for the shares.

The amounts for Options Granted in Capital Reserves refer to the recognition of the award of the options on the grant date.

As provided in the By-laws, the balance appropriated to the statutory reserve will be utilized for: (i) Reserve for Dividend Equalization ;(ii) Reserve for Working Capital Increase; (iii) Reserve for Capital Increase in Associated Companies.

d) Dividends

Under the by-laws, the shareholders are assured a minimum mandatory dividend corresponding to 30% of adjusted net income. Presented below is the dividend calculation, the amounts paid/credited and the balance payable:

Dividends at December 31, 2010	
were calculated as follows:	
Net income for the year	466,895
(-) Tax incentives	(2,272)
(-) Legal reserve	(23,231)
(+) Realization of revaluation reserve	8,329
Adjusted net income	449,721
Minimum compulsory dividend (30%)	134,915

	Gross amount	Withholding tax (IRRF)	Net amount
Dividends declared in the year			
The Board of Directors at a meeting held on			
04.04.2010, decided to pay "ad referendum" of the General			
Meeting, interest on own capital			
as from 08.13.2010, on account of the compulsory dividend of 2010.	65,624	(9,844)	55,780
The Board of Directors at the meeting held on			
December 17, 2010 resolved to credit interest on own			
capital on account of the compulsory dividend for 2010, the amount			
of R$0.14456048 per share totaling R$66,185, which			
payment will be made by April 30, 2011	66,185	(9,928)	56,257
Dividends provisioned at 12.31.2010	22,878	-	22,878
Remuneration	**154,687**	**(19,772)**	**134,915**

NOTE 19 – INSURANCE COVERAGE

At December 31, 2010, the Company and its Subsidiaries had insurance coverage against fire and various risks of property, plant and equipment, inventories and civil liability totaling R$2,377,900.

NOTE 20 – NET SALES REVENUE

The reconciliation of gross and net sales revenues is as follows:

	PARENT COMPANY		CONSOLIDATED	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Gross sales revenue	3,413,282	2,420,228	3,544,005	2,544,400
Domestic market	3,339,394	2,353,752	3,431,314	2,421,015
Foreign market	73,888	66,476	112,741	123,385
Taxes and contributions on sales	(780,197)	(600,449)	(802,245)	(614,350)
Net Sales Revenue	**2,633,085**	**1,819,779**	**2,741,810**	**1,930,050**

NOTE 21 – EXPENSES BY NATURE

	PARENT COMPANY		CONSOLIDATED	
	12.31.2010	12.31.2009 (*)	12.31.2010	12.31.2009 (*)
Variations in the inventories of finished products and work in process	(127,468)	(5,730)	(175,214)	(35,581)
Raw materials and consumption materials	1,275,622	858,678	1,135,505	776,330
Remuneration, charges and benefits to employees	446,695	359,592	498,611	413,903
Depreciation charges	163,450	95,501	214,858	104,936
Transport expenses	154,119	93,089	166,667	111,645
Advertising expenses	46,189	38,323	46,530	38,817
Other expenses	185,253	156,838	155,077	196,836
Total	**2,143,860**	**1,596,291**	**2,042,034**	**1,606,886**

(*) In the composition of the balance of 2009, the amounts are rerpresented for 12 months for Duratex and 4 months for Satipel

NOTE 22 – FINANCIAL INCOME AND EXPENSES

	PARENT COMPANY		CONSOLIDATED	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Financial income				
Remuneration on financial investments	21,830	14,848	43,889	43,154
Foreign exchange variances	(688)	(621)	(3,388)	(26,867)
Interest and discounts obtained	4,878	3,076	5,014	6,549
Operations with subsidiaries	1,094	9,151	-	-
Fair value	5,128	(506)	(651)	2,180
Fundap – Negative goodwill	-	-	4,353	13,192
Other	1,625	8,618	3,160	2,458
TOTAL	**33,867**	**34,566**	**52,377**	**40,666**
Financial expenses				
Charges on financing – Local currency	95,927	36,911	109,682	48,022
Charges on financing – Foreign currency	8,350	1,858	8,813	5,058
Foreign exchange variances	8,510	(75,138)	6,717	(99,489)
Operations with derivatives	-	117,194	-	131,424
Bank charges	4,152	-	–	
Tax on financial operations	1,624	1,253	2,196	2,737
Fair value	–	-	-	-
Other	10,359	12,406	22,849	2,139
TOTAL	**128,922**	**94,484**	**150,257**	**89,891**
TOTAL FINANCIAL RESULT	**(95,055)**	**(59,918)**	**(97,780)**	**(49,225)**

NOTE 23 – OTHER OPERATING INCOME (EXPENSES), NET

	PARENT COMPANY		CONSOLIDATED	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Tax recovery on the lawsuit on PIS six-monthly payments, Complementary Law no. 7/70	36,444	–	36,444	–
Other tax recoveries (PIS Law nº 9718/98 and Decree Law 2445/88, CSLL Decree nº 332/91, and Transport Vouchers)	3,317	1,528	6,782	1,528
Gains from enrollment in tax amnesty Law	3,530	637	3,947	637
Contingencies, impairment and other adjustments arising from the association between Duratex and Satipel	–	(34,867)	–	(43,282)
Paticipations and Stock Option	(22,750)	(18,475)	(22,750)	(18,475)
Other operating income and expenses	8,003	5,024	1,471	11,070
TOTAL	**28,544**	**(46,153)**	**25,894**	**(48,522)**

NOTE 24 – INCOME TAX AND SOCIAL CONTRIBUTION

Reconciliation of income tax and social contribution expenses

Statement of reconciliation between income and social contribution tax expenses, at the nominal and effective rates:

	PARENT COMPANY		CONSOLIDATED	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Profit before income tax and social contribution	**563,907**	**188,649**	**617,675**	**209,649**
Income tax and social contribution at the rates of 25% and 9%, respectively	(191,728)	(64,142)	(210,008)	(71,280)
Income tax and social contribution on additions and deductions from the Results	**94,716**	**54,962**	**59,580**	**42,718**
Income from foreign investments	-	-	1,219	(1,574)
Interest on own capital	45,177	33,334	45,177	33,334
Equity in Results of investees	40,211	28,658	-	-
Other additions and exclusions	9,328	(7,030)	13,184	10,958
Income tax and social contribution on profit for the year	**(97,012)**	**(9,180)**	**(150,428)**	**(28,562)**
In the Results:	(97,012)	(9,180)	(150,428)	(28,562)
Current income tax and social contribution	(59,339)	(9,951)	(98,930)	(33,003)
Deferred income tax and social contribution	(41,987)	1,805	(38,525)	5,126
Deferred income tax and social contribution – CPCs/IFRS	4,314	(1,034)	(12,973)	(685)

NOTE 25 – STOCK OPTION PLAN

As provided in the By-laws, the Company has a stock option plan with the objective of integrating the executives into the Company's medium- and long-term development process, enabling them to participate in the appreciation that their work and dedication will bring to the Duratex equity shares.

These options will grant their owners the right, pursuant to the Plan's conditions, to subscribe for common shares of the authorized capital of Duratex.

The rules and operating procedures related to the Plan will be proposed by the Committee designated by the Board of Directors of the Company. Periodically, this Committee will submit to the Board of Directors proposals for the implementation of the Plan.

Options will only be granted for the fiscal years during which sufficient profits were earned to permit the mandatory dividend distribution to shareholders. The total quantity of options to be granted during each fiscal year should not exceed 0.5% (one-half percent) of the total number of shares owned by the controlling and non-controlling shareholders at the year-end balance sheet date of that same fiscal year.

The exercise price payable to Duratex will be defined by the Committee when granting the option. In order to define the exercise price, the Committee will consider the average price of Duratex common shares in the BM&FBOVESPA trading sessions in a period of, at least, five and, at most, ninety days prior to the options' issue date, at the discretion of the Committee, which may also add or subtract an adjustment of up to 30%. The prices established will be readjusted until the month prior to the exercise of the options by the IGP-M index, or, in its absence, by an index specified by the Committee.

Assumptions	2006	2007	2008	2009	2010
Total stock options granted	2,659,180	2,787,050	2,678,901	2,517,951	1,333,914
Exercise price on the grant date	11.16	11.82	15.34	9.86	16.22
Fair value on the grant date	9.79	8.88	7.26	3.98	7.04
Deadline for the year	10 years	10 years	10 years	8 years	8 years
Grace period	1.5 years	1.5 years	1.5 years	3 years	3 years

The following economic assumptions were utilized to determine these amounts:

	2006	2007	2008	2009	2010
Volatility of share price	34.80%	36.60%	36.60%	46.20%	38.50%
Dividend Yield	2.00%	2.00%	2.00%	2.00%	2.00%
Risk-free rate of return (1)	8.90%	7.60%	7.20%	6.20%	7.10%
Actual exercise rate	96.63%	96.63%	96.63%	96.63%	96.63%

(1) General Market Price Index (IGP-M) coupon

The company settles this benefit plan by transferring shares issued by itself, which are kept in treasury until the actual exercise of the options by the executives.

