



Annual and Sustainability  
Report 2009



## Profile


Duratex is the largest producer of reconstituted wood panels and metals bathroom fittings in the Southern Hemisphere, and the second-largest producer of vitreous chinaware. It ranks among the ten top global players in these categories, as well as being the leading company in the laminated floor segment in the Brazilian domestic market. Operating in through its two business areas, the Wood Division and the Deca Division, the Company sells its products throughout Brazil, and approximately 40 other countries, mainly in Europe, as well as North and Central America.  GRI 2.1, 2.3, 2.6, 2.7


The Company has 13 manufacturing plants – eight in the State of São Paulo, two in Rio Grande do Sul, one in Minas Gerais, one in Pernambuco and one in Rio de Janeiro – and sales offices in Brazil's principal cities. Its administrative headquarters is based in the São Paulo State capital. Outside Brazil, the Company has a presence in Argentina, through Deca Piazza, with a manufacturing plant located close to Buenos Aires and in the United States and Europe, through its sales subsidiaries, Duratex North America and Duratex Europe, respectively.  GRI 2.4, 2.5


Duratex owns 209,000 hectares of planted forestry, predominantly eucalyptus, which supplies the Company with most of the raw materials it needs for its wood-based products.

In its Wood division, the Company has a production capacity of approximately 3.9 million m<sup>3</sup>/year of wood panels, 6 million m<sup>2</sup>/year of laminated flooring, 1.5 million m<sup>2</sup>/year of components and almost 23 million pieces of vitreous chinaware and metal bathroom fittings.

In 2009, the merger between Satipel Industrial S. A., one of the largest manufacturers of Medium Density Particleboard in Brazil, and Duratex, consolidated the Company's leadership position in the market. Duratex is also the largest producer in the domestic market of fibre-based board, MDF/HDF/SDF (panels with medium, high and super density), laminate flooring with the Durafloor brand and semi-finished components, under the Multiform brand.

Through the Deca Division, the Company leads the market in the metal bathroom fitting segment, a segment in which the Company strengthened its position in 2008 with the acquisition of two of its competitors.  GRI 2.2

With the merger between Duratex and Satipel, control of the company ended up being shared between Grupo Itaúsa – Investimento Itaú S.A. and its controlling shareholders, holding 39.6% of the capital, and Companhia Ligna de Investimentos and its subsidiaries, with 17.8%. On the São Paulo stock exchange (BM&FBovespa), on which the Company's shares have traded since 1951, the Company joined the Novo Mercado – part of Level 1 Corporate Governance. The Company's shares have become part of the Ibovespa – this index representing the most traded shares in the market, and since 2008 has been part of the ISE (Corporate Sustainability Index).  GRI 2.4, 2.6, 2.9

As at December 31, 2009, Duratex had 8681 direct employees and a portfolio of approximately 28,000 active clients. *Pro forma* net revenue for the year amounted to R\$2,244.9 million, with recurring net earnings of R\$274.3 million. Cash generation, as measured by recurring EBITDA, totalled R\$618.3 million, equivalent to EBITDA margin of 27.5%. The Company's market capitalization at the end of the year amounted to R\$7.4 billion.  GRI 2.8

## Highlights of 2009

The merger between Duratex and Satipel has resulted in the creation of the largest manufacturer of reconstituted wood panels in the Southern Hemisphere, and one of the largest in the world.

As a result of this merger, synergy savings have been detected with a value of R\$95.8 million year.

In June, the unit at Agudos (SP) inaugurated the largest MDF panel production line in the world, with a capacity of 800,000 m<sup>3</sup>/year. In the same month, the unit at Taquari (RS) took an important step forward in the production of MDP, with the inauguration of a new production line with a capacity of 700,000 m<sup>3</sup>/year.

The consolidation of the integration process between the companies Ideal Standard and Cerâmica Monte Carlo resulted in significant gains in scale for the Deca Division, in addition to the improvements in the distribution of its products.

During the year, 35 products were launched in the Deca Division, the most notable being the line of Twin Filters, Couple and Single, which marked the company's entrance into the water purification segment. In the Wood Division, there was the launch of the Prisma line, which established a new concept in coated products using low-pressure pressing, with characteristics similar to those of natural wood.

Two important dates were commemorated in the year: the 30th anniversary of operations at the Jundiaí vitreous chinaware unit and the 20th anniversary of Metais Planidil, both located in the Industrial District of Jundiaí (SP).

For the second year running, Duratex shares were included on the BM&FBovespa's ISE, its Corporate Sustainability Index.

The Wood Division won the 7<sup>th</sup> edition of the Benchmarking Prize for Partnerships in Research into Biodiversity, an award which recognises companies with the best corporate socio-environmental management practices.

## Main indicators GRI 2,8

(in R\$ '000, except where indicated)

	2008		2009	
	<i>Pro Forma</i> <sup>(1)</sup>	Recurrent <sup>(2)</sup>	<i>Pro Forma</i> <sup>(1)</sup>	Recurrent <sup>(2)</sup>
<b>Shipments</b>				
Wood (in '000 m <sup>3</sup> )	2,044,504		1,996,857	
Deca (in '000 pieces)	17,563		19,802	
<b>Results</b>				
Net Revenue	2,447,969		2,244,864	
Domesic market	2,240,595		2,113,531	
International market	207,374		131,333	
EBITDA ***	751,615	731,185	502,615	618,321
Net Income	388,906	375,278	189,783	274,266
Earnings per Share (R\$)	0.85	0.82	0.41	0.60
Added Value		-		1,219,694
<b>Profitability</b>				
Gross Margin	40.0%	40.1%	34.8%	35.8%
EBITDA Margin	30.7%	29.9%	22.4%	27.5%
Net Margin	15.9%	15.3%	8.5%	12.2%
Return on Equity (ROE)	18.1%	17.5%	8.2%	11.9%
<b>Financial</b>				
Total Assets	4,511,038		4,333,741	
Equity Capital	2,252,627		2,371,934	
Total Debt	1,533,936		1,408,883	
Net Debt / Equity Capital (%)	36.3%		46.7%	
Net Debt / EBITDA (x)	1.64	1.11	2.20	1.46
Capital Expenditures (R\$ million)	891,192		426,964	
<b>Operational</b>				
Number of direct employees	7,886		8,681	
Number of outsource parties	149		209	
Net Revenue per employee (R\$'000)	310		259	
EBITDA per employee (R\$'000)	95.3	92.7	57.9	71.2
<b>Capital Markets</b>				
Number of outstanding shares ('000)	458,362.8		458,362.8	
Average trading volume (in R\$ million)	18.3		14.9	
Price of the share at the end of the period (R\$)	4.87		16.20	
Market Value (capitalization) (R\$ million)	2,232.3		7,417.9	
Book value per share at the end of the period (R\$)	4.91		5.17	
<b>Social</b>				
Social investment (R\$ million)	0.9		2.4	
Employees trained	65,568		43,405	
<b>Environmental</b>				
Environmental investment (R\$ million)	12.3		10.6	
Water consumption – Wood (m <sup>3</sup> /m <sup>3</sup> )	3.2		1.9	
Water consumption – Deca (l/piece)	11.9		16.3	

<sup>(1)</sup> The official financial statements placed at the disposal of the CVM, the Brazilian Securities Commission and the São Paulo Stock Exchange (BM&FBovespa), as a result of the Company's merger with Satipel, include the results of Satipel from January to June 2009 and the combined result of both companies from July to December 2009. The comparison base, 2008, only reflects the results of Satipel. Realizing that this configuration makes it difficult to carry out a comparative analysis of the operating results of the two companies and, motivated by the desire to be as transparent as possible in its communications with the market, the management has opted to publish the results on a pro-forma basis for both companies.

<sup>(2)</sup> Owing to the fact that there were a number of non-recurring events in 2008 and 2009 which affected the results, in addition to publishing the figures on a pro-forma basis, we have also chosen to publish recurring performance and the lines in the results thus affected.

<sup>(3)</sup> EBITDA (earnings before interest, tax, depreciation and amortization): is the indicator used for operational cash generation.

<sup>(4)</sup> ROE (Return on Equity) is arrived at taking the ratio between Net Earnings in the period and average Shareholders' Equity.

<sup>(5)</sup> In 2008, the number of shares was adjusted according to the terms of the share exchange as a consequence of the association. To the 2008 final year quote, and market value, was considered the sum of the parts (Duratex and Satipel) by the adjusted number of shares. The average daily trading reflects the DURA4 stock, more liquid and part of the main stock indexes: Ibovespa and ISE.

# Annual and Sustainability Report 2009

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## Vision, Mission and Values

 GRI 4.8



02

The association between Duratex and Satipel was facilitated by the convergence of the controllers' way of thinking and acting

Due to the association between Duratex and Satipel, is being undertaken a project aimed at review and unify the organizational identities (Vision, Mission and Values) of the two companies, whose contents are quite convergent.



**VISION**

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

**MISSION**

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

**VALUES**

- \_ Integridade
- \_ Human appreciation
- \_ Commitment
- \_ Participation
- \_ Social and Environmental Responsibilities



**VISION**

To hold a prominent position in the industry in terms of presence and profitability, being recognized as the best partner by its clients, employees, suppliers and the communities it serves.

**MISSION**

To offer wood panel at competitive prices and quality, preserving the environment and generating wealth that guarantees perpetuity of the enterprise and improves the live of the people.

**VALUES**

- \_ Respect for people and ethical and transparent posture
- \_ Personnel Development
- \_ Commitment of all in serving the customer
- \_ Participation on the achieved results
- \_ Lively and informal relationship
- \_ Creativity and innovation focused on the business

The new organizational identity should emphasize both the simplicity and meritocracy and will be a relevant pillar in the construction of “New Duratex” corporative culture.

Message From the Board of Directors  GRI 1.1

**Salo Davi Seibel**

Chairman of the Board of Directors



04

The common willingness in finalizing growth projects was added to the perception that the association between Duratex and Satipel would also be of dreams, projects, careers and cultures



Among the various significant milestones reached in 2009, the most important, without doubt, was the merger between Duratex and Satipel, celebrated after a transparent process of dialogue between the groups Itaúsa and Ligna. Solid, financially healthy and leaders in their respective operational segments, these two companies were both in the final phase of constructing new units: the MDP unit at Taquari (RS), and the MDF unit at Agudos (SP). And independently, with different shareholders, both companies had decided to complete their expansion projects in the belief that financial crisis, as bad as they are, are essentially transient.

This common willingness to complete projects that were in full swing, and bear the financial burden of possibly having to subsequently face a market with little demand, was also combined with the perception that a merger would also be one of dreams, projects, careers and cultures. So correct was this evaluation that, after six months of operation, both companies spoke the same language and operated under the command of a professional Executive Board. United and competent, they were transformed into one unique company capable of realising the dreams we had for it: to be synonymous with technical-operational excellence, consequently achieving great results, with sustainable operations.

This ambition, furthermore, is indelibly printed in the DNA of the Itaúsa and Ligna groups and all the companies in which we participate, with a reputation for being excellent employers, corporate citizens, and for remunerating their shareholders well.

To speed up the achievement of this dream, from September we made good progress in the integration of the internal areas of both companies, with emphasis on sales, this process being so successful that we have managed to retain all the clients of both companies.

We have also made great strides in terms of corporate governance, with the setting up of an active Board of Directors, and the application of advanced practices, such as the election of three independent board members – one of these nominated by minority shareholders – and the restructuring of committees that provide support for this body, now centred on four basic themes: Governance, Personnel & Nomination, Audit & Risk, Sustainability and Negotiation.