STATEMENT OF VALUE AND APPROPRIATION OF THE OPTIONS GRANTED

GRANT DATE	QTY GRANTED	MATURITY DATE	TERM FOR THE YEAR	GRANT PRICE	BALANCE TO BE EXERCISED DEZ.09	BALANCE TO BE EXERCISED DEZ.10	OPTION PRICE	AMOUNT TOTAL	COMPETENCE 2007	COMPETENCE 2008	COMPETENCE 2009	COMPETENCE 2010	COMPETENCE OTHER PERIODS
03.30.06	2.659.180	07.01.07	up to 12.31.2016	11.16	59,799	40,714	9.79	586	586	–	–	-	-
01.31.07	2.787.050	07.01.08	up to 12.31.2017	11.82	2,755,226	2,112,699	8.88	24,758	16,020	8,738	-	-	-
02.13.08	2.678.901	07.01.09	up to 12.31.2018	15.34	2,647,079	2,443,506	7.26	19,456	-	12,160	7,296 (3)	-	-
06.30.09	2.517.951	06.30.12	up to 12.31.2017	9.86	2,501,397	1,652,752	3.98	9,194	-	-	1,669 (4)	5,288	2,237
04.14.10	1.333.914	01.01.14	up to 12.31.2018	16.22	–	1,220,697	7.04	8,716	-	-	-	2,319	6,397
Total	**11.976.996**				**7,963,501**	**7,470,368**	-	**62,710**	**16,606**	**20,898**	**8,965**	**7,607**	**8,634**
Fiscal years effectiveness								96.63%	96.63%	96.63%	96.63%	96.63%	96.63%
Value established								60,596	16,046 (1)	20,193 (2)	8,663	7,350 (5)	8,344 (6)

(1) amount recorded against retained earnings in the transition balance sheet

(2) amount recorded against income for 2008

(3) amount recorded against income for 2009 in the former Duratex S.A.

(4) amount recorded against income for the 2nd half-year of 2009

(5) amount recorded against income for 2010.

(6) amount to be recorded against income until December 2014.

At December 31, 2010, the Company had 524,572 treasury shares that could be utilized for the exercise of options.

NOTE 26 – PRIVATE PENSION PLAN

The Company and its subsidiaries form part of a group of sponsors of Fundação Itaúsa Industrial, a non-profit organization, which has as its objective the administration of private plans for granting pension or supplementary income benefits, similar to those of the National Social Security. The Fundação manages a Defined Contribution Plan (DC Plan) and a Defined Benefit Plan (DB Plan).

a) Defined contribution plan – DC Plan:

This plan is offered to every employee and at December 31, 2010 had 5487 participants (5161 at December 31, 2009 and 5139 at January 1, 2009). In the DC Plan – PAI (Individual Retirement Plan) there is no actuarial risk and the investment risk is of the participants. The regulations in force provide for sponsor contributions of 50% to 100% of the amount paid in by participants.

Pension Program Fund

The contributions by sponsors that remained in the plan as a result of participants who opted to be paid out or who anticipated their retirement formed the Pension Program Fund, which, according to the plan's regulations, is being utilized to compensate the contributions by sponsors.

The present value of normal future contributions, calculated according to the projected unit credit method, was recognized in the January 1, 2009 financial statements under "Pension Plan Credits" in the amount of R$52,888, which, net of tax, amounted to R$34,906.

This amount was recalculated for the 2009 and 2010 fiscal years with an increase of R$2,950 and R$10,963 respectively, which were recognized in the Statement of Income under the "Other net operating income" (expenses) (Note 2.17).

b) Defined benefit Plan – DB Plan

The DB plan has the basic purpose of granting benefits in the form of a lifetime monthly income to complement National Social Security payments, according to its regulations. This plan is being discontinued and access by new participants is not permitted.

The plan covers the following benefits: A retirement supplement, based on the period of contribution, special, age, disability, lifetime monthly income, retirement premium, pension because of death.

As required by CVM Resolution 600 of 7 October 2009, Towers Watson, an independent actuary, calculated for Fundação Itaúsa Industrial, the amounts to be recognized in the financial statements. Because the recognition of the surplus depends on the occurrence or non-occurrence of one or more uncertain events, Company management opted not to recognize the asset.

Assets and liabilities relating to DB Plan	12.31.2010	12.31.2009	01.01.09
Present value of the actuarial obligations	(64,462)	(62,954)	(62,705)
Fair value of assets	122,303	118,476	105,094
(Liabilities)/Assets calculated based on item 54 of CPC 33	57,841	55,522	42,389
Restriction on assets due to limit (item 58 of CPC 33)	(57,841)	(55,522)	(42,389)
(Liabilities)/Assets relating to DB Plan	–	–	–

c) Actuarial assumptions

Economic assumptions	12.31.2010	12.31.2009	01.01.09
Discount rate	9.20%	9.20%	9.20%
Estimated rate of return on assets	10.56%	11.62%	11.02%
Future salary increases	7.12%	7.12%	7.12%
Growth of benefits	4.00%	4.00%	4.00%
Inflation	4.00%	4.00%	4.00%
Capacity factor			
Salaries	100%	100%	100%
Benefits	100%	100%	100%

Economic assumptions	12.31.2010	12.31.2009	01.01.09
Mortality Table	AT – 2000	AT – 2000	AT – 2000
Mortality table for invalids	RRB 1983	RRB 1983	RRB 1983
Table of entry into disability	Modified RRB 1944	Modified RRB 1944	Modified RRB 1944
Turnover table	Null	Null	Null
Retirement age	First age entitled to one of the benefits	First age entitled to one of the benefits	First age entitled to one of the benefits
% of participation of married active participants on retirement date	95%	95%	95%
Age difference between participant and spouse	Wives are 4 years younger than husbands	Wives are 4 years younger than husbands	Wives are 4 years younger than husbands
Actuarial method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit

NOTE 27 – EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated by dividing the net income attributable to the Company's shareholders by the weighted average number of common shares issued during the fiscal year, excluding the common shares purchased by the Company as treasury shares.

	2010	2009
Earnings attributable to the Company's shareholders	466,895	179,469
Weighted average of number of common shares issued (In thousands)	458,362	385,312
Weighted average of treasury shares (In thousands)	(481)	(463)
Weighted average of number of common shares issued in circulation (In thousands)	457,881	384,849
Basic earning per share	**1,0197**	**0,4663**

(b) Diluted

The diluted earnings per share is calculated by adjusting the weighted average number of common shares in circulation, to assume the conversion of all potential diluted common shares, corresponding to the stock option program.

	2010	2009
Earnings attributable to the Company's shareholders	466,895	179,469
Weighted average of number of common shares issued (In thousands)	458,362	385,312
Call options for shares	7,963	7,470
Weighted average of treasury shares (In thousands)	(481)	(463)
Weighted average of number of common shares issued in circulation (In thousands)	465,844	392,319
Diluted earning per share	**1,0023**	**0,4575**

NOTE 28 – BUSINESS COMBINATIONS

As described in Note 1, on June 22, 2009, Itaúsa and Ligna formalized an agreement for the association of the companies Satipel and Duratex. The Company's shareholders approved the association at the August 31, 2009 General Shareholders' Meeting. For legal purposes, the combination of the companies was structured by the merger of Duratex into Satipel, the corporate name being changed to Duratex S.A.

For accounting purposes, the transaction was characterized as a reverse acquisition whereby the acquired Company, Duratex, was essentially the purchaser in the transaction. Consequently, the accounting treatment for the transaction was based on the fact of considering Duratex as the purchasing entity of Satipel.

For the purposes of this determination, consideration was given to the composition of the Board of Directors, the executive body, and the relative size of both companies measured by their assets, revenues and profits. For accounting purposes, the shareholders of the "former Duratex" became the controllers of the combined business. The agreement was formalized on August 31, 2009, this date being considered as the "acquisition date" for the purposes of the accounting recognition of the transaction.

Considering that the acquisition was realized by means of an exchange of shares among shareholders of the acquiring and selling companies, the amount paid was base on the number of "former Duratex" shares that had to be delivered to the "former Satipel" shareholders so that these would maintain a 17% holding in the "former Duratex". This number of shares was measured at the "former Duratex" trading price published on the acquisition date, as follows:

Consideration for the purchase:	
A – Assumed number of share handed over to the shareholders of "former Satipel"	39,635,177
B – Price of shares on August 31, 2009	28,23
A * B =Total consideration for the purchase	**1,118,901**

Details of the book value and fair value of the net assets acquired and goodwill are as follows:

	FAIR VALUE	BOOK VALUE OF THE ACQUIRED ENTITY
Assets:	**1,793,064**	**1,181,387**
Cash and cash equivalents	55,383	55,383
Inventories	54,412	43,253
Trade accounts receivable and other receivables	145,684	146,203
Deferred income tax and social contribution	25,412	17,435
Property, plant and equipment	807,809	769,632
Forest reserves	370,100	143,083
Contractual relation with the customer (included in intangible assets, note 13)	329,000	–
Other assets	5,264	6,398
Liabilities:	**861,736**	**633,508**
Suppliers and other liabilities	104,707	104,934
Loans and financing	475,550	475,550
Provisions for contingencies (a)	29,269	6,326
Deferred income tax and social contribution	252,210	46,698
Total net assets	**931,328**	**547,879**
Goodwill (Note 14)	187,573	-
Total consideration for the purchase	**1,118,901**	**-**

a) The adjustment to the provision for contingencies reflects the recognition of the fair value of provisions considered to be probable and possible. These additional provisions are mainly related to tax and labor lawsuits and their fair value was determined by applying the likelihood of loss to the amount claimed. The goodwill was attributable to the anticipated economies of scale from the combined operations of the companies. The amounts computed as a result of this transaction have no fiscal impact.

The Company incurred costs of R$16,082 in connection with the combined of operations, which were recognized directly in the results under "Other net operating income (expenses)."

NOTE 29 – INFORMATION ON BUSINESS SEGMENTS

Management defined the operating segments, based on reports utilized to make strategic decisions, reviewed by the Board of Directors.

The Board of Directors reviews the business based on two relevant segments: the Wood Division and the Deca Division. The segments presented in the financial statements are strategic business units that provide different goods and services. There are no sales between the segments.

	12.31.2010			12.31.2009		
	WOOD	DECA	CONSOL	WOOD	DECA	CONSOL
Net sales Revenue	**1,830,285**	**911,525**	**2,741,810**	**1,172,807**	**757,243**	**1,930,050**
Variation in the fair value of the biological assets	183,765	-	183,765	96,853		96,853
Cost of goods sold	(1,293,331)	(514,784)	(1,808,115)	(908,672)	(453,816)	(1,362,488)
Gross Profit	**720,719**	**396,741**	**1,117,460**	**360,988**	**303,427**	**664,415**
Selling expenses	(180,385)	(127,970)	(308,354)	(116,246)	(115,306)	(231,552)
Administrative and general expenses	(74,284)	(35,046)	(109,330)	(79,024)	(30,675)	(109,699)
Other operating income (expenses)	(7,535)	23,314	15,779	(56,698)	(7,592)	(64,290)
Operating income before Financial Result	**458,516**	**257,039**	**715,555**	**109,020**	**149,854**	**258,874**
Depreciation, amortization and depletion	331,921	40,254	372,175	203,487	35,630	239,117

These operating segments have been defined based on the reports used for decision making by the Board of Directors. The accounting policies of each segment are the same as described in Note 2.

NOTE 30 – FIRST-TIME ADOPTION OF IFRS AND CPCS

30.1 – Transition basis for IFRS

30.1.1 – Application of CPCs 37 and 43, and IFRS 1

The consolidated financial statements for the year ended December 31, 2010 are the first annual consolidated financial statements in accordance with the CPCs and IFRS. The Company applied CPCs 37 and 43 and IFRS 1 in the preparation of these consolidated financial statements.

The parent company's individual financial statements for the year ended December 31, 2010 are the first annual individual financial statements in accordance with the CPCs. The Company applied CPCs 37 and 43 in the preparation of these individual financial statements.

The transition date was January 1, 2009. Management prepared the opening balance sheets according to the CPC and IFRS on that date.

In the preparation of these financial statements, the Company exercised the relevant mandatory exceptions and certain optional exemptions in relation to the complete retrospective application.

30.1.2 – Exemptions from the complete retrospective application – selected by the Company.

The Company opted to exercise the following exemptions in respect of the retrospective application:

a) Business combinations exemption

The Company exercised the business combinations exemption described in IFRS 1 and CPC 37, and, therefore, did not make restatements in respect of the business combinations which occurred prior to January 1, 2009, the transition date.

b) Exemption of accumulated conversion differences

The Company opted to recognize as zero the accumulated conversion adjustments of prior years for the January 1, 2009 transition date. This exemption was applied to all the subsidiaries.

c) Exemption of Defined Contribution Employee Benefit

The Company opted to recognize all the gains and losses in connection with the present value of normal future contributions, calculated by the projected unit credit method, at January 1, 2009.

d) Remaining optional exemptions do not apply to the Company:

- Share-based payment and the accounting for lease operations, as Brazilian accounting practices and the IFRS are already in line with such transactions for 2009.
- Compound financial instruments, because the Group had no outstanding balance related to this type of financial instrument on the transition date,
- Liabilities for restoration included in the cost of land, buildings, and equipment, as the Group had no liabilities of this type.
- Financial assets or intangible assets recorded according to IFRIC 12, as the Group had no agreements within the scope of IFRIC 12.

e) Designation of financial instrument liabilities at fair value through the results

Management utilized this exemption on the transition date because there were also directly related financial assets measured at fair value, with the objective of eliminating inconsistent accounting, under the terms of CPC 38, 39 and 40.

30.1.3 – Exceptions to retrospective application followed by the Company

The estimates utilized in the preparation of the financial statements in accordance with the new Brazilian GAAP on January 1, 2009 are consistent with the estimates for this same date in accordance with the previous Brazilian GAAP. There is no evidence that such estimates contained errors.

The mandatory exceptions of CPC 37 were not implemented due to the fact that there were no significant differences in the implementation of previous GAAP.

30.2 – Reconciliations between previous Brazilian GAAP and CPCs/IFRS

The balance sheet and income statement, with adjustments for CPCs/IFRS and then explanations of the relevant adjustments, presenting the quantification of the effects of transition on 01.01.2009 and 31.12.2009, are presented below:

a) Parent company

RECONCILIATION OF TRANSITION BALANCE SHEET AT JANUARY 1, 2009 – PARENT COMPANY

ASSETS	01.01.09 BR GAAP PRIOR	RECLASSIFICATIONS	ADJUSTMENT RNR	BIOLOGICAL ASSETS	EMPLOYEE BENEFITS	01.01.09 WITH CPCS AND IFRS
Current Assets	**996,902**	**(25,424)**	**–**	**–**	**–**	**971,478**
Cash and cash equivalents	358,082	-	-	-	-	358,082
Trade accounts receivable	313,307	-	-	-	-	313,307
Inventories	222,027	-	-	-	-	222,027
Other receivables	32,673	-	-	-	-	32,673
Recoverable taxes	68,686	(25,424)	-	-	-	43,262
Other credits	2,127	-	-	-	-	2,127

ASSETS	01.01.09 BR GAAP PRIOR	RECLASSIFICATIONS	ADJUSTMENT RNR	BIOLOGICAL ASSETS	EMPLOYEE BENEFITS	01.01.09 WITH CPCS AND IFRS
Non-Current Assets	**2,020,053**	**25,424**	**(32)**	**187,665**	**51,596**	**2,284,706**
Related Parties	32,104	-	-	-	-	32,104
Linked deposits	6,888	-	-	-	-	6,888
Other credits	31,448	-	-	-	-	31,448
Pension plan credits	-	-	-	-	49,088	49,088
Tax credits	88,120	(31,661)	-	-	-	56,459
Deferred Income tax and social contribution	-	57,085	-	-	-	57,085
Investments in subsidiaries	689,157	-	(32)	187,665	2,508	879,298
Other investments	111	-	-	-	-	111
Property, plant and equipment	1,162,781	-	-	-	-	1,162,781
Intangible assets	9,444	-	-	-	-	9,444
Total Assets	**3,016,955**	**– (1)**	**(32)**	**187,665 (2)**	**51,596 (3)**	**3,256,184**

LIABILITIES	01.01.09 BR GAAP PRIOR	RECLASSIFICATIONS	ADJUSTMENT RNR	BIOLOGICAL ASSETS	EMPLOYEE BENEFITS	01.01.09 WITH CPCS AND IFRS
Current Liabilities	**580,887**	**–**	**–**	**–**	**–**	**580,887**
Loans and financing	184,237	-	-	-	-	184,237
Suppliers	176,747	-	-	-	-	176,747
Personnel	63,835	-	-	-	-	63,835
Accounts payable	27,433	-	-	-	-	27,433
Related parties	55,947	-	-	-	-	55,947
Taxes and contributions	13,860	-	-	-	-	13,860
Sharings payable	58,828	-	-	-	-	58,828
Non-Current Liabilities	**743,449**	**-**	**–**	**–**	**16,690**	**760,139**
Related perties	5,488	-	-	-	-	5,488
Loans and financing	618,069	-	-	-	-	618,069
Provisions	79,376	-	-	-	-	79,376
Deferred income tax and social contribution	37,316	-	-	-	16,690	54,006
Other	3,200	-	-	-	-	3,200
Stockholders' Equity	**1,692,619**	**-**	**(32)**	**187,665**	**34,906**	**1,915,158**
Capital	943,626	-	-	-	-	943,626
Capital reserves	236,744	-	-	-	-	236,744
Revaluation reserves	67,593	-	-	-	-	67,593
Revenue reserves	519,376	775	(32)	187,665	34,906	742,690
Treasury Shares	(75,495)	-	-	-	-	(75,495)
Carrying value adjustments	775	(775)	–	-	-	–
Total Liabilities And Equity	**3,016,955**	**– (4)**	**(32) (4)**	**187,665 (4)**	**51,596 (4)**	**3,256,184**

(1) Transfer to long-term of deferred income tax and social contribution amounts (CPC 26- IAS 1);
(2) Recognition of fair value of biological assets (CPC 29- IAS 41) of the wholly-owned subsidiary Duraflora S.A.;
(3) Recognition of credit in the Pension Program Fund of the entity Fundação Itaúsa Industrial, formed by options for the advance redemption of shares or by anticipated retirement (CPC 33 IAS 19);
(4) Recognition in equity of adjustments related to unrealized results, biological assets and for recognition of the credit of the Pension Program Fund.

b) Consolidated

RECONCILIATION OF TRANSITION BALANCE SHEET AT JANUARY 1, 2009 – CONSOLIDATED

ASSETS	01.01.09 BR GAAP PRIOR	RECLASSIFICATIONS	BIOLOGICAL ASSETS	EMPLOYEE BENEFITS	01.01.09 WITH CPCS AND IFRS
Current Assets	**1,321,813**	**(13,155)**	**–**	**–**	**1,308,658**
Cash and cash equivalents	598,125	-	-	-	598,125
Trade accounts receivable	338,560	21,869	-	-	360,429
Inventories	275,155	-	-	-	275,155
Other receivables	9,897	-	-	-	9,897
Recoverable taxes	97,127	(35,024)	-	-	62,103
Other credits	2,949	-	-	-	2,949
Non-Current Assets	**2,051,635**	**35,023**	**284,342**	**52,888**	**2,423,888**
Linked deposits	9,742	-	-	-	9,742
Other credits	34,401	-	-	-	34,401
Pension plan credits	-	-	-	52,888	52,888
Tax credits	100,292	(41,828)	-	-	58,464
Deferred Income tax and social contribution	-	76,851	-	-	76,851
Other investments	585	-	-	-	585
Property, plant and equipment	1,692,758	-	-	-	1,692,758
Biological assets	182,184	-	284,342	-	466,526
Intangible assets	31,673	-	-	-	31,673
Total Assets	**3,373,448**	**21,868 (1)**	**284,342 (2)**	**52,888 (3)**	**3,732,546**