All the integration work was practically concluded by the end of 2009, when Brazilians were pleasantly surprised by a change in scenario, with signs that the financial crisis in the Country was abating. Thus, at the end of the period, the capacity utilization rate of all the Company's plants, both in the Deca and Wood division, was surprisingly high for us, who had been prepared for a major slowdown in the market.

Favoured by this change in situation, we entered 2010 with the purpose of consolidating this new Duratex as a market leader with outstanding qualities. We are optimistic about prospects for the economy, which has led us to draw up new expansion plans for the Wood and Deca divisions.

As a strategy, the Company's growth must be healthy and sustainable, this expansion being either organic, through further acquisitions, or through internationalization. Having excellent professional management, a low level of indebtedness, supported by shareholders who have a policy and a vision that is focused on expansion, we believe that Duratex is well prepared to accompany the expected growth in the Brazilian economy and remain at the forefront of the segments in which it operates.

**Henri Penchas**  
CEO



We believe that the walking clearly set will lead us to continue growth, consolidation of market leadership and value creation for our shareholders

In a year characterized by two distinct scenarios, with the first two quarters heavily impacted by the global financial crisis, with a recovery then beginning in the second half of the year with a more optimistic outlook on the horizon, the merger of the two companies represented a major step in terms of our strategic growth strategy.

The merger, which should produce estimated synergy savings of R\$95.8 million, has resulted in a more competitive company, with an already existing leadership position in the Southern Hemisphere in reconstituted wood panel production.

This comfortable position was not the only benefit of this transaction. The merger was also of two companies whose operations complement one another. Duratex was maintaining its production capacity of MDF, HDF and SDF (medium, high and super-density fiberboard panels) much superior to MDP (medium density particleboard). While at Satipel, the situation was the reverse. The combination of both companies allows a greater balance to be achieved between the production capacity of these panels.

Another positive outcome of the merger was in terms of network. Duratex's operations were previously concentrated in the state of São Paulo and with the merger, they have been extended to Minas Gerais and Rio Grande do Sul, both important furniture manufacturing centres, providing the new Company with more distribution capacity under more favourable freight conditions.

On the stock market, the shares of the new company joined the Novo Mercado, the maximum level of corporate governance of BM&FBovespa, where for the second year running the Company has also been part of the ISE, the corporate sustainability index. We are aware that the market has perceived the significant advances we have made in terms of competitiveness, with our share price appreciating by 230% compared to a base taking of the sum-of-the-parts at the beginning of the period, increasing our market capitalization to R\$7.4 billion.

All these achievements have not diminished our desire to invest on other fronts. During the year, we earmarked R\$427 million to the Company's Resource Application Plan, in which R\$1.7 billion has been invested since 2007. In the Wood Division, three wood panel units were completed – two for the production of MDF, one at Agudos (SP) and the other at Uberaba (MG) and the other for the production of MDP, in Taquari (RS), the acquisition of land and plantations, as well as the maintenance of forestry areas. In the Deca Division, the capacity of existing units were expanded, plus two of our competitors in the vitreous chinaware segment were acquired back in 2008.

For 2010, R\$420 million worth of investment is planned, of which 70% is earmarked for the Wood Division, for the planting of the Company's own forests, the completion of a resin manufacturing plant, and the acquisition of peripheral equipment to enable it to cope with the new pressing capacity of 700,000 m<sup>3</sup> a year at the Taquari plant. At the Deca Division, the funds will be spent on expanding capacity, making the most of the current buoyant conditions in Brazil's construction sector.

We have the financial strength we need to press ahead with these investments, while we will also be seeking for acquisition opportunities that may arise. We also stand to benefit from a fortunate combination of events in Brazil, with the holding of the World Cup and the Olympic Games, both of which will involve a large quantity of building works.

With an eye on the market and its opportunities, we are also aware of the challenges which we face and the efforts that will be required in consolidating our position of absolute leadership in the domestic market. We believe that our clearly defined growth path will lead to continual expansion and the creation of value for our shareholders. More than just a leading world-class company that creates value for its shareholders, we also wish to be increasingly recognised for the adopting of good corporate citizenship practices. We are today a company which, in addition to sharing values, works to sustain and ensure the sustainability of our operations, as well as the market and communities in which we operate, with socio-environmental responsibility.


The commitments we have assumed in signing the United Nations Global Pact have been underpinned by the continuous development of actions in tune with our principles and initiatives. These principles have been strategic and fundamental in ensuring, promoting and maintaining ethical values in all our operations. Being an intrinsic component of the products we manufacture and the services we provide, they contribute to the building of an environmentally responsible and socially fair society.




About this Report

08

This is the third year that Duratex discloses its performance based on the GRI guidelines, global action network, which is reference in sustainability reports

This publication contains information and data about Duratex's operations in 2009, as well as the results in the period, the management practices adopted to achieve them and the prospects for 2010, in the economic, social and environmental spheres. This report follows the directives of the Global Reporting Initiative (GRI), in its G-3 version, falling under the category of Level C, as with the previous Annual Report published by the Company in June 2009.  GRI 3.1, 3.2, 3.3


The content of this document has been compiled internally and seeks to present the information that the Company believes to be of most interest to the public audiences with which it relates.  GRI 3.5

The financial indicators cover all the Company's units in Brazil and abroad (Argentina, United States and Belgium). The official financial statements placed at the disposal of the CVM, the Brazilian Securities Commission and the São Paulo stock exchange (BM&FBovespa), as a result of the Company's merger with Satipel include the results of Satipel from January to June 2009, and the combined result of both companies from July to December 2009. The comparison base, 2008, only reflects the results of Satipel. Duratex understands that this configuration makes it difficult to carry out a comparative analysis of the operating results of the two companies and, motivated by the desire to be as transparent as possible in its communications with the market, has opted to publish the results on a *pro forma* basis for both companies for all the analyses included in this report. In addition to *pro forma* performance,

these analyses are also based on recurring results, because of a series of extraordinary items booked under costs and operational expenses, which are explained on Page 33. The financial statements, drawn up in accordance with Brazilian Corporation Law, and associated explanatory notes, are shown from Page 100 onwards.

The official financial statements follow the normal practices adopted in Brazil (BRGAAP), governed by Law No. 11,638/07, and have been audited by PricewaterhouseCoopers. The social and environmental indicators refer exclusively to the Company's operations in Brazil and have been validated internally. Any revisions to figures published in previous years are duly highlighted and explained in the body of the Report.

 GRI 3.6, 3.7, 3.8, 3.9, 3.10, 3.11 and 3.13

For any clarification, criticisms or suggestions in relation to the context of this document, Duratex has the following communication channels available: Investor Relations Directorship – (11) 3179-7148, Investor Relations Management – (11) 3179-7259, and the e-mail [investidores@duratex.com.br](mailto:investidores@duratex.com.br). Comments about the Company's management model may be sent to the Corporate Governance Committee, via e-mail [governanca.corporativa@duratex.com.br](mailto:governanca.corporativa@duratex.com.br).  GRI 3.4

In order to create long term value, Duratex focuses on operational and financial soundness, discipline in the use of capital and respect for ethical, legal and socio-environmental criteria



Duratex follows rigorous principles of sustainability, which aim to guarantee its operational and financial soundness, the disciplined use of capital, as well as respect for ethical, legal and socio-environmental criteria in its actions aimed at creating value over the long term. Managers and employees pay close attention to the Company's internal processes in order to apply any corrective action needed rapidly, while keeping focused on objectives and targets in order to maintain the Company's growth and competitive differentials.

In order to position itself as being among the most competitive in Brazil in its segment, the Company continually invests in expanding its production capacity and operational infrastructure,

and in the integration of its processes. The allocation of its funding is planned in accordance with market trends and client demand.

In 2009, an important step taken as part of the Company's growth strategy and the consolidation of its leadership position in the market, was the merger between Duratex and Satipel. The synergy savings that will be achieved as a result of the merger have been estimated at R\$95.8 million a year. Another positive outcome of this move has been the plant's geographical diversification, with units located in São Paulo, in Uberaba (MG) and Taquari (RS), as well as the complementary nature of the various product lines.

### Capture of Synergies

Year	2009	2010	2011	2012	2013	2014	2015	2016
%	11	60	70	82	90	94	97	100



Deca's training session



## INVESTMENTS

Investment in the expansion projects of the Deca and Wood Divisions and in the Company's forest plantations amounted to R\$427.0 million in the period. In total, between 2007 and 2009, *pro forma* investment amounts to a total of R\$1.7 billion, 85% of this being earmarked for the Wood Division.

Among the various achievements in the period in the two divisions, of particular note were:

- The completion of equipment assembly and the start-up of the new MDF production line in Agudos (SP), and the MDP production line in Taquari (RS);
- The construction of the building to house the resin plant, in Agudos, to be inaugurated in 2010, which will result in significant operational gains;
- Works on the preparation of the storage tank base for chemical products in the new unit at Agudos;
- Forest planting and maintenance;
- Acquisition of two local competitors within the vitreous china segment, which allowed an expressive capacity increase;
- Erection of the building and acquisition of the equipment geared to expand the metal fittings capacity.

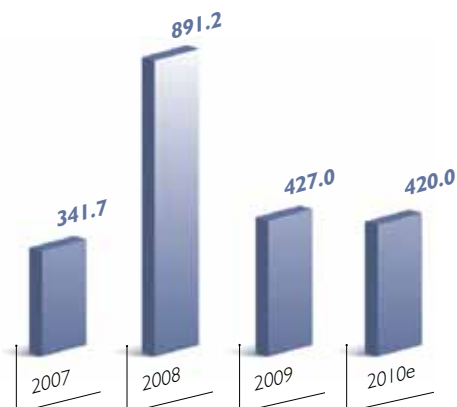
R\$420.0 million of investment is budgeted for 2010, with around 70% earmarked for the Wood Division, with the planting of the Company's own forests, the completion of the resin plant, and the acquisition of peripheral equipment in order to cope with the new pressing capacity of 700,000 m<sup>3</sup>/year at the Taquari unit.

These funds will enable the Company to carry out its transformation process in its quest for consolidating its leadership position in some segments, while attaining this position in others. The synergy savings achieved through the merger between Duratex and Satipel will be fundamental in reaching this goal. With the new consolidated organizational structure, lower costs, healthy cash generation and, particularly, a leaner capital structure combined with investment discipline, Duratex is now well prepared for the growth to come over the next few years.

R\$1,7 billion  
There were invested between 2007 and 2009 in projects that seek to expand competitiveness and consolidate the leadership of Duratex in their areas of operation

### Investment in fixed assets

*Pro forma* in R\$ million





Decca

Decca

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ATENA - 2024  
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CA

Duratex has a series of assets which, although they cannot be booked in the Company's balance sheets, add value to its image and its businesses.

#### **BRAND – NAME**

During its existence, the Company has established the brand names Duratex, Durafloor, Deca and Hydra, among others registered abroad, that today are synonymous of quality and reliability. They express the innovative spirit which permeates the Company's operations, as well as its commitment to deliver quality products to customers and consumers. The rhinoceros figure, which represents the Company's image, is among the best-known and most respected corporate symbols in Brazil.

Differentials  
Supported by  
attributes and  
strengths which are  
not accounted on  
balance, Duratex  
has essential factors  
to create value and  
build competitive  
advantages that  
differentiate the  
Company in the  
market

#### **INNOVATION**

The Company is continually investing in the research and development of products and solutions which make its activities more competitive. Trained employees monitor new trends and develop products that are in tune with the desires of the consumer market.

#### **QUALITY**

The quality standard of its products is a benchmark in the domestic market and guarantees the Company a privileged position. Constantly trained sales teams, technical assistance representatives with a presence throughout the country and Customer Service Network, all lend credibility to the brand names and transmit confidence to their users.

#### **TECHNOLOGY**

Technology is of great assistance to Duratex in its quest for sustainable growth. The continuous development and improvement of the technology involved in its processes goes hand in hand with improving productivity and reducing environmental impacts. Able to offer outstanding products at competitive prices, the Company has a modern industrial structure, which uses the latest innovation machinery and equipment, processes that are run by robots – all of which are constantly maintained, as well as advanced hardware and software systems.

#### **ECO-EFFICIENCY**

Care is taken to preserve natural resources as well as integrating them with the strategic plan of the Company which invests in more efficient and cleaner processes, programs and equipment to reduce the consumption of water and electricity, and in the reuse of materials. Funds are also spend on the perfection of saplings and processes which have led the Company's plantations to have one of the highest rates of

productivity in the world. In addition to this, all the wood used in the production of boards and panels comes from forestry activities in certified areas. The same applies to vitreous chinaware and metal bathroom fittings, which are equipped with special water saving features.

**COST MANAGEMENT**

To reduce its operating costs, the Company has adopted a number of initiatives, such as the reuse of inputs and the use of biomass for the heating of its boilers. The Company’s scale of production, its integrated wood supply system, its own renewable forests located close to its plants, and its vertically integrated production process, are all also fundamental in guaranteeing a high level of productivity at a low cost.

**PEOPLE**

One of Duratex’s main assets is its professional workforce which has an outstanding knowledge of the markets in which the Company operates, carries out its production activities and sells its products. Attracting, training and retaining internal talent represents the focus of the Company’s human development, encouraging and contributing to the maintenance of a healthy atmosphere in the workplace.



THE ADOPTION OF MODERN MANAGEMENT TOOLS SUCH AS 5S, TPM (TOTAL PRODUCTIVE MANAGEMENT) AND KAIZEN CONTRIBUTE TO THE DEVELOPMENT AND PERPETUATION OF PROCEDURES FOCUSED ON OPERATIONAL EXCELLENCE

Durafloor mobile training unit







**Duratex**

## WOOD DIVISION

With five plants in Brazil – in Agudos, Botucatu and Itapetininga (SP), Uberaba (MG) and Taquari (RS), the Wood Division is practically self-sufficient in the supply of wood thanks to its maintenance of 209,000 hectares of planted forest land (250 million trees), distributed over 324 farms.

A pioneer in the introduction of panel manufacturing processes in Brazil, Duratex, through each business offers the most complete solutions in MDF, MDP and hardboard to the furniture and building markets, in different sizes and finishes. The merger between Duratex and Satipel, in 2009, has made the Company's operations still more sustainable in that it has led to considerable gains in scale, geographical diversification, as well as expansion to its product portfolio. Thanks to the fact that the businesses of both companies complement one another, the new Duratex is now the largest producer of reconstituted wood panels in the Southern Hemisphere. The Company now has a production capacity of approximately 3.9 million m<sup>3</sup>/year, 56% more than the previous year, which corresponds to approximately 40% of the total production by the sector in Brazil (9.3 million m<sup>3</sup>, according to the Company's estimates).

## Performance

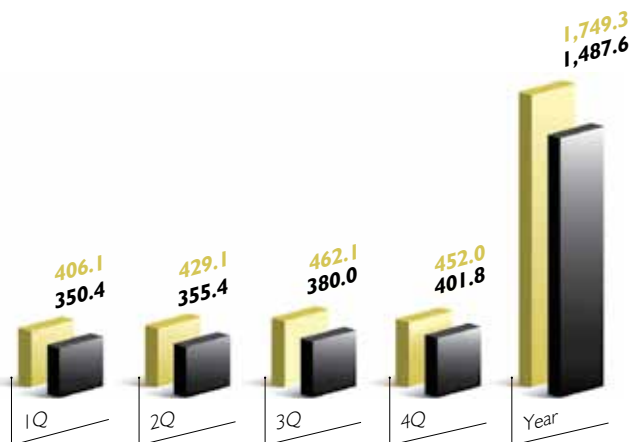
The year 2009 saw an improvement in the quality of the Company's production assets. Activities were ceased at the unit in Jundiaí (SP) and, at the unit in Taquari (RS), a MDP press was replaced by a more modern machine. Two new production lines were inaugurated during the year, one of these being for MDF at the unit at Agudos (SP), with a production capacity of 800,000 m<sup>3</sup> a year, and the other for MDP at the Taquari unit, with a capacity of 700,000 m<sup>3</sup> a year. Meanwhile, the ramp-up of a third production line for MDF at Uberaba (MG), inaugurated at the end of 2008 with a capacity of 350,000 m<sup>3</sup> a year, was speeded up.

Currently, efforts are being focused on the capturing of synergy savings from the recent merger, which have been estimated at R\$95.8 million a year in EBITDA terms. Of this total, it had originally been expected to capture R\$10.5 million in 2009, but this figure was exceeded by 25% with synergy savings identified of R\$13.0 million. The total capture of all the expected synergy savings will depend on the replication of the best forestry practices in the units in Minas Gerais. To this end, work is planned on revising handling and fertilizer practices used, as well as the introduction, after

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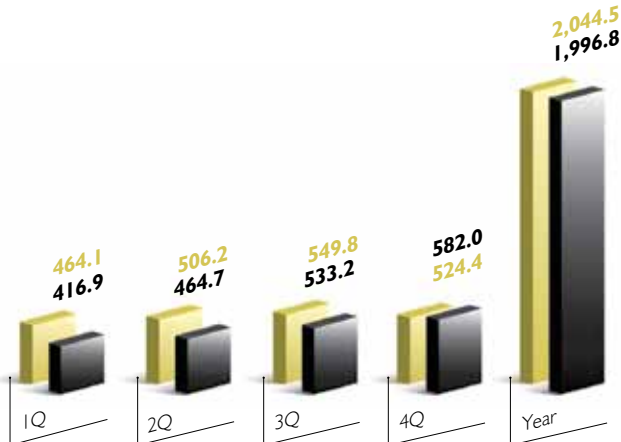
**Net Revenue** in R\$ million

■ 2008  
■ 2009



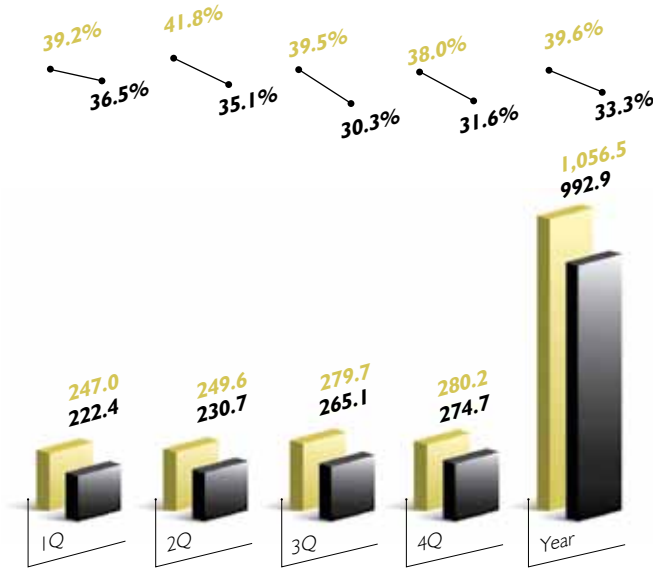
**Shipment** in m<sup>3</sup>

■ 2008  
■ 2009





**Cost** in R\$ million  
**Gross Margin** in %  
 ■ 2008  
 ■ 2009

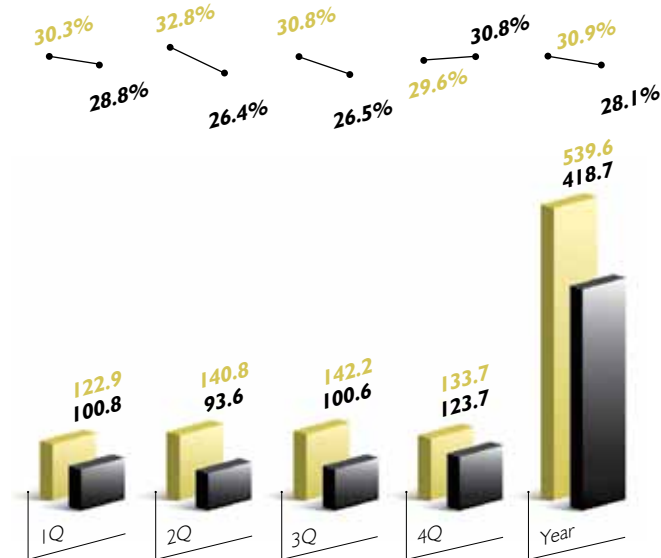


a series of tests, of a line of new large-size wood cutting equipment for that region. The sapling nursery has also undergone expansion, increasing its production capacity to 24 million saplings a year, a volume which is expected to cater to the units in São Paulo and Minas Gerais.

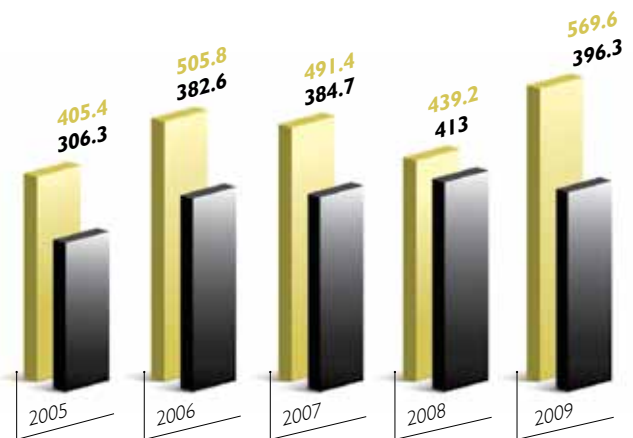
Another challenge facing the Company is the completion of the resin plant, which from the second quarter of 2010 onwards will be supplying all the needs for this input by the units in São Paulo.

The Wood Division ended the final quarter of the year reporting an 9.1% increase in volume shipped, compared to the previous quarter, which represents an 11.0% increase on the same period in 2008. This improvement was due to the level of activity in the second half of the year which practically compensated the weak performance in the first half, due to the slowdown in the furniture sector. Shipped volume performance in the second half of the year showed an improvement of 26.5% on the first half. This improvement reflects the favourable conditions in the market, contributing to a recovery in prices, which began in November.