LIABILITIES	01.01.09 BR GAAP PRIOR	RECLASSIFICATIONS	BIOLOGICAL ASSETS	EMPLOYEE BENEFITS	01.01.09 WITH CPCS AND IFRS
Current Liabilities	**832,790**	**21,869**	**–**	**–**	**854,659**
Loans and financing	464,286	21,869	-	-	486,155
Suppliers	118,856	-	-	-	118,856
Personnel	71,383	-	-	-	71,383
Accounts payable	98,297	-	-	-	98,297
Taxes and contributions	19,822	-	-	-	19,822
Dividends payable	60,146	-	-	-	60,146
Non-Current Liabilities	**847,424**	**–**	**96,676**	**17,982**	**962,082**
Loans and financing	649,358	-	-	-	649,358
Provisions	128,713	-	-	-	128,713
Deferred income tax and social contribution	66,153	-	96,676	17,982	180,811
Other	3,200	-	-	-	3,200
Minority interest	**647**	**(647)**	**-**	**-**	**–**
Stockholders´ Equity	**1,692,587**	**647**	**187,665**	**34,906**	**1,915,805**
Capital	943,626	-	-	-	943,626
Capital reserves	236,744	-	-	-	236,744
Revaluation reserves	67,593	-	-	-	67,593
Revenue reserves	519,344	775	187,665	34,906	742,690
Treasury Shares	(75,495)	-	-	-	(75,495)
Carrying value adjustments	775	(775)	-	-	–
Minority interest	-	647	-	-	647
Total Liabilities And Equity	**3,373,448**	**21,869** (4)	**284,341** (4)	**52,888** (4)	**3,732,546**

(1) Transfer to non-current of deferred income tax and social contribution (CPC 26-IAS 1) and transfer to current liabilities, under Loans and Financing, of the amount of discounted export receivables;
(2) Recognition of fair value of biological assets (CPC 29- IAS 41) of the subsidiary Duraflora S.A.;
(3) Recognition of credit in the Pension Program Fund of the entity Fundação Itaúsa Industrial, formed by options for the advance redemption of shares or by anticipated retirement (CPC 33 IAS 19);
(4) Recognition in equity of adjustments related to unrealized results, biological assets and for recognition of the credit of the Pension Program Fund.

30.2.2 – Reconciliation Balance Sheet at December 31, 2009.

a) Parent company

ASSETS	12.31.2009 BR GAAP PRIOR	RECLASSIFICATIONS	FAIR VALUE OF FINANCING	BUSINESS COMBINATION	AMORTIZATION OF BUSINESS COMBINATION	BIOLOGICAL ASSETS	EMPLOYEE BENEFITS	12.31.2009 WITH CPCS AND IFRS
Current Assets	**863,678**	**(55,627)**	**–**	**10,641**	**(10,641)**	**–**	**–**	**808,051**
Cash and cash equivalents	16,098	-	-	-	-	-	-	16,098
Trade accounts receivable	432,110	-	-	-	-	-	-	432,110
Inventories	229,983	-	-	11,159	(11,159)	-	-	229,983
Other receivables	29,389	-	-	(518)	518	-	-	29,389
Recoverable taxes	146,917	(55,627)	-	-	-	-	-	91,290
Other credits	9,181	-	-	-	-	-	-	9,181
Non-Current Assets	**3,175,620**	**70,779**	**2,590**	**710,149**	**(7,714)**	**185,177**	**54,485**	**4,191,086**
Related Parties	21,039	-	-	-	-	-	-	21,039
Linked deposits	7,524	-	-	-	-	-	-	7,524
Other credits	27,078	-	-	-	-	-	-	27,078
Pension plan credits	-	-	-	-	-	-	51,859	51,859
Tax credits	84,530	(32,926)	-	-	-	-	-	51,604
Deferred Income tax and social contribution	-	88,553	817	7,977	(176)	-	-	97,171
Investments in subsidiaries	1,037,725	15,152	1,773	152,310	(81)	185,177	2,626	1,394,682
Other investments	179	-	-	-	-	-	-	179
Property, plant and equipment	1,976,764	-	-	34,422	(1,279)	-	-	2,009,907
Intangible assets	20,781	-	-	515,440	(6,178)	-	-	530,043
Total Assets	**4,039,298**	**15,152** (1)	**2,590**	**720,790** (2)	**(18,355)**	**185,177** (3)	**54,485** (3)	**4,999,137**

LIABILITIES	12.31.2009 BR GAAP PRIOR	RECLASSIFICATIONS	FAIR VALUE OF FINANCING	BUSINESS COMBINATION	AMORTIZATION OF BUSINESS COMBINATION	BIOLOGICAL ASSETS	EMPLOYEE BENEFITS	12.31.2009 WITH CPCS AND IFRS
Current Liabilities	**818,024**	**–**	**1,098**	**(226)**	**226**	**–**	**–**	**819,122**
Loans and financing	552,620	–	1,098	–	–	–	–	553,718
Suppliers	115,302	–	–	(226)	226	–	–	115,302
Personnel	66,496	–	–	–	–	–	–	66,496
Accounts payable	33,630	–	–	–	–	–	–	33,630
Taxes and contributions	8,947	–	–	–	–	–	–	8,947
Dividends payable	41,029	–	–	–	–	–	–	41,029
Non-Current Liabilities	**890,167**	**–**	**53**	**149,992**	**(19,012)**	**–**	**17,632**	**1,038,832**
Loans and financing	707,087	–	(591)	–	–	–	–	706,496
Provisions	107,793	–	–	22,943	(19,100)	–	–	111,636
Deferred income tax and social contribution	69,964	–	644	127,049	88	–	17,632	215,377
Other	5,323	–	–	–	–	–	–	5,323
Stockholders´ Equity	**2,331,107**	**15,152**	**1,439**	**571,024**	**431**	**185,177**	**36,853**	**3,141,183**
Capital	1,288,085	–	–	–	–	–	–	1,288,085
Costs on issue of shares	(7,823)	–	–	–	–	–	–	(7,823)
Capital reserves	295,753	–	–	–	–	–	–	295,753
Revaluation reserves	112,919	–	–	–	–	–	–	112,919
Revenue reserves	650,089	15,927	1,439	149,831	431	185,177	36,853	1,039,747
Treasury Shares	(2,177)	–		–	–	–	–	(2,177)
Carrying value adjustments	(5,739)	(775)	–	421,193	–	–	-	414,679
Total Liabilities And Equity	**4,039,298**	**15,152** [1]	**2,590**	**720,790** [2]	**(18,355)** [5]	**185,177** [3]	**54,485** [4]	**4,999,137**

[1] The reclassifications refer to:
Transfer of deferred income tax and social contribution from current to long-term,
Realization of the negative goodwill on the acquisition of Satipel Florestal quotas (R$15,152) that took place in March and April 2006.

[2] Effects of business combinations due to the recognition of Duratex S.A. as the acquirer pursuant to CPC 15/ IFRS 3. The effects of this recognition were R$515,440 as goodwill, R$34,422 as value-added of assets, R$152,310 as fair value recognition of biological assets, R$11,159 for iventories, R$7,977 for deferred income tax, and R$518 in write-down of accounts receivable.

[3] Recognition of fair value of biological assets (CPC 29- IAS 41);

[4] Recognition of credit in the Pension Program Fund of the entity Fundação Itaúsa Industrial, formed by options for the advance redemption of shares or antecipated retirement.

[5] Amortization of business combination.

b) Consolidated

ASSETS	12.31.2009 BR GAAP PRIOR	RECLASSIFICATIONS	FAIR VALUE OF FINANCING	BUSINESS COMBINATION	AMORTIZATION OF BUSINESS COMBINATION	BIOLOGICAL ASSETS	EMPLOYEE BENEFITS	12.31.2009 WITH CPCS AND IFRS
CURRENT ASSETS	**1,214,085**	**(49,211)**	**–**	**10,641**	**(10,641)**	**–**	**–**	**1,164,874**
Cash and cash equivalents	300,924	-	-	-	-	-	-	300,924
Trade accounts receivable	447,472	12,372	-	-	-	-	-	459,844
Inventories	262,054	-	-	11,159	(11,159)	-	-	262,054
Other receivables	20,099	-	-	(518)	518	-	-	20,099
Recoverable taxes	172,300	(61,583)	-	-	-	-	-	110,717
Other credits	11,236	-	-	-	-	-	-	11,236
NON-CURRENT ASSETS	**3,121,856**	**61,583**	**948**	**788,611**	**(7,755)**	**280,572**	**55,838**	**4,301,653**
Linked deposits	9,014	-	-	-	-	-	-	9,014
Other credits	43,219	-	-	-	-	-	-	43,219
Pension plan credits		-	-	-	-	-	55,838	55,838
Tax credits	107,633	(43,557)	-	-	-	-	-	64,076
Deferred Income tax and social contribution		105,140	948	7,977	(176)	-	-	113,889
Other investments	652	-	-	-	-	-	-	652
Property, plant and equipment	2,555,431	-	-	38,177	(1,401)	-	-	2,592,207
Biological assets	362,857	-	-	227,017		280,572	-	870,446
Intangible assets	43,050	-	-	515,440	(6,178)	-	-	552,312
TOTAL ASSETS	**4,335,941**	**12,372** (1)	**948**	**799,252** (2)	**(18,396)** (5)	**280,572** (3)	**55,838** (4)	**5,466,527**