**EBITDA** in R\$ million  
**EBITDA Margin** in %  
 ■ 2008  
 ■ 2009



**Productivity**  
 ■ Production (m<sup>3</sup>/worker)  
 ■ Net revenue (R\$ '000/worker)

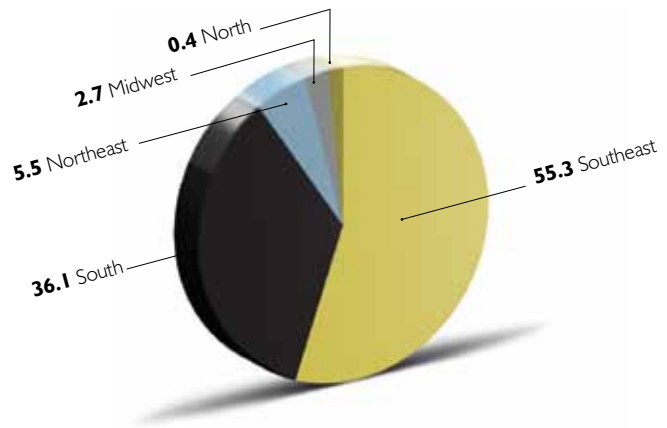


<b>Wood Division Costs Breakdown</b> in %	<b>Hardboard</b>	<b>MDP</b>	<b>MDF/HDF/SDF</b>
Labour	27.0	10.0	9.0
Wood	21.0	23.0	20.0
Raw material and other materials	27.0	49.0	48.0
Electrical energy	15.0	7.0	12.0
Fuel	7.0	1.0	2.0
Depreciation	3.0	10.0	9.0

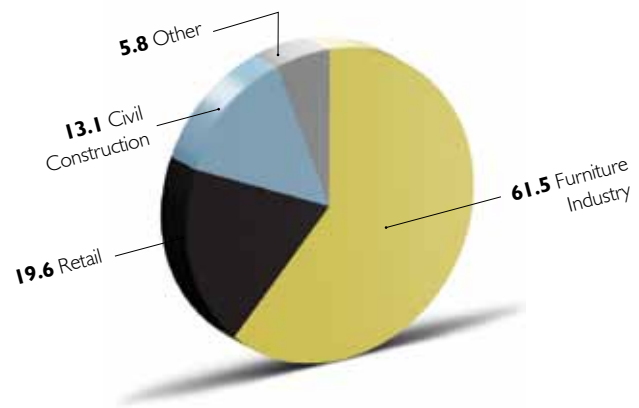
In terms of operational performance in the fourth quarter, compared to 3Q09, net revenue was up 5.7% to R\$401.8 million, with EBITDA up 22.9% at R\$123.7 million, and EBITDA margin of 30.8%. This performance is the consequence of a sharp improvement in recurring earnings compared to the previous quarter and is related to more effective dilution of fixed costs, as a consequence of a higher capacity utilization rate and the capturing of synergy savings as a consequence of the merger. Over the year, although the level of products shipped remained practically stable, there was a 15% drop in net revenue because of the weaker price base and a lower level of revenue from the export market, due to a combination of lower volume and weaker prices because of the exchange rate. This situation also impacted gross margin, which ended up being squeezed as a consequence of an increase in the level of depreciation following the investments realised.

Exports were down 35% compared to 2008, totalling US\$42.4 million, with hardboard panels being responsible for approximately 80% of volume.

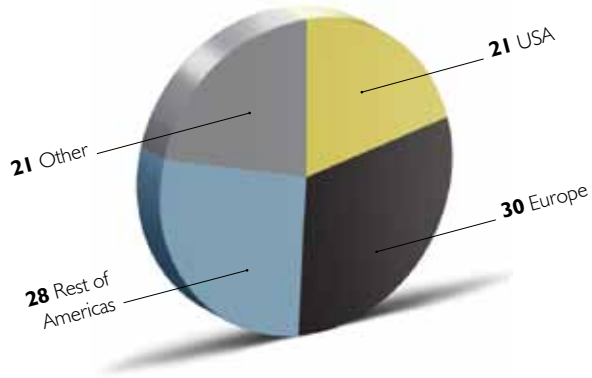
**Wood Division – Domestic Market Sales** in %  
Region



**Wood Division – Domestic Market Sales** in %  
Segment



**Export Destination** in %



800 000 m<sup>3</sup>  
It is the annual capacity of the press installed in Agudos, the largest MDF production line; in Taquari, there was the start-up of a MDP line with capacity of 700,000 m<sup>3</sup>

**Investment**

Among the investments made in the Wood Division in the last few years is of particular note those made at the units in Agudos (SP), Uberaba (MG) and Taquari (RS). In Agudos, the construction and assembly of the largest MDF panel plant, which has an annual pressing capacity of 800,000 m<sup>3</sup>, was completed and brought into service. Along with the new production line, a new low pressure coating line, to add value to panels, was installed plus the assembly works of the new resin manufacturing unit is in its final assembly phase. This input is used in the panel manufacturing process and represents approximately 13% of the total production cost.

In Uberaba, the MDF panel manufacturing unit, inaugurated at the end of 2008 with a capacity of 350,000 m<sup>3</sup> a year, underwent some technical adjustment and operated in a stable manner from 2009.

Operations at the Taquari unit improved significantly after the closure of a cyclical line for the fabrication of MDP panels, with a capacity of 220,000 m<sup>3</sup>/year, and the inauguration of a continuous line for the manufacture of this same product, with a capacity of 700,000 m<sup>3</sup>/year. The operational improvement is expected from the gains in scale and the use of more modern technology.

In 2010, the Division will receive approximately 70% of the Company's R\$420.0 million investment budget for the year. These funds will be spent on equipment maintenance and forest planting and conservation, as well as the purchase of peripheral equipment to cope with the new pressing capacity of 700,000 m<sup>3</sup> a year at the Taquari unit.

## Innovation

Well-known for its outstanding products that combine good looks with quality, in 2009, Duratex launched nine new types of finishing patterns for its laminated flooring and 66 for its panels. Among the latest developments in terms of low-pressure coated panels is the Prisma Line, whose texture reproduces the characteristics of much sought-after natural wood: a rustic touch with a semi-matt finish. While another addition to the portfolio is the Multiform brand, consisting of semi-finished and finished components for furniture. Thus, the Company ended the year with seven continuous panel production lines: four MDF and three MDP, as well as three lines for the production of hardboard – the most complete operation in the industry.

Communication with the consumer public also underwent some innovation. In addition to advertising in magazines, the Company also began

TV advertising for the Durafloor brand to enhance the image of the product – which has repeatedly won the “Top of Mind” awards in the category of laminated flooring – at a very favourable moment for finishing products in the construction industry.

Combined with the operational differentials and diversity of its product lines, with attributes that are well known by the market, is also concern for operational sustainability. In this regard, the Company won first prize at the 7<sup>th</sup> edition of the Benchmarking Prize, an award which recognises companies with the best corporate socio-environmental management practices in Brazil, as well as receiving, for the second year running the “Top Anamacó” award in the category of marketing and sales. Organised by the National Association of Building Material Merchants (Anamacó), these awards are a reference in the sector.

Durafloor packing line



## DECA DIVISION

The Deca Division's production capacity in the metal bathroom fittings and vitreous chinaware segments is among the 10 largest in the world, being the largest in terms of metal bathroom fittings in the Southern Hemisphere, and the second-largest for vitreous chinaware. In Brazil, the Company leads these markets, with an extensive line of products which cater to the different consumer segments: premium, medium and popular. It owns the Deca and Hydra brands, the latter being synonymous for flushing valves in the domestic market. The operation has two units for the production of metal bathroom fittings, in São Paulo and Jundiaí (SP), as well as a unit in Argentina (Deca Piazza), and four for the production of vitreous chinaware: two in Jundiaí, one in São Leopoldo (RS) and one in Cabo de Santo Agostinho (PE).

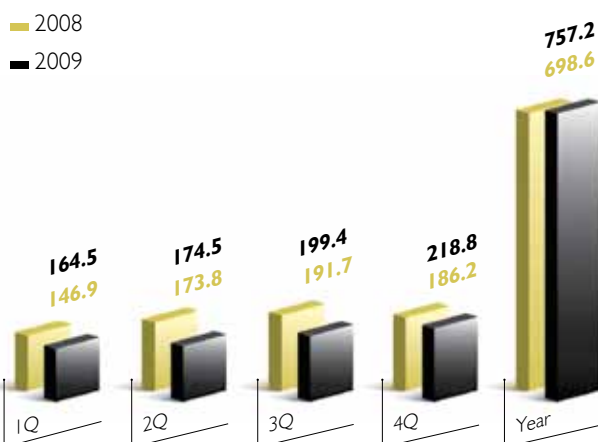
The Division has an annual production capacity of 23 million pieces, 15.8 million in metal bathroom fittings and 7.2 million in vitreous chinaware. It has a nationwide sales network and an extensive after-sales customer service network across the Country, this being the main retail distribution channel. Opinion formers such as architects, designers, decorators and consumers, who require a personalised service, have access to differentiated sales outlets, where some product launches are presented at first hand.

## Performance

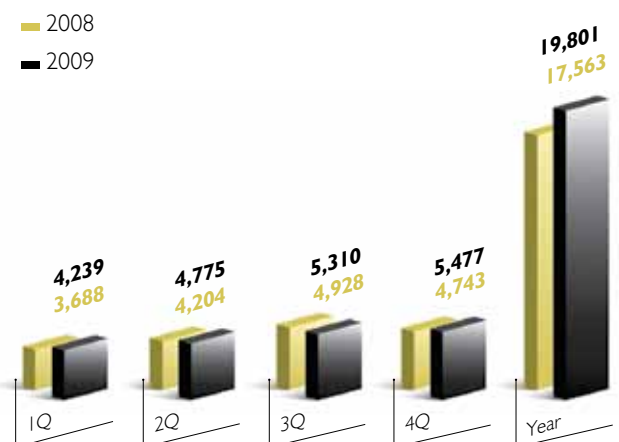
Despite the slowdown in the market, which was more pronounced in the first half of the year as a consequence of the global financial crisis, Deca obtained very positive results in terms of shipment volume and sales. This was a year that was characterised by consolidation of the units acquired in 2008 – Ideal Standard and Cerâmica Monte Carlo, the launching of new products, such as the Deca filter line, investment in modernisation and staff training, as well as specific initiatives at sales outlets to minimise the effects of the adverse economic scenario.

During the year 19.8 million items were shipped from the division's plants, an increase of 12.7% on 2008. Net revenue increased by 8.4%, totalling R\$757.2 million, a performance which was much better than the average for the building material industry, which saw a sales retraction of 12.27% during the year, according to the index published by Abrammat, the Brazilian Construction Materials Industry Association. EBITDA totalled R\$199.7 million, while EBITDA margin amounted to 26.4%, although a third of this figure was achieved in the last quarter of the year (R\$65.9 million, equivalent to EBITDA margin of 30.1%).