LIABILITIES	12.31.2009 BR GAAP PRIOR	RECLASSIFICATIONS	FAIR VALUE OF FINANCING	BUSINESS COMBINATION	AMORTIZATION OF BUSINESS COMBINATION	BIOLOGICAL ASSETS	EMPLOYEE BENEFITS	12.31.2009 WITH CPCS AND IFRS
CURRENT LIABILITIES	**888,465**	**12,372**	**1,098**	**(226)**	**226**	**–**	**–**	**901,935**
Loans and financing	601,796	12,372	1,098	–	–	-	-	615,266
Suppliers	108,067	-	-	(226)	226	-	-	108,067
Personnel	75,046	-	-	-	-	-	-	75,046
Accounts payable	40,121	-	-	-	-	-	-	40,121
Taxes and contributions	22,347	-	-	-	-	-	-	22,347
Dividends payable	41,088	-	-	-	-	-	-	41,088
NON-CURRENT LIABILITIES	**1,115,653**	**(15,153)**	**(1,589)**	**228,455**	**(19,054)**	**95,395**	**18,985**	**1,422,692**
Loans and financing	807,087	-	(3,278)	–	–	-	-	803,809
Provisions	165,085	-	-	22,943	(19,100)	-	-	168,928
Deferred income tax and social contribution	108,577	-	1,698	205,512	46	95,395	18,985	430,204
Other	34,904	(15,153)	-	-	-	-	-	19,751
Minority interest	**717**	**(717)**	**-**	**-**	**-**	**-**	**-**	**-**
STOCKHOLDERS' EQUITY	**2,331,106**	**15,870**	**1,439**	**571,023**	**432**	**185,177**	**36,853**	**3,141,900**
Capital	1,288,085	-	-	-	-	-	-	1,288,085
Costs on issue of shares	(7,823)	-	-	-	-	-	-	(7,823)
Capital reserves	295,753	-	-	-	-	-	-	295,753
Revaluation reserves	112,919	-	-	-	-	-	-	112,919
Revenue reserves	650,089	15,928	1,439	149,830	432	185,177	36,853	1,039,747
Treasury Shares	(2,177)	-	-	-	-	-	-	(2,177)
Carrying value adjustments	(5,739)	(775)	–	421,193	–	-	-	414,679
Minority interest	-	717	-	-	-	-	-	717
TOTAL LIABILITIES AND EQUITY	**4,335,941**	**12,372 (1)**	**948**	**799,252 (2)**	**(18,396) (5)**	**280,396 (3)**	**55,838 (4)**	**5,466,527**

(1) The reclassifications refer to:
Transfer of deferred income tax and social contribution from current to long-term,
Realization of the negative goodwill on the acquisition of Satipel Florestal quotas (R$15,152) that took place in March and April 2006.
(2) Effects of business combinations due to the recognition of Duratex S.A. as the acquirer pursuant to CPC 15/ IFRS 3. The effects of this recognition were R$515,440 as goodwill, R$34,422 as value-added of assets, R$152,310 as fair value recognition of biological assets, R$11,159 for iventories, R$7,977 for deferred income tax, and R$518 in write-down of accounts receivable.
(3) Recognition of fair value of biological assets (CPC 29 – IAS 41);
(4) Recognition of credit in the Pension Program Fund of the entity Fundação Itaúsa Industrial, formed by options for the advance redemption of shares or antecipated retirement.
(5) Amortization of business combination.

30.2.3 – Reconciliation of net income for the year ended December 31, 2009.

a) Parent company

	12.31.2009 BR GAAP PRIOR	RECLASSIFI-CATIONS	FAIR VALUE OF FINANCING	ADJUST-MENT RNR	AMORTIZATION OF BUSINESS COMBINATION	BIOLOGICAL ASSETS	EMPLOYEE BENEFITS	12.31.2009 WITH CPCS/ IFRS
Net sales Revenue	**1,819,779**	**–**	**–**	**–**	**–**		**–**	
Cost of sales	(1,270,052)	(9,143)	–	–	(12,361)	–	–	(1,291,556)
Gross profit	**549,727**	**(9,143)**	**–**	**–**	**(12,361)**	**–**	**–**	**528,223**
Selling expenses	(205,436)	(1,892)	–	–	–	–	–	(207,328)
General and administrative expenses	(94,339)	(3,068)	–	–	–	–	–	(97,407)
Management expenses	(12,410)	–	–	–	–	–	–	(12,410)
Other operating income (expenses), net	(43,585)	(18,476)	–	–	13,137	–	2,771	(46,153)
Operating profit before financial results	**193,957**	**(32,579)**	**–**	**–**	**776**	**–**	**2,771**	**164,925**
Financial income	32,116	–	2,450	–	–	–	–	34,566
Financial expenses	(91,528)	–	(2,956)	–	–	–	–	(94,484)
Equity in the Results of subsidiaries	84,288	–	1,773	32	(81)	(2,488)	118	83,642
Operating Profit before taxes, contributions and participations	**218,833**	**(32,579)**	**1,267**	**32**	**695**	**(2,488)**	**2,889**	**188,649**
Income tax and social contribution – current	(9,951)	–	–	–	–	–	–	(9,951)
Income tax and social contribution – deferred	1,805	–	172	–	(264)	–	(942)	771
Profit sharing – Law 10.101/00	(14,103)	14,103	–	–	–	–	–	–
Statutory profit sharing	(18,476)	18,476	–	–	–	–	–	–
Net Income for the year	**178,108**	**–**	**1,439**	**32**	**431**	**(2,488)**	**1,947**	**179,469**
Net income attributable to:								
Company shareholders	**178,108**	**–**	**1,439**	**32**	**431**	**(2,488)**	**1,947**	**179,469**

b) Consolidated

	12.31.2009 BR GAAP PRIOR	RECLASSIFICA-TIONS	FAIR VALUE OF FINANCING	AMORTIZATION OF BUSINESS COMBINATION	BIOLOGICAL ASSETS	EMPLOYEE BENEFITS	12.31.2009 WITH CPCS/ IFRS
Net sales Revenue	**1,930,050**	**–**	**–**	**–**	**–**	**–**	**1,930,050**
Variation in fair value of biological assets	–	–	–	–	96,853	–	96,853
Cost of sales	(1,237,627)	(11,766)	–	(12,472)	(100,623)	–	(1,362,488)
Gross profit	**692,423**	**(11,766)**	**–**	**(12,472)**	**(3,770)**	**–**	**664,415**
Selling expenses	(229,682)	(1,870)	–	–	–	–	(231,552)
General and administrative expenses	(106,600)	(3,099)	–	–	–	–	(109,699)
Management expenses	(15,768)	–	–	–	–	–	(15,768)
Other operating income (expenses), net	(46,122)	(18,476)	–	13,126	–	2,950	(48,522)
Operating profit before financial results	**294,251**	**(35,211)**	**–**	**654**	**(3,770)**	**2,950**	**258,874**
Financial income	38,486	–	2,180	–	–	–	40,666
Financial expenses	(89,891)	–	–	–	–	–	(89,891)
Profit before taxes, contributions and participations	**242,846**	**(35,211)**	**2,180**	**654**	**(3,770)**	**2,950**	**209,649**
Income tax and social contribution – current	(33,003)	–	–	–	–	–	(33,003)
Income tax and social contribution – deferred	5,125	–	(741)	(222)	1,282	(1,003)	4,441
Profit sharing – Law 10.101/00	(16,735)	16,735	–	–	–	–	–
Statutory profit sharing	(18,476)	18,476	–	–	–	–	–
Net Income for the year	**179,757**	**–**	**1,439**	**432**	**(2,488)**	**1,947**	**181,087**
Net income attributable to:							
Company shareholders	**178,139**	**–**	**1,439**	**432**	**(2,488)**	**1,947**	**179,469**
Minority interest	**1,618**	**–**	**–**	**–**	**–**	**–**	**1,618**

30.2.4 – Reconciliation of net income and stockholders´ equity of quarterly information

a) Net income

PARENT COMPANY

	2010					2009				
	1st quarter	2nd quarter	3rd quarter	4th quarter	TOTAL	1st quarter	2nd quarter	3rd quarter	4th quarter	TOTAL
	80,627	**111,689**	**119,710**	**130,850**	**442,876**	**46,873**	**44,974**	**(1,776)**	**88,036**	**178,107**
Dividends	(8,433)	(13,879)	10,966	11,346	–	(5,570)	(5,012)	8,858	1,724	–
Fair value of financing (net of tax)	676	563	(2,590)	1,321	(30)	(971)	384	869	(614)	(332)
Amortization of business combination	(3,364)	(3,901)	(3,889)	(3,906)	(15,060)	–	-	4,583	(4,074)	509
Equity in results of investees	(2,608)	6,451	27,887	1,826	33,556	(4,865)	(13,476)	(10,815)	28,480	(676)
Employee Benefits (net of tax)	1,679	1,679	1,679	1,679	6,716	412	414	418	585	1,829
Elimination of unrealized results in the parent company	-	-	(1,431)	268	(1,163)	6	(5)	4	27	32
Net income after IFRS adjustments	**68,577**	**102,602**	**152,332**	**143,384**	**466,895**	**35,885**	**27,279**	**2,141**	**114,164**	**179,469**