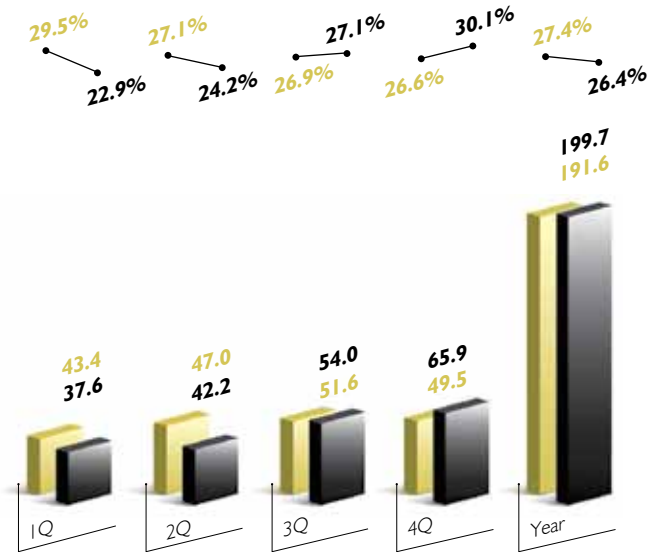
**Net Revenue** in R\$ million



**Shipment** in thousands of items

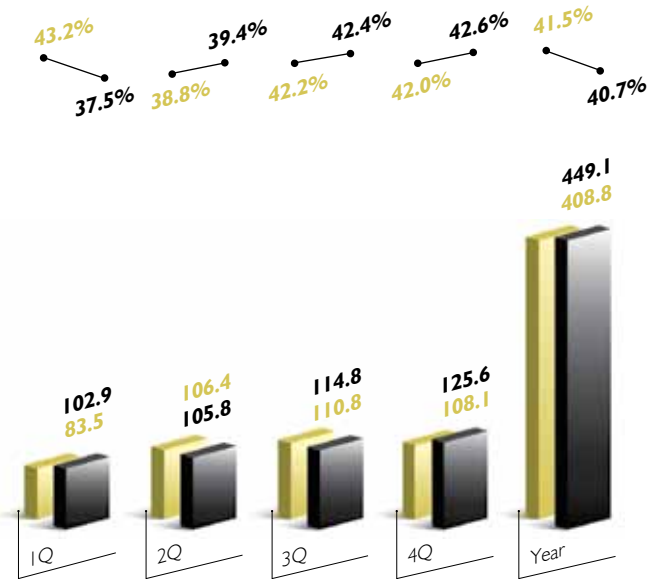


**EBITDA** in R\$ million  
**EBITDA margin** in %  
 ■ 2008  
 ■ 2009

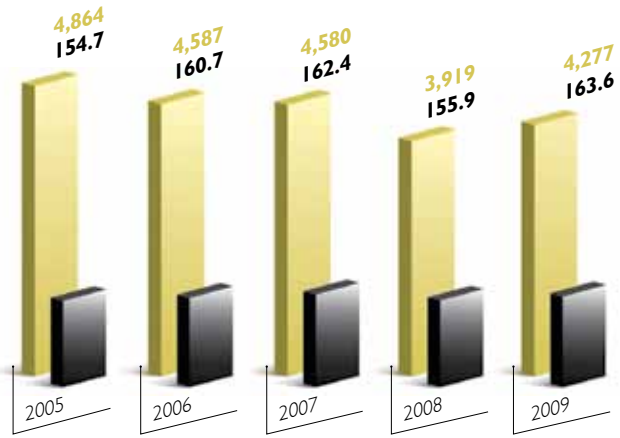


The results for the year reflect the favourable market conditions, helped by government measures to reduce the tax burden by cutting the IPI tax rate, and other measures to provide capital for construction firms, the reduction in the level of red tape on mortgages for consumers in the low-income segment of the population, and an increase in the price limit for property that can be financed using FGTS funds. This combination of incentive measures, according to Abecip the Brazilian Association of Mortgage and Savings Entities, resulted in a record volume of loans contracted (686,000), corresponding to total financing of R\$49.6 billion. To make the most of this opportune moment, Deca has taken various operational and market-driven measures, with the aim of expanding its market share, and consequently strengthening its brand name in the various consumer segments. These measures resulted in the plants operating at a high capacity utilization rate, with more effective cost dilution as a consequence.

**Cost** in R\$ million  
**Gross Margin** in %  
 ■ 2008  
 ■ 2009



**Productivity**  
 ■ Production (items/worker)  
 ■ Net Revenue (R\$'000/worker)



<b>Deca Division – Breakdown of costs</b> in %	<b>Metal Fittings</b>	<b>Vitreous China</b>
Raw materials and other material	53.0	34.0
Labour	36.0	43.0
Depreciation	7.0	8.0
Electrical energy	3.0	4.0
Fuel	1.0	11.0

In terms of sales abroad, there was a sharp economic slowdown in the United States and Europe, with the Brazilian real appreciating against the other currencies. As a consequence, net exports in revenue came to R\$33.2 million for the year, down 21.8% on 2008.

### Investment

During the year, investment at the Deca Division was mainly in carrying out improvements at its industrial units, both in terms of expanding production and shipping capacity, as well as introducing more modern technology. The Jundiaí Unit, which previously belonged to Ideal Standard, underwent restructuring, which resulted in an increase in production capacity of 25,000 items/month.

Another item of note was the expansion to shipping capacity at the plant in Cabo de Santo Agostinho. New “fingers” and docks were built and changes introduced to increase storage and shipping capacity.

For 2010, R\$105 million is planned, to be spent on expanding the production capacity for metal bathroom fittings and vitreous chinaware, to make the most of the buoyant conditions in Brazil’s construction sector.

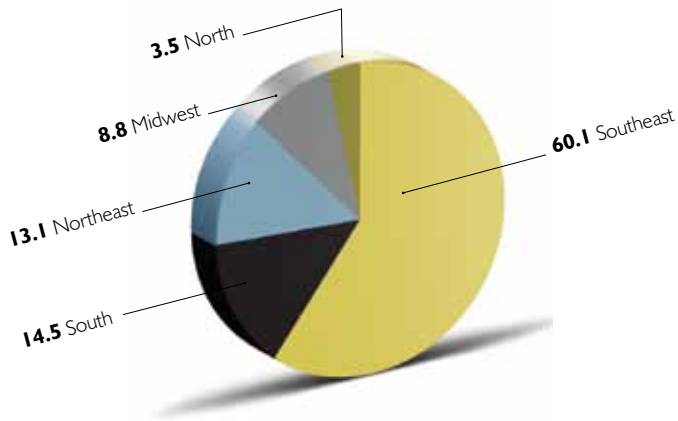
### Innovation

To accompany the trends in the decoration and building sectors, Deca always aims to supply the market with products that are modern and in tune with the desires and needs of the consumer. To this end, it develops pieces which, in addition

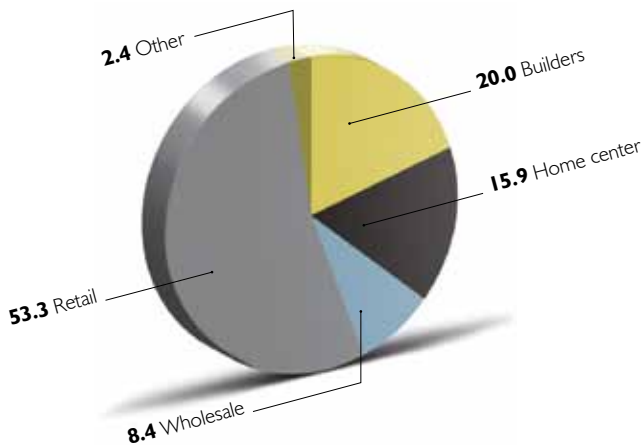
Showroom Deca



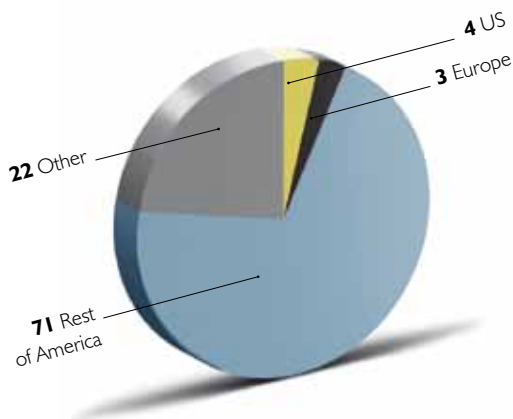
**Domestic Market Sales** in %  
Region



**Domestic Market Sales** in %  
Segment



**Export Destination 2009** in %



to being of elegant design, are also practical and have differentials which, for example, allow for improved water saving – in keeping with the concept of sustainability.

By the same token, in 2009, the Company entered the water purification segment for the first time introducing its new line of Deca filters, presented at Feicon, the International Trade Fair for the Building Industry. This line has three models: Twin, in two versions with a filter integrated into the tap; Couple, with the filter installed onto the tap; and Single, with a filter independent from the tap. All of these use exclusive filtration technology which eliminates the impurities through the combination of compacted charcoal and special additives, known as Carbon Block. This system is in keeping with the concept of sustainability, in that it eliminates the need for the purchase of plastic bottles and containers of drinking water. The other item of note was in the water saving products segment, the Dual Flux flushing valve, whose cycles, of three and six litres are capable of achieving a water saving of up to 50%, compared to conventional systems.

The Division's extensive range of products allows Duratex to supply products for building projects at the "popular" end of the market. Products with a differentiated design and recognised quality, with the backing of an extensive after sales service, combine to produce a significant competitive edge. In this segment, of particular significance are sales for property refurbishment and expansion projects, known in the Brazilian market as "*consumo formiga*" (small scale type of consumption), which basically means a lot of little consumers who purchase few items, but in a continuous manner.

During the year, the Deca division launched 35 new products, 18 vitreous chinaware fittings and 17 metal bathroom fittings. Of particular note in the vitreous chinaware segment was the double action flushing system and the Aspen Line, while in the metal fitting segment, in addition to the line of filters, the Twist, Slide and Star lines. Of these launches, two received important market recognition. The Twin filters received the Bronze Medal, at the *International Design Excellence*



*Awards and the Gold Medal at Idea Brasil de Design, while the Slide line, in the tap segment, won the Bronze Medal at Idea Brasil de Design.*

With the aim of raising the visibility of its product lines, the Company also carried out a number of promotional campaigns. Using innovative advertising, the Company transmitted information about its products and launches to opinion formers and consumers. Advertising adds were placed in the magazines: *Casa Cláudia, Caras, Arquitetura & Construção, Anuário Caras de Decoração, Casa Vogue, Anamacó* and *Casa & Jardim*.

The Company also invested in participating at trade fairs and events in the building and decoration sectors. One of the most important of these is Casa Cor, a decoration event which takes place in various state capitals and cities in Brazil. In 2009 Casa Cor received a total of 450,000 visitors in 772 locations, 372 of which were equipped with Deca metals and vitreous chinaware products. At the Casa Cor event in São Paulo, the Company launched the book *60 Artistas e Arquitetos*. This publication contains a series of bathroom projects that mix the inspiration of the architect with images of the environment,

description of the works and the profile of the professional involved.

As a way of strengthening its image in the market, Deca also organises events that award recognition to professionals in the building, architecture and decoration sectors. One of the most important of these is the *Um Sonho de Banheiro Deca Awards*, which in 2010 will have been in existence for 15 years. This event pays tribute to great talent in the areas of architecture and decoration who produce innovative and creative concepts in the bathroom area of the house, which has become of great importance in architectural projects. In 2009, more than 1000 projects were entered for the awards, an all-time record for this event. The award ceremonies were held on December 1<sup>st</sup> at MUBE, the Brazilian Sculpture Museum, in São Paulo.

Also, to create a closer relationship with future professionals in the sector, in addition to opening up room for new talent in the interior design market, the Company also holds the competition “*Estudos de um Banheiro*”, which will celebrate 15 years of existence in 2010, and which in 2009 received 119 entries, from 600 students from 38 schools.

Continuous firing Kiln of vitreous china ware



## Analysis of Recurring *pro forma* Consolidated Results

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Non-recurring events in 2008 and 2009 affect the comparison of performance and, for this reason, the results were disclosed *Pro forma*, net of such events



<b>Pro Forma Balance Sheet</b> in R\$'000 (except where otherwise indicated)	<b>jan-dec/09</b>	<b>jan-dec/08</b>	<b>Change %</b>
Cash	300,924	716,772	-58.0%
Current assets	1,214,084	1,566,208	-22.5%
Total assets	4,333,741	4,511,038	-3.9%
Current liabilities	886,265	997,600	-11.2%
Total indebtedness	1,408,883	1,533,936	-8.2%
Shareholders' equity	2,371,934	2,252,627	5.3%
<b>Pro forma shipments</b>			
Wood Division (in m <sup>3</sup> )	1,996,857	2,044,504	-2.3%
Deca Division (in '000 items)	19,802	17,563	12.7%
<b>Pro forma financial statements</b>			
Net revenue	2,244,864	2,447,969	-8.3%
Domestic market	2,113,531	2,240,595	-5.7%
Export market	131,333	207,374	-36.7%
<b>Pro forma recurring result</b>			
Gross profit	802,905	982,730	-18.3%
Gross margin	35.8%	40.1%	-
EBITDA <sup>(1)</sup>	618,321	731,185	-15.4%
EBITDA margin	27.5%	29.9%	-
Net earnings	274,266	375,278	-26.9%
Net margin	12.2%	15.3%	-
<b>Indicators</b>			
Net debt <sup>(2)</sup>	1,107,959	817,164	35.6%
Net debt/recurring EBITDA	1.79	1.11	31.5%
Average shareholders' equity	2,309,123	2,149,003	7.5%
Recurring ROE <sup>(3)</sup>	11.9%	17.5%	-
<b>Shares <sup>(4)</sup></b>			
Net recurring earnings per share (R\$)	0.60	0.82	-26.8%
Closing share price (R\$)	16.20	4.87	232.0%
Equity per share (R\$)	5.17	4.91	5.3%
Market capitalisation (R\$'000)	7,417,973	2,232,323	232.3%
<b>Pro forma results <sup>(5)</sup></b>			
Gross profit	781,138	979,590	-20.3%
Gross margin	34.8%	40.0%	-
EBITDA	502,615	751,615	-33.1%
EBITDA margin	22.4%	30.7%	-
Net earnings	189,783	388,906	-51.2%
Net margin	8.5%	15.9%	-

<sup>(1)</sup> EBITDA (Earnings before Interest, Tax, Depreciation and Amortization): a measure of operational performance.

<sup>(2)</sup> Net debt: total debt minus cash balance held.

<sup>(3)</sup> ROE (Return on Equity): measure of performance taking net earnings in the period analysed divided by average shareholders' equity.

<sup>(4)</sup> The quantity of shares in 2008 was adjusted in accordance with the share swap ratio as a consequence of the merger between Duratex and Satipel. As a consequence, the *pro forma* indicators are comparable. The market capitalization figure in 2008 was calculated using the sum-of-the-parts (Duratex and Satipel) and the quote reflects the adjusted quantity of shares.

<sup>(5)</sup> Combined reported result of Duratex and Satipel, *pro forma*, for the period January to December 2008 and 2009.

The official financial statements placed at the disposal of the CVM, the Brazilian Securities Commission and the São Paulo stock exchange (BM&FBovespa), as a result of the Company's merger with Satipel include the results of Satipel from January to June 2009, and the combined result of both companies from July to December 2009. The comparison base, 2008, only reflects the results of Satipel. Realizing that this configuration makes it difficult to carry out a comparative analysis of the operating results of the two companies and, motivated by the desire to be as transparent as possible in its communications with the market, has opted to publish the results on a *pro forma* basis for both companies.

Due to the fact that there were a number of non-recurring events both in 2008 and 2009, affecting the results, two sets of results are being reported, recurrent *pro forma* and *pro forma* as reported.

The table below shows all the non-recurring events, and the lines of the result affected.

In 2009, the cost of goods sold (COGS) was affected by the closure of hardboard production activities at Jundiaí – which also had an influence on accumulated COGS in 2008 – and by the replacement of the old MDP production line, located at Taquari, by a more modern line, as

well as the start-up process of the new MDP and MDF lines. During the third quarter, there were a number of events related to the adoption of best market practices and reorganisation as a result of the merger. Completion of the main investments resulted in an increase in the depreciation base, which rose from R\$28.1 million at the end of the first quarter in 2008, to R\$52.8 million at the end of the final quarter of 2009.

EBITDA, in 2008, was boosted by taxes recovered in the second quarter, as well as revenue from the sale of a rural property, during the third quarter. However, expenses relating to the acquisition of two vitreous chinaware operations, in the second and third quarters, as well as the expenses related to the guarantee of future electric power deliveries (third and fourth quarters) contributed to reducing this effect. In 2009, the extraordinary items that affected operational performance were basically the same as those under COGS, of particular note being direct expenses related to the merger process, accounting rationalisation, reorganisation and the adoption of best market practices.

The amounts shown under net earnings reflect the tax impact of these extraordinary items.

<b>Effect of extraordinary items on the different lines of the result</b> R\$'000	<b>4Q09</b>	<b>3Q09</b>	<b>4Q08</b>	<b>jan-dec/09</b>	<b>jan-dec/08</b>
COGS	0	(4,689)	(1,570)	(21,767)	(3,140)
EBITDA	0	(96,716)	(10,301)	(115,706)	20,430
Net earnings	0	(67,465)	(6,426)	(84,483)	13,628

**Revenue**

Gross revenue for the year amounted to R\$2,976.5 million, compared to R\$3,285.2 million for the combined operations of Duratex and Satipel previous year. Total net revenue amounted to R\$2,244.9 million (R\$2,448.0 million in 2008, also combining the revenue of both companies). Exports in the period were the equivalent of US\$50.7 million. Despite the fact that volume shipped by the Wood Division was practically unchanged while showing an increase of approximately 13.0% by the Deca Division, sales performance in 2009 was lower than that in 2008 due to weaker prices, both in the domestic and export markets, lower volume shipped to the export market, more severely affected by the crisis.

**EBITDA**

Earnings before interest, tax, depreciation and amortisation, totalled R\$618.3 million, which resulted in EBITDA margin of 27.5% (29.9% in 2008).

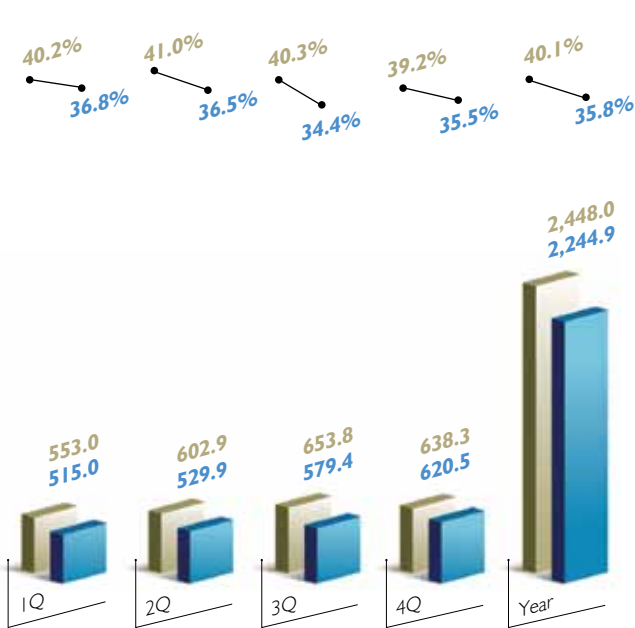
The recurring operational result was down by 15.4% compared to 2008, due to a lower-price base in the domestic and export markets, and lower export volume. This situation was at its most critical up to the end of the first half of the year, having improved in the second half. EBITDA in the fourth quarter, of R\$189.5 million, equivalent to EBITDA margin of 30.5%, if annualised, was higher than that in 2008.

From October onwards, the Company began the process of marking prices back up after the discounts granted on the list prices during the most acute phase of the crisis – a practice which should contribute to nominal and marginal expansion in EBITDA.

**Net Revenue** in R\$ million

**Gross Margin** in %

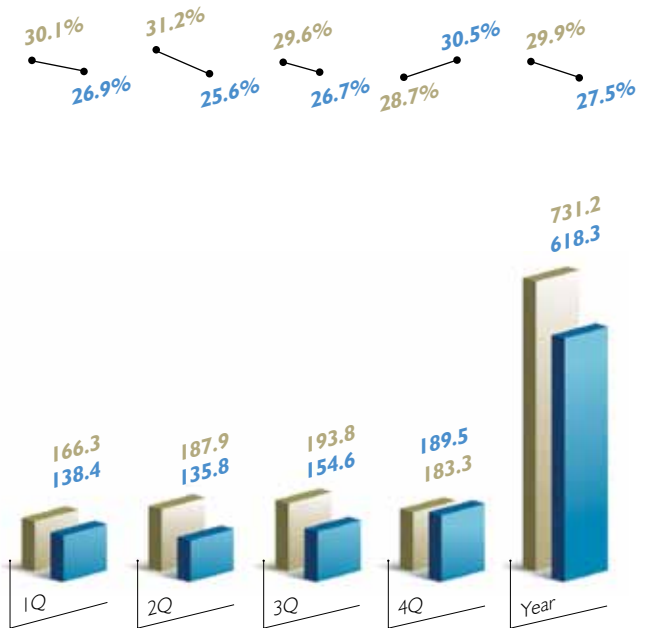
■ 2008  
■ 2009



**EBITDA** in R\$ million

**EBITDA Margin** in %

■ 2008  
■ 2009



### Net earnings

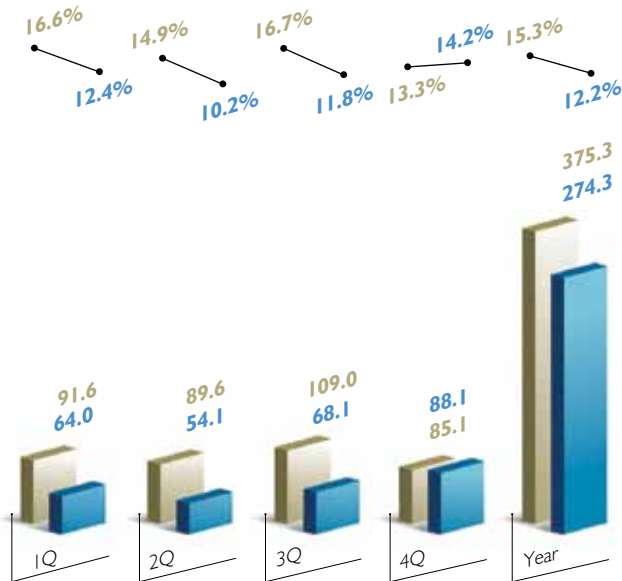
Adjusted net earnings in 2009 amounted to R\$274.3 million, reflecting the scenario of pressure on prices.

**Net Earnings** in R\$ million

**Net Margin** in %

■ 2008

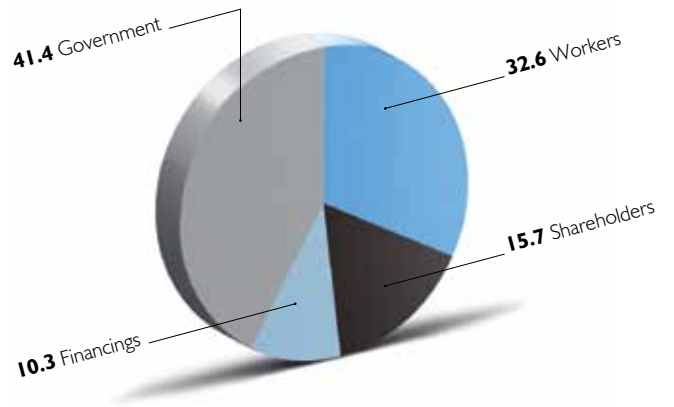
■ 2009



### Value added GRI ECI

*Pro forma* Value Added totalled R\$1,219.7 million. Of this, R\$504.9 million, equivalent to 16.8% of the revenue obtained, and 41.4% of the total value added, went to the Federal, State and Municipal governments in the form of taxes and contributions.