CONSOLIDATED

	2010					2009				
	1st quarter	2nd quarter	3rd quarter	4th quarter	TOTAL	1st quarter	2nd quarter	3rd quarter	4th quarter	TOTAL
Net income before adjustments to IFRS	**80,687**	**111,807**	**118,384**	**131,186**	**442,064**	**47,735**	**45,707**	**(2,373)**	**88,687**	**179,756**
Dividends	(8,433)	(13,879)	10,966	11,346	–	(5,570)	(5,012)	8,857	1,725	–
Fair value of financing (net of tax)	341	792	(3,402)	1,378	(891)	(855)	129	999	1,165	1,438
Amortization of business combination	(3,393)	(3,940)	(3,931)	(3,950)	(15,214)	-	-	4,554	(4,123)	431
Variation in fair value of biological assets (net of tax)	20,273	30,483	47,856	22,673	121,285	4,909	(2,298)	5,770	55,544	63,925
Depletion of biological assets at fair value (net of tax)	(22,647)	(24,351)	(19,245)	(20,990)	(87,233)	(9,913)	(10,951)	(16,715)	(28,831)	(66,410)
Employee benefits (net of tax)	1,809	1,809	1,809	1,809	7,236	436	442	447	622	1,947
Net income after IFRS adjustments	**68,637**	**102,721**	**152,437**	**143,452**	**467,247**	**36,742**	**28,017**	**1,539**	**114,789**	**181,087**
Net income attributable to:										
Company shareholders	**68,577**	**102,602**	**152,332**	**143,384**	**466,895**	**35,885**	**27,279**	**2,141**	**114,164**	**179,469**
Minority interest	**60**	**118**	**105**	**68**	**352**	**857**	**738**	**(602)**	**625**	**1,618**

b) Stockholders' equity

PARENT COMPANY	2010				2009			
	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter
Stockholders' equity before IFRS adjustments	**2,382,427**	**2,454,787**	**2,545,571**	**2,624,616**	**1,719,582**	**1,751,054**	**2,273,882**	**2,331,107**
Realization of negative goodwill in Satipel Florestal	15,152	15,152	15,152	15,152	–	–	15,152	15,152
Fair Value of financing	1,780	2,572	(830)	548	(855)	(726)	273	1,439
Business combination	571,024	571,024	571,024	571,024	–	–	571,024	571,024
Amortization of business combination	(2,961)	(6,901)	(10,832)	(14,782)	(5,005)	(18,254)	(13,700)	(17,823)
Biological assets	182,803	188,934	217,545	219,228	187,665	187,665	176,719	203,431
Employee benefits	38,662	40,471	42,280	44,089	35,342	35,784	36,231	36,853
Dividends	16,371	43,312	22,025	(6,846)	10,811	20,539	3,346	–
Unrealized results	–	–	(1,431)	(1,163)	(26)	(31)	(27)	
Stockholders´ equity after adjustments to IFRS	**3,205,258**	**3,309,351**	**3,400,504**	**3,451,866**	**1,947,514**	**1,976,031**	**3,062,900**	**3,141,183**

CONSOLIDATED	2010				2009			
	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter
Stockholders´ equity before adjustments to IFRS	**2,382,427**	**2,454,787**	**2,544,140**	**2,623,453**	**1,719,556**	**1,751,023**	**2,273,856**	**2,331,107**
Realization of negative goodwill in Satipel Florestal	15,152	15,152	15,152	15,152	–	–	15,152	15,152
Fair Value of financing	1,780	2,572	(830)	548	(855)	(726)	273	1,439
Business combination	571,024	571,024	571,024	571,024	–	–	571,024	571,024
Amortization of business combination	(2,961)	(6,901)	(10,832)	(14,782)	(5,005)	(18,254)	(13,700)	(17,823)
Biological assets	182,803	188,934	217,545	219,228	187,665	187,665	176,719	203,431
Employee benefits	38,662	40,471	42,280	44,089	35,342	35,784	36,231	36,853
Minority interest	776	672	764	662	1,501	1,501	1,634	717
Dividends	16,371	43,312	22,025	(6,846)	10,811	20,539	3,346	–
Stockholders´ equity after IFRS adjustments	**3,206,034**	**3,310,023**	**3,401,268**	**3,452,528**	**1,949,015**	**1,977,532**	**3,064,535**	**3,141,900**

The amounts related to the quarterly information were reviewed by independent auditors in accordance with specific standards established by the Institute of Independent Auditors of Brazil (IBRACON) and the Federal Accounting Council (CFC).

30.2.5 – Reconciliation of Financial Statements of December 31, 2010

The reconciliation of information regarding 2010 is not accounting, is unaudited and is intended to assist in the understanding of the application of CPCs/IFRS in the financial statements of the year.

CONSOLIDATED BALANCE SHEET

ASSETS	12.31.2010 BR GAAP PRIOR	RECLASSIFICATIONS	FAIR VALUE OF FINANCING	BUSINESS COMBINATION	AMORTI-ZATION OF BUSINESS COMBINATION	BIOLOGICAL ASSETS	EMPLOYEE BENEFITS	12.31.2010 WITH CPCS AND IFRS
Current Assets	**1,706,590**	**(30,562)**	**–**	**10,641**	**(10,641)**			**1,676,028**
Cash and cash equivalents	616,549	–	–	–	–			616,549
Trade accounts receivable	564,810	–	–	–	–	–	–	564,810
Inventories	362,293	–	–	11,159	(11,159)	–	–	362,293
Other receivables	27,300	–	–	(518)	518	–	–	27,300
Recoverable taxes	127,277	(30,562)	–	–	–	–	–	96,715
Other Credits	8,361	–	–	–	–	–	–	8,361
Non-Current Assets	**3,304,632**	**30,562**	**2,873**	**788,612**	**(30,806)**	**332,164**	**66,802**	**4,494,839**
Related Parties	–	–	–	–	–	–	–	–
Linked deposits	12,908	–	–	–	–	–	–	12,908
Other credits	39,514	–	–	–	–	–	–	39,514
Pension plan credits	–	–	–	–	–	–	66,802	66,802
Recovereble taxes and contribution	64,234	(28,629)	–	–	–	–	–	35,605
Deferred Income tax and social contribution	–	59,192	2,873	7,977	(176)	–	–	69,866
Other investments	652	–	–	–	–	–	–	652
Property, plant and equipment	2,663,125	–	–	38,177	(2,519)	–	–	2,698,783
Biological assets	471,536	–	–	227,017	–	332,164	–	1,030,717
Intangible assets	52,663	–	–	515,440	(28,111)	–	–	539,992
Total Assets	**5,011,222**	**–** [1]	**2,873** [2]	**799,252** [3]	**(41,447)** [4]	**332,164** [5]	**66,802** [6]	**6,170,867**

LIABILITIES	31.12.10 BR GAAP ANTERIOR	RECLASSIFICATIONS	FAIR VALUE OF FINANCING	BUSINESS COMBINATION	AMORTIZATION OF BUSINESS COMBINATION	BIOLOGICAL ASSETS	EMPLOYEE BENEFITS	DIVIDENDS	31.12.10 WITH CPCS AND IFRS
Current Liabilities	**850,872**	**–**	**(1,473)**	**(226)**	**226**	**–**	**–**	**6,846**	**856,245**
Loans and financing	433,081	–	(1,473)	–	–	–	–	–	431,608
Suppliers	126,238	–	–	(226)	226	–	–	–	126,238
Personnel	86,105	–	–	–	–	–	–	–	86,105
Accounts payable	45,701	–	–	–	–	–	–	–	45,701
Taxes and contributions	59,347	–	–	–	–	–	–	–	59,347
Dividends payable	100,400	–	–	–	–	–	–	6,846	107,246
Non-Current Liabilities	**1,536,234**	**(15,152)**	**3,799**	**228,455**	**(26,891)**	**112,936**	**22,713**	**–**	**1,862,094**
Loans and financing	1,161,711	–	643	–	–	–	–	–	1,162,354
Provisions	138,580	–	–	22,943	(19,100)	–	–	–	142,423
Deferred income tax and social contribution	106,545	–	3,156	205,512	(7,791)	112,936	22,713	–	443,071
Other	129,398	(15,152)	–	–	–	–	–	–	114,246
Minority interest	662	(662)	-	-	-	-	-	-	-
Stockholder´S Equity	**2,623,454**	**15,814**	**548**	**571,024**	**(14,782)**	**219,228**	**44,089**	**(6,846)**	**3,452,528**
Capital	1,288,085	–	–	–	–	–	–	–	1,288,085
Cost on issue of shares	(7,823)	–	–	–	–	–	–	–	(7,823)
Capital reserves	303,103	–	–	–	–	–	–	–	303,103
Revaluation reserves	104,590	–	–	–	–	–	–	–	104,590
Revenue reserves	952,666	15,926	548	149,831	(14,782)	219,228	44,089	(6,846)	1,360,660
(-) Treasure shares	(8,890)	–	–	–	–	–	–	–	(8,890)
Carrying value adjustments	(8,277)	(774)	–	421,193	–	–	–	–	412,141
Minority interest	-	**662**	**-**	**-**	**-**	**-**	**-**	**-**	**662**
Total Liabilities And Equity	**5,011,222**	**–**	**2,874**	**799,253**	**(41,447)**	**332,164**	**66,802**	**–**	**6,170,867**

(1) The reclassification relates to the transfer of income tax and social contribution from current to non-current

(2) Fair value of financing

(3) Effects of business combinations, for recognition of Duratex S.A. as the acquirer under CPC 15/ IFRS 3. The effects were: R$515,440 in respect of goodwill, R$38,177 as value-added of assets, R$227,017 as fair value recognition of biological assets, R$11,159 for iventories, R$7,977 for deferred income tax, and R$518 in write-off of accounts receivable.