### Added value distribution in %



### Indebtedness

At the end of 2009, Duratex's debt amounted to R\$1,408.9 million, R\$601.8 million of which was short term. Net debt corresponded to R\$1,107.9 million, equivalent to 1.46 times EBITDA in the last quarter, annualised.

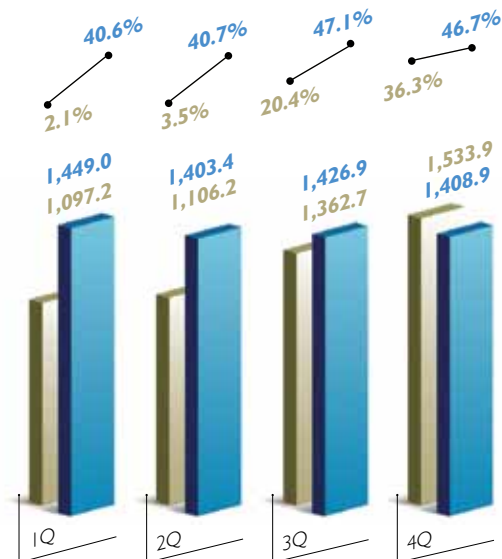
During the year, R\$571.2 million in debt was paid down, with R\$14.7 million taken out in new debt.

**Gross Debt** in R\$ million

**Net Debt/Equity** in %

■ 2008

■ 2009



## Debt

R\$'000	12/31/09	09/30/09	Variation	12/31/08	Variation
Short-term	601,796	732,227	(130,431)	522,283	79,513
Long-term	807,087	694,627	112,460	1,011,653	(204,566)
<b>Loans and financing</b>	<b>1,408,883</b>	<b>1,426,854</b>	<b>(17,971)</b>	<b>1,533,936</b>	<b>(125,053)</b>
Cash and equivalents	300,924	336,864	(35,940)	716,772	(415,848)
<b>Net debt</b>	<b>1,107,959</b>	<b>1,089,990</b>	<b>17,969</b>	<b>817,164</b>	<b>290,795</b>

## SHARES AS AN INVESTMENT

The Duratex's shares performance was amongst the best on BM&FBovespa during the year. The good reception by the market to the announcement of the merger between Duratex and Satipel, and the resulting synergy savings, combined with the favourable economic scenario in the Company's area of operations, all contributed to substantial appreciation in the share DTEX3, which ended the year at R\$16.20 per share, compared to R\$4.88 at the end of 2008 (taking as a comparison base the sum-of-the-parts of Duratex and Satipel), which corresponds to an increase of approximately 230%. Over the same period, the Bovespa Index appreciated by 82.7%.

From a corporate governance perspective, significant advances were made during the year. As a result of the merger, Duratex became listed on the BM&FBovespa Novo Mercado and as a consequence, only had ordinary shares issued, giving their holders

the right to vote at shareholders meetings (one share, one vote), as well as tag along rights of 100%. Additionally, a minimum dividend distribution policy was set of 30% of adjusted net earnings.

The Company's shares are part of the main benchmark indices of the market, the Ibovespa and the ISE. The Ibovespa consists of approximately 60 shares, whose main inclusion criteria relate to degree of liquidity. The ISE, Corporate Sustainability

230%  
It was the approximate appreciation of Duratex shares on São Paulo Stock Exchange, compared with 82.7% of Ibovespa during the year

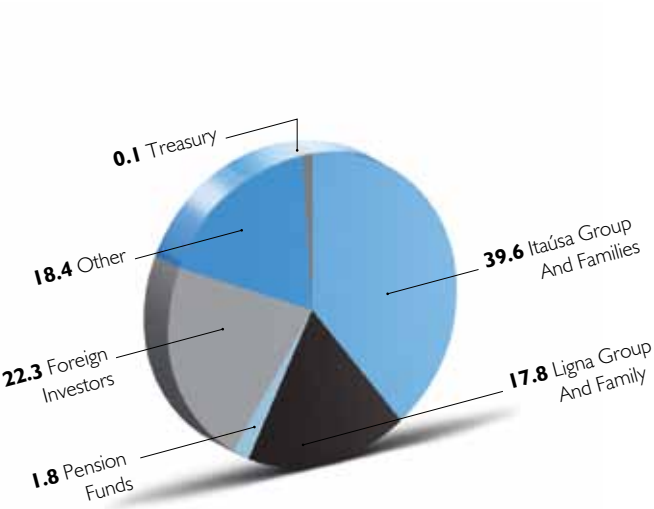


Index, contains approximately 40 shares, outstanding for the application of the international concept of sustainability Triple Bottom Line, which evaluates, on an integrated basis, social, environmental and economic-financial aspects. To these aspects, have been also added practices related to corporate governance, business characteristics and the nature of the product.

**Shareholding structure**

The paid-up capital of Duratex S.A. is represented by 458,362,776 ordinary shares, listed on the BM&FBovespa Novo Mercado. At the end of the year, 463,200 shares were held in treasury. The Company’s shareholders are distributed as follows: 39.6% to Grupo Itaúsa – Investimentos Itaú S.A., 17.8% to Grupo Ligna and 42.6% to the other shareholders.

**Corporate Structure** in %  
December 2009



**Dividends**

Duratex has a differentiated policy for the minimum distribution of earnings, equivalent to 30% of adjusted net earnings in the period. At a meeting on December 18, 2009, the Board of Directors voted to distribute interest-on-equity to shareholders, in the form of dividends of R\$35.0 million. Furthermore, at a meeting of the Board on February 23, 2010 a provision of R\$1.1 million was agreed for the payment of interest-on-equity in the form of dividends. Both payments were made starting March 5, 2010 with the amount credited to shareholders being in proportion to the balance held between December 18, 2009 and February 23, 2010.

On August 21, 2009, prior to the merger, Duratex distributed R\$31.1 million in interest-on-equity to shareholders, referring to the Company’s results in the first half of the year.

**Share Buyback Program**

At a meeting of the Board of Directors, on February 23, 2010, authorisation was renewed for the Executive Board to acquire up to 19,003,649 ordinary shares issued by the Company, without any reduction in paid-up capital. The aim is to either keep the shares in treasury, cancel them, or place them again in the market, in accordance with subparagraphs 1 and 2 of Article 30 of Law No. 6,404/76 and CVM rulings No. 10,268 and No. 390, observing the limit of 10% of the 192,378,348 ordinary shares in circulation. These purchases must be made through the stock exchange between the period February 24, 2010 to February 23, 2011, at market value, using the funds available in the Company’s statutory reserve, and brokered through Itaú Corretora de Valores S.A.

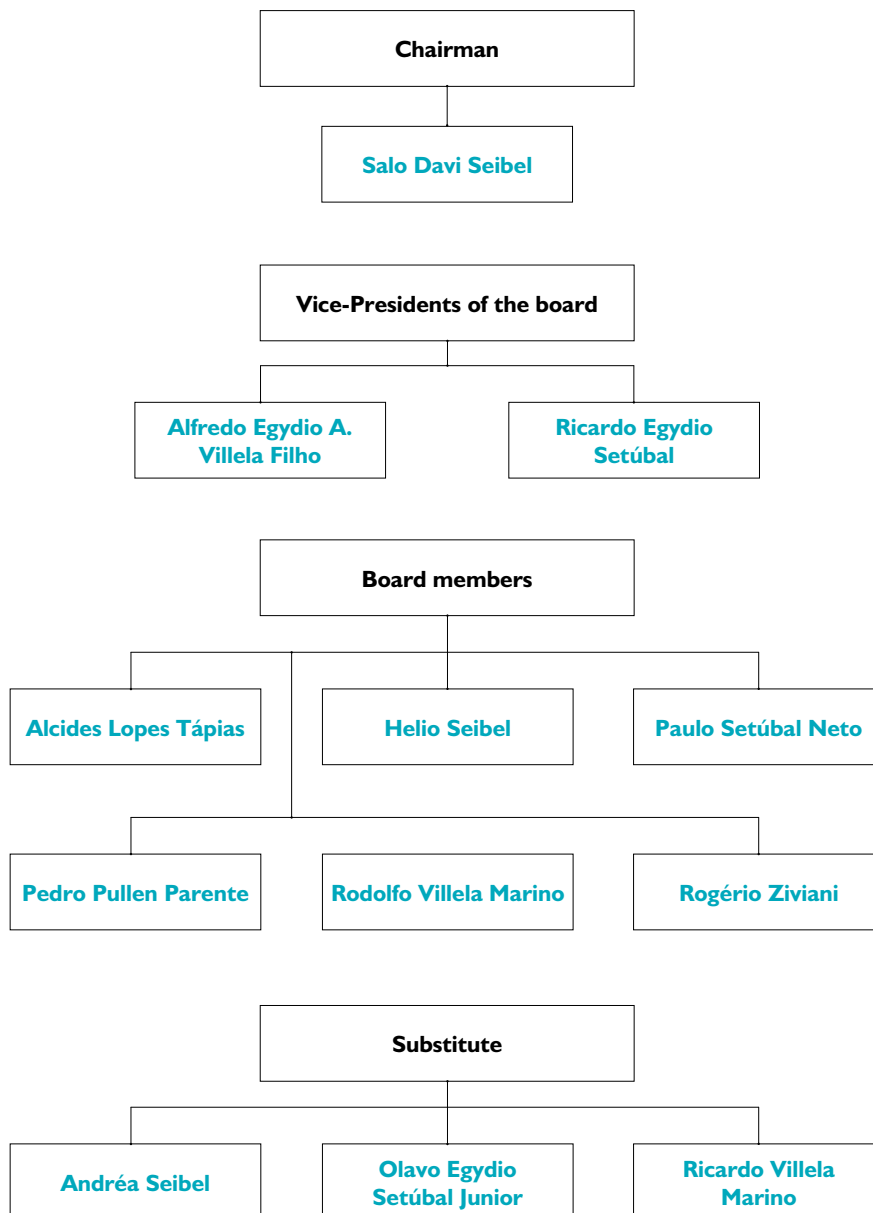
The migration to the Novo Mercado of the São Paulo Stock Exchange marks the process of improving governance practices, resulting from the merger between Duratex and Satipel



As a direct consequence of the integration between Duratex and Satipel, in 2009, the company made some improvements to its corporate governance practices as part of its transition to the Novo Mercado section of the São Paulo Stock Exchange (BM&FBovespa). This listing section contains companies that assume additional commitments in terms of transparency, extensive information disclosure and equal treatment for all shareholders, which includes tag along rights of 100% (a mechanism which provides minority shareholders with identical rights to those of the controlling shareholders in the event


of a public share offering, as a consequence of the transfer of control at the Company).

These initiatives are in keeping with the eight policy headings established by the Company for the satisfaction management of its businesses and the formation of closer relationships with its public audiences: Trading of Securities; Publication of Material Events or Facts; Quality; Environmental Policy of the Deca, Wood and Forestry Divisions; Corporate Governance; Provision of Goods or Services; Prevention and Combat of Illicit Acts, and the Receiving and Handling of Denouncements.



## GOVERNANCE STRUCTURE

Ethics and respect are the values which form the underlying theme of the Company's corporate governance, decisions being made in three spheres: General Shareholders Meetings, the Board of Directors and the Executive Board. The Company also has four support committees.