(4) Amortization of Business Combination.

(5) Recognition of fair value of biological assets (CPC 29- IAS 41) of the subsidiary Duraflora S.A.;

(6) Recognition of credit in the Pension Program Fund of the entity Fundação Itaúsa Industrial, because of options for the advance redemption of shares or antecipated retirement. (CPC 33; IAS 19)

Income statement

	12.31.2010 PRIOR	RECLASSIFICATIONS	FAIR VALUE OF FINANCING	AMORTIZATION OF BUSINESS COMBINATION	BIOLOGICAL ASSETS	EMPLOYEE BENEFITS	12.31.2010 CPCS/IFRS
Net sales Revenue	**2,741,810**	**–**	**–**	**–**	**–**	**–**	**2,741,810**
Variation in the fair value of biological assets	–	–	–	–	183,765	–	183,765
Cost of sales	(1,662,545)	(11,526)	–	(1,872)	(132,173)	–	(1,808,116)
Gross profit	**1,079,265**	**(11,526)**	**–**	**(1,872)**	**51,592**	**–**	**1,117,459**
Selling expenses	(305,524)	(2,830)	–	–	–	–	(308,354)
General and administrative expenses	(103,002)	(6,327)	–	–	–	–	(109,330)
Management expenses	(10,115)	–	–	–	–	–	(10,115)
Other operating income (expenses), net	58,858	(22,750)	–	(21,179)	–	10,964	25,894
Operating profit before financial results	**719,482**	**(43,433)**	**–**	**(23,051)**	**51,592**	**10,964**	**715,553**
Financial income	53,727	–	(1,350)	–	–	–	52,377
Financial expenses	(150,257)	–	–	–	–	–	(150,257)
Operating Profit before taxes, contributions and participations	**622,952**	**(43,433)**	**(1,350)**	**(23,051)**	**51,592**	**10,964**	**617,674**
Income tax and social contribution – current	(98,930)	–	–	–	–	–	(98,930)
Income tax and social contribution – deferred	(38,525)	–	459	7,837	(17,541)	(3,728)	(51,497)
Profit sharing – Law 10.101/00	(20,683)	20,683	–	–	–	–	–
Statutory profit sharing	(22,750)	22,750	–	–	–	–	–
Net Income for the year	**442,064**	**–**	**(891)**	**(15,214)**	**34,051**	**7,236**	**467,247**
Net income attributable to:							
Company shareholders	**441,712**	**–**	**(891)**	**(15,214)**	**34,051**	**7,236**	**466,895**
Minority interest	**352**	**–**	**–**	**–**	**–**	**–**	**352**

NOTE 31 – SUBSEQUENT EVENT

On February 4, 2011, Duratex concluded the acquisition of all the corporate shares of Elizabeth Louças Sanitárias, by entering into a Definite Purchase and Sale Agreement for R$80 million. The information on the assets and liabilities acquired, as well as on any goodwill on the acquisition, for purposes of disclosure and subsequent accounting, is still in the process of computation. The acquisition of this Company located in João Pessoa – PB, the corporate name of which will be changed to DECA NORDESTE LOUÇAS SANITÁRIAS, will ensure an expressive increase in vitreous china capacity estimated at 1.8 million pieces yearly, 25% above current capacity, besides enlarging our share in a region of rapidly growing construction activity.

This transaction is part of a larger investment program that includes expansion of the Ceramics unit of Cabo de Santo Agostinho – PE and the reactivation and expansion of the Queimados – RJ plant, to be concluded during the first quarters of 2011 and 2012, respectively. On conclusion, the capacity for sanitary ceramics will increase to 11.7 million pieces annually, a 63% expansion over the current base.

The volume of investment intended for the Deca division amounts to approximately R$400 million, including this operation, and R$160 million for the increase in capacity in the sanitary metals activity. As a result, the sanitary ceramics segment will advance in the ranking of world producers and will be placed among the top five, besides assuming the leadership in the Southern Hemisphere, which position is already held in the sanitary metals activity.

REPORT FROM THE COMMITTEE FOR AUDITING AND RISK MANAGEMENT

INTRODUCTION

The Committee for Auditing and Risk Management of Duratex S.A. was created in November 2009, and according to its Regimen, has the following responsibilities: (i) to supervise the internal control processes and the management of risks inherent in the activities of the Company and its subsidiaries, as well as the work developed by the internal and external auditors; and (ii) to evaluate the quality and integrity of the financial statements (see http://www.duratex.com.br – Investor Relations). In the fulfilment of its tasks the analyses and evaluations produced by the Committee are based on information received from the management, the internal audit department the external auditors and the executives responsible for the management of risks and internal controls in the various segments of the Organisation.

The management is responsible for the correct drawing up of the accounting statements of Duratex S.A., its subsidiaries, and affiliates. It is its responsibility, therefore, to establish procedures and monitoring to ensure the quality of the processes that generate the financial information. It is also responsible for the implementation and maintenance of internal control systems and the management of risks in accordance with the size and structure of the company.

The internal audit department has the task of evaluating the risks of the main processes and controls used to mitigate these risks, as well as verifying compliance to the policies and procedures determined by the management, including those referring to the drawing up of the accounting statements.

PricewaterhouseCoopers Independent Auditors is the company responsible for auditing the financial statements and must ensure that they satisfactorily represent, in all relevant aspects, the financial and equity position of Duratex S.A. and its subsidiaries, and that they were drawn up in accordance with the accounting practices in force in Brazil, as determined by the Brazilian Securities Commission – CVM.

ACTIVITIES OF THE COMMITTEE

During 2010, the Committee for Auditing and Risk Management met on eight occasions. At the first meeting in 2011, held on February 11, the accounting statements of 31.12.2010 were discussed and analyzed. Equally, this current report was analyzed and approved.

Internal controls and risk management

In its first year of activity, in meetings with the Directors of the various segments of the Organization, the committee acquainted itself and evaluated aspects related to risk management, with emphasis on operational and financial risks.

External Auditing

The Committee maintained quarterly meetings with the External Auditors. At these meetings were discussed points requiring attention or improvement observed during the course of the work carried out, whether they be related to internal controls or covering accounting aspects.

Based on the information received, no situations were identified which could affect the objectivity and independence of the external auditors.

The Committee considers the volume and quality of the information received to the satisfactory.

Internal Auditing

The Committee acquainted itself with the Planning of the Internal Auditing Work for 2010. During the course of the year it carried out adjustments in the form of presentation of the Committee's report, as well as the objectives of the work carried out.

At quarterly meetings, the executive manager of the Internal Auditing Department presented the results of the main work developed by the Department. These presentations did not bring to the Committee's knowledge the existence of risks that could affect the solidity and continuity of the Company.

Accounting Statements

The Committee discussed and analysed the main accounting practices used in the preparation and drawing up of the quarterly financial statements. In equal form, the committee acquainted itself with the main numbers and results reported by the Company.
During the year, through meetings with the Financial and Investor Relations Director, it's
accompanied the process of adaptation to the new accounting standards determined by the Brazilian Securities Commission – CVM, whose figures are already recorded in the financial statements of 31.12.2010. On this new situation, the Committee also heard the opinion of PricewaterhouseCoopers Auditores Independentes.

Conclusion

Thus, based on the activities developed during the period and bearing in mind the natural limitations on the scope of their operations, the Committee for Auditing and Risk Management believes that the financial statements of 31.12.2010 have been drawn up in accordance with the accounting practices in force in Brazil, and recommend their approval to the Board of Directors.

São Paulo, February 14, 2011.

Committee for Auditing and Risk Management

Alcides Lopes Tápias – **President**

Hélio Seibel

Ricardo Egydio Setubal

Rodolfo Villela Marino

Rogério Ziviani

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the Board of Directors and Stockholders
Duratex S.A.

We have audited the accompanying financial statements of Duratex S.A. ("Company" or "Parent Company") which comprise the balance sheet as at December 31, 2010 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We have also audited the accompanying consolidated financial statements of Duratex S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2010 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with accounting practices adopted in Brazil, and for the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the parent company financial statements

In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of Duratex S.A. as at December 31, 2010, and its financial performance and cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statement

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Duratex S.A. and its subsidiaries as at December 31, 2010, and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.

Emphasis of matter

As discussed in Note 2.2.2 to these financial statements, the parent company financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Duratex S.A., these practices differ from IFRS applicable to separate financial statements only in relation to the measurement of investments in subsidiaries based on the equity accounting method, whereas IFRS requires measurement based on cost or fair value.

Other matters Statements of value added

We have also audited the parent company and consolidated statements of value added for the year ended December 31, 2010, the presentation of which is required by Brazilian corporate legislation for listed companies, but is considered supplementary information for IFRS. These statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

São Paulo, February 14, 2011

PricewaterhouseCoopers	Valdir Renato Coscodai
Auditores Independentes	Contador CRC 1SP165875/O-6
CRC 2SP000160/O-5	

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **Duratex S.A.** has presented its report "Annual Sustainability Report 2010 " to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 25 May 2011

A
GRI REPORT
GRI CHECKED

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: *Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 16 May 2011. GRI explicitly excludes the statement being applied to any later changes to such material.*

1. Strategy and Analysis		Pages RAS	Pages DCs	Global Pact
1.1	Statement from the most senior decisionmaker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	06 to 09		
1.2	Description of key impacts, risks, and opportunities.	18 and 19	Nota 4	
2. Organizational Profile		**Pages RAS**	**Pages DCs**	**Global Pact**
2.1	Name of the organization.	01	74 to 85 and 93	
2.2	Primary brands, products, and/or services.	01	74 to 85 and 93	
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	01	74 to 85 and 93	
2.4	Location of organization's headquarters.	01	74 to 85 and 93	
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	01	74 to 85 and 93	
2.6	Nature of ownership and legal form.	01	74 to 85 and 93	
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/ beneficiaries).	01	74 to 85 and 93	
2.8	Scale of the reporting organization.	01, 04 and 05	74 to 85 and 93	
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	17	74 to 85 and 93	
2.10	Awards received in the reporting period.	21	74 to 85 and 93	
3. Report Parameters		**Pages RAS**	**Pages DCs**	**Global Pact**
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Back Cover		
3.2	Date of most recent previous report (if any).	Back Cover		
3.3	Reporting cycle (annual, biennial, etc.)	Back Cover		
3.4	Contact point for questions regarding the report or its contents.	Back Cover, 162 and 163 and 167 and 168		
3.5	Process for defining report content, including: • Determining materiality; • Prioritizing topics within the report; and • Identifying stakeholders the organization expects to use the report.	Back Cover		
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).See GRI Boundary Protocol for further guidance.	Back Cover		
3.7	State any specific limitations on the scope or boundary of the report.	N.A.		
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Back Cover		
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	Back Cover		
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/ periods, natureof business, measurement methods).	Back Cover		
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Back Cover		
3.12	Table identifying the location of the Standard Disclosures in the report.	162		
3.13	Policy and current practice with regard to seeking external assurance for the report.	Back Cover	85 and 158 to 161	

4. Governance, Commitments, and Engagement		Pages RAS	Pages DCs	Global Pact
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	15 to 17		
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	16		
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	15		
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	16		
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	17		
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	14		
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	17		
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	12 and 14		
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	16		
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	15		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	18 and 19		
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	22 to 47 and 58 and 59		
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: • Has positions in governance bodies; • Participates in projects or committees; • Provides substantive funding beyond routine membership dues; or • Views membership as strategic.	22 to 47		
4.14	List of stakeholder groups engaged by the organization.	Back Cover and 22 to 47		
4.15	Basis for identification and selection of stakeholders with whom to engage.	Back Cover and 22 to 47		
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Back Cover and 22 to 47		
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	22 to 47		

Economic Performance Indicators					
Forma de Gestão: Contracapa e páginas 48 a 67					
ASPECT: ECONOMIC PERFORMANCE			Pages RAS	Pages DCs	Global Pact
CORE	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	04, 05 and 48 to 67	86, 87 and 90	
CORE	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	18 and 19		7, 8 and 9
CORE	EC3	Coverage of the organization's defined benefit plan obligations.	34 and 35		
CORE	EC4	Significant financial assistance received from government.	57 and 58		
Environmental Performance Indicators					
Forma de Gestão: Contracapa e páginas 22 a 47					
ASPECT: WATER			Pages RAS	Pages DCs	Global Pact
CORE	EN8	Total water withdrawal by source.	45		7, 8 and 9
ADD	EN9	Water sources significantly affected by withdrawal of water.	45		7, 8 and 9
ADD	EN10	Percentage and total volume of water recycled and reused.	45		7, 8 and 9
ASPECT: EMISSIONS, EFFLUENTS, AND WASTE			Pages RAS	Pages DCs	Global Pact
CORE	EN16	Total direct and indirect greenhouse gas emissions by weight.	46 and 47		7, 8 and 9
CORE	EN17	Other relevant indirect greenhouse gas emissions by weight.	46 and 47		7, 8 and 9
ADD	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	46 and 47		7, 8 and 9
CORE	EN19	Emissions of ozone-depleting substances by weight.	46 and 47		7, 8 and 9
CORE	EN20	NO, SO, and other significant air emissions by type and weight.	46 and 47		7, 8 and 9
CORE	EN21	Total water discharge by quality and destination.	45		7, 8 and 9
CORE	EN22	Total weight of waste by type and disposal method.	45 and 46		7, 8 and 9
CORE	EN23	Total number and volume of significant spills.	45		7, 8 and 9
ADD	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	45 and 46		7, 8 and 9
ADD	EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	45		7, 8 and 9
ASPECT: PRODUCTS AND SERVICES			Pages RAS	Pages DCs	Global Pact
CORE	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	66 and 67		7, 8 and 9
CORE	EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	66 and 67		7, 8 and 9

Labor Practices and Decent Work Performance Indicators

Forma de Gestão: Contracapa e páginas 22 a 47

ASPECT: TRAINING AND EDUCATION			Pages RAS	Pages DCs	Global Pact
ADD	LA12	Percentage of employees receiving regular performance and career development reviews.	33 to 35		

Society Performance Indicators

Forma de Gestão: Contracapa e páginas 22 a 47

ASPECT: COMMUNITY			Pages RAS	Pages DCs	Global Pact
CORE	SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	37 to 39		
ASPECT: CORRUPTION					
CORE	SO2	Percentage and total number of business units analyzed for risks related to corruption.	14		10
CORE	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	14		10
CORE	SO4	Actions taken in response to incidents of corruption.	14		10

Product Responsibility Performance Indicators

Forma de Gestão: Contracapa e páginas 22 a 47

ASPECT: CUSTOMER HEALTH AND SAFETY			Pages RAS	Pages DCs	Global Pact
CORE	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	61 and 65		
ADD	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	61 and 65		
ASPECT: PRODUCT AND SERVICE LABELING			**Pages RAS**	**Pages DCs**	**Global Pact**
CORE	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	61 and 65		
ADD	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	61 and 65		
ADD	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	26 to 29		

corporate information 3.4

BOARD OF DIRECTORS

President

Salo Davi Seibel

Vice-presidents

Alfredo Egydio Arruda Villela Filho
Ricardo Egydio Setubal

Board Members

Alcides Lopes Tápias (Independent board members)
Fábio Schvartsman (Independent board members)
Hélio Seibel
Paulo Setubal Neto
Rodolfo Villela Marino
Rogério Ziviani (Independent board members)

Substitutes

Andrea Laserna Seibel
Olavo Egydio Setubal Júnior
Ricardo Villela Marino

AUDIT AND RISK MANAGEMENT COMMITTEE

Alcides Lopes Tápias (Co-ordinator)
Helio Seibel
Ricardo Egydio Setubal
Rodolfo Villela Marino
Rogério Ziviani

COMMITTEE FOR STAFF, GOVERNANCE AND NOMINATION

Fábio Schvartsman (Co-ordinator)
Alfredo Egydio Arruda Villela Filho
Andrea Laserna Seibel
Helio Seibel
Ricardo Egydio Setubal
Rodolfo Villela Marino

SUSTAINABILITY COMMITTE

Rogério Ziviani (Co-ordinator)
Andrea Laserna Seibel
Olavo Egydio Setubal Júnior
Rodolfo Villela Marino

COMMITTEE FOR DISCLOSURE AND TRADING

Flávio Marassi Donatelli (Co-ordinator)
Antonio Massinelli
Henri Penchas
Raul Penteado de Oliveira Neto
Ricardo Egydio Setubal
Salo Davi Seibel

EXECUTVE BOARD

President

Henri Penchas

Executive Directors

Alexandre Coelho Neto do Nascimento
Antonio Joaquim de Oliveira
Antonio Massinelli
Flávio Marassi Donatelli
Lúcia Helena Videria
Raul Penteado de Oliveira Neto
Renato Aguiar Coelho
Roberto Szachnowicz

Directors

Flávio Dias Soares
Francisco de Assis Guimarães
Marco Antônio Milleo
Roney Rotenberg

INVESTOR RELATIONS DEPARTMENT

Director: Flavio Marassi Donatelli
Tel.: 11-3179-7148
Fax: 11-3179-7300
diretoria-ri@duratex.com.br
Executive Manager: Alvaro Penteado de Castro
Tel.: 11-3179-7259
Fax: 11-3179-7355
investidores@duratex.com.br

CORPORATE SUSTAINABILITY MANAGEMENT

Executive Manager: João Carlos Redondo
Tel.: 11-3543-4072
Fax: 11-3543-3017
sustentabilidade@duratex.com.br

DURATEX

Av. Paulista, 1.938 – 5º andar – Bela Vista
Tel.: 11-3179-7733
CEP 01310-942 – São Paulo – SP
Caixa Postal 7611
www.duratex.com.br

SUBSIDIARIES IN BRAZIL

Duraflora S.A.
Av. Paulista, 1938 – Bela Vista
CEP 01310-942 – São Paulo – SP

SUBSIDIARIES ABROAD

Deca Piazza
Zavaleta, 190 – 1437
Buenos Aires, Argentina
Tel.: 005411-4909-0900
Fax: 005411-4909-0992

Deca North America
1208 Easttchester Drive, Suite 202
High Point – NC
27265 3165 – USA
Toll free: 877-802 1250
Tel.: 001-336-885-1225
Fax: 001-336-885-1501

Duratex North America
1208 Easttchester Drive, Suite 202
High Point – NC
27265 3167 – USA
Tel.: 001-336-885-1500
Fax: 001-336-885-1501

Duratex Europe
Xavier de Cocklaan, 66, Unit 8
Latem Business Park 9831
Sint – Martens – Latem – Belgium
Tel.: 0032-15-28-60-70
Fax: 0032-15-28-60-79

Credits

General editing and co-ordination

Executive management for investor relations
Executive management for sustainability

Content consultancy and graphics project

TheMediaGroup

Photos

Duratex collection

Circulation

1700 examples

Our special thanks to all those people who have authorised the use of their images and all associates within the company who have helped to compile this report.

DURATEX

DURATEX