All the internal areas of the Company, however, are responsible for transforming the concepts of sustainability into actions, which makes management more transparent and guarantees the creation of value throughout the production chain.  GRI 4.1, 4.3, 4.9

### General Shareholders Meetings


Shareholders' Meetings are held to deliberate and verify the legality of all actions taken by the Management, such as mergers, incorporation, incorporation of shares, demergers, transformation or any other form of corporate reorganisation involving the Company. It is also responsible for electing both members to the Board of Directors and Fiscal Council (statutory audit committee), as well as setting their levels of remuneration. In 2009 an Annual General Meeting was held, as well as an Extraordinary General Meeting, to approve the merger between Duratex and Satipel.

### Board of Directors

The Company's Board of Directors consists of nine effective members, three of them being independent and three substitutes, elected at the Annual General Meeting for mandates of one year, with the possibility of re-election. Subject to the Company's internal resume, which involves the carrying out of annual performance evaluations, the Board meets on a regular basis six times a year, and on an extraordinary basis whenever necessary. In 2009, the Board met six times after the merger between Duratex and Satipel. Prior to the merger, the board of Duratex met 10 times, and the board of Satipel, six.

Among the main responsibilities of this body is the supervision of executive management, including matters related to operational risks, in order to create value for shareholders and maintain the sustainable development of the

various businesses. The Chairman of the Board does not exercise an executive function within the Company.  GRI 4.2

Shareholders can make recommendations to the Board of Directors through the Investor Relations department, which can be contacted by e-mail [governanca.corporativa@duratex.com.br](mailto:governanca.corporativa@duratex.com.br).  GRI 4.4

### Executive Board

The Executive Board consists of 14 statutory executives, chosen by the Board of Directors, to whom falls the task of putting into practice the actions that are necessary or convenient in the running of the business, in the context of the decisions made by the Board of Directors, as well as the proposing of investment plans and programs for the Company's expansion and modernisation. The directors meet regularly every week, and on an extraordinary basis whenever necessary.

Reporting directly to the president of the Executive Board, is the Executive Manager of Auditing, whose specific task is the enforcement of compliance with regard to internal policies and standards.

### Support Committees

Duratex's Board of Directors performs its role with the support of four permanent committees. Made up of members from the Board itself and executives from the Company, their mission is to ensure the quality of the information received that is relevant to the management of the businesses and the development of long-term strategy. The management committees created during the year were:

**Governance, Personnel and Nomination Committee**, whose tasks involve issues of remuneration, recruitment, career and succession, as well as the governance and valuation model for the Board of Directors and the Presidency. It is composed of: Alfredo Egydio Arruda Villela Filho, Andrea Seibel C. Ferreira, Helio Seibel, Pedro Pullen Parente, Ricardo Egydio Setubal and Rodolfo Villela Marino.

**Negotiation Committee**, whose task is to ensure the compliance to Securities Dealing Policies and the publishing of Material Events and Facts, in addition to monitoring the trading of securities and their issue in the markets. This committee is composed of: Antonio Massinelli, Flavio Marassi Donatelli, Henri Penchas, Raul P. de Oliveira Neto, Ricardo Egydio Setúbal and Salo Davi Seibel.

**Risk Management Committee**, which analyses the Company's debt policy, risk control and internal controls. It is composed of: Alcides Lopes Tápias, Helio Seibel, Ricardo Egydio Setubal, Rodolfo Villela Marino and Rogério Ziviani.

**Sustainability Committee**, to which falls the task of defining and proposing the new sustainability Mission and Goal for the Company, as well as analysing, evaluating and proposing management tools with a focus on sustainability to be used in the Company's operations. It is composed of: Andrea Seibel C. Ferreira, Olavo Egydio Setubal Júnior, Rodolfo Villela Marino and Rogério Ziviani.

### External Auditing


The Company's relationship with its external auditors is governed by the principle of independence and the rules established by the CVM, Brazil's Securities Commission, among these being the prohibiting of these professional staff from auditing their own work, exercising any management role at the Company, and promoting its interests. External auditing is carried out by PricewaterhouseCoopers. In 2009 the Company received diagnostic services from this firm, advice on adapting to international IFRS accounting standards, as well as other auditing services related to the merger with Satipel, the value of these combined services exceeding 5% of the value of the annual auditing contract.



FOR THE SECOND CONSECUTIVE YEAR, DURATEX SHARES WERE INCLUDED IN THE

ISE – CORPORATE SUSTAINABILITY INDEX – OF BM&FBOVESPA. THIS INDEX INCLUDES ABOUT 40 STOCKS OF COMPANIES THAT EXCEL IN IMPLEMENTING THE INTERNATIONAL SUSTAINABILITY CONCEPT OF THE TRIPLE BOTTOM LINE, WHICH EVALUATE, IN AN INTEGRATED MANNER, SOCIAL, ENVIRONMENTAL AND ECONOMIC-FINANCIAL, IN WHICH WERE INCORPORATED PRACTICES RELATED TO CORPORATE GOVERNANCE, BUSINESS CHARACTERISTICS AND NATURE OF THE PRODUCT.

### Conduct

The Company's operations are also guided by a Code of Ethics and Conduct, available on the internet and intranet and widely publicised among the Company's employees and interested parties. This document establishes standards and principles designed to provide behavioural guidelines in the Company's relationship with its different public audiences, under the following headings: ethics, legality, respect for human being, repudiation of any form of discrimination, stimulation of personal and professional development, as well as social, environmental and cultural responsibility. Management of this code is the task of the Auditing and Risk Committee. Two communication channels are maintained for the reporting of deviation from acceptable behaviour, which can be anonymous: e-mail [disk.conduta@duratex.com.br](mailto:disk.conduta@duratex.com.br) and telephone (+55 11) 3543-3543, for Executive Management of Strategic Resources. In 2009, these channels together received eight contacts, all of which were responded to. Five of these were with regard to the clarification of conduct in special situations, one a request to change the name of a computer system user, owing to the fact that the code used had a double meaning, another being a request from a client to participate in purchase tenders, and the remaining one being a request on how to proceed in the the case of unused holidays which could no longer be taken.  GRI 4.8

### Governance Differentials

In addition to its shares being listed on the highest government segment of the BM&FBovespa, the Novo Mercado, the Company also adopts other differentiated practices, and in a spontaneous manner. An example of such practices is the fact that 30% of its Board of Directors are independent, compared to the 20% minimum required by the Novo Mercado. In addition to this, the Company's dividend policy requires that a minimum of 30% of adjusted earnings in a given year be distributed, compared to the legal minimum of 25%. Finally, as a result of the merger, the controlling group of shareholders, committed to the creation of long-term value, have established a 5-year lock-up period, during which time they may not sell their shares.

## Members of the Board of Directors

**Salo Davi Seibel** – President of the Board elected on April 30, 2009. He is a metallurgical industrial engineer graduated from the Engineering Faculty of the Federal Fluminense University (Rio de Janeiro) in 1967, with a Masters in Production Engineering from the Federal University of Rio de Janeiro, in 1968, and a Doctorate in Business Administration and Applied Economy, from the University of Paris, in 1973. He has also been a professor at the engineering faculties at the Federal and State Universities of Rio de Janeiro, of the Institute for Post-Graduation and Administrative Research – Coppead, part of the Federal University of Rio de Janeiro, and the Mauá School of Engineering. He currently occupies the following posts simultaneously: Chairman of the Board of Directors of Duratex S.A.; Director-General of Companhia Ligna de Investimentos; Chairman of the Board of Directors of Leroy Merlin – Companhia Brasileira de Bricolagem; member of the Institute of Studies for Industrial Development (IEDI); and Vice President of the governing board of the Brazilian Association for Planted Forests (Abraf).

**Alfredo Egydio Arruda Villela** – Vice-president of the Board of Directors, elected on August 31, 2009. Formerly Vice-president of the Board (2008/2009) and Board Member (1996/2008) of the Duratex companies. He graduated in mechanical engineering at the Mauá School of Engineering, of the Mauá Technology Institute (1992), with a post-graduate in business administration at the Getulio Vargas Foundation (FGV). He is involved with the following companies: Itaúsa – Investimentos Itaú S.A. (member of the Board of Directors since August 1995, director president and director-general since September 2008); Itaú Unibanco Holding S.A. (Vice-president of the Board of Directors since March 2003; Itautec S.A. (President of the Board of Directors since April 2009); and Elekeiroz S.A. (President of the Board of Directors since April 2009).

**Ricardo Egydio Setúbal** – Vice president of the Board of Directors, elected on August 31, 2009. He is also a manager at the company Itautec S.A. He has a law degree from the University of São Paulo (USP), graduating in 1988 and a degree in business administration from the Getúlio Vargas Foundation, graduating in 1984, and a specialist degree (PMD 69) from Harvard University, graduating in 1995.

**Alcides Lopes Tápias** – Member of the Board of Directors, elected on April 28, 2009. He graduated in business administration at the University of Mackenzie, in 1980, and in law, from the FMU United Metropolitan Faculties, in 1973. Currently he performs the following simultaneous roles: member of the Board of Directors, member of the Committee Trading, Disclosure and Auditing, at Banco Itaú Unibanco Holding S.A.; partner of Aggrego Consultores; member of the consulting board, member of the Board of Directors and a member of the committees for Auditing, Finance and Actuarial Matters, Human Resources and Information Technology, at Medial Saúde; member of the consultative board of Spread Informática Ltda.; member of the Board of Directors of Tubos e Conexões Tigre; president of the ruling Council of São Paulo Modern Art Museum (MAM); member of the Board of Directors of LPS Brasil – Consultoria de Imóveis S.A.; member of the Board of Directors of Rodobens Negócios Imobiliários S.A.; member of the Board of Directors of Santos Brasil S.A.; member of the Board of Directors of Santos Brasil Participações S.A., and member of the consultative board of Cimentos Liz S.A.

**Helio Seibel** – Full-time board member – graduated in business administration from the Getúlio Vargas foundation, and director president of Leo Madeiras, Máquinas & Ferragens Ltda.; Superintendent director of Companhia Ligna de Investimentos; member of the Board of Directors of Leroy Merlin Companhia Brasileira de Bricolagem; director of Espaço Negócios Imobiliários Ltda.; member of the Retail Development Institute (IDV); and president of the Leo Madeiras Institute.

**Paulo Setúbal Neto** – Member of the Board of Directors, elected on August 31, 2009. And Vice-president of the São Paulo State Industry and the Brazilian Association of Listed Companies (Abrasca). He is also a board member for the World Childhood Foundation, the Institute of Engineering, and the Museum of Modern Art (MAM). He graduated in industrial engineering at the Industrial Engineering Faculty (FEI), in 1971, obtaining a Masters in finance from the Getúlio Vargas Foundation in 1974.

**Pedro Pullen Parente** – Member of the Board of Directors, elected on August 31, 2009. He is an engineer, graduated from UnB beginning his professional career in public service in 1971, at Banco do Brasil, transferring in 1973 to Brazilian Central Bank. Currently he is the Executive Vice-President (COO) of Grupo RBS and a member of the Board of Directors of ALL – América Latina Logística. He is a member of the Brazilian Institute for Ethical Competition – ETCO and a fellow at the George Washington University – Centre for Latin American Studies, in Washington (USA).

**Rodolfo Villela Marino** – Member of the Board of Directors, elected on August 31, 2009. He has been on the board of Elekeiroz and Itaotec since April 2008. He has been a substitute member of the board of Itaúsa since April 2009 and a member of the investment policy committee of Itaúsa since August 2008. He is also president of the Board of Auditors of São Paulo Companhia de Dança, a board member of the Itaú Cultural Institute and a member of the Family Business Network (FBN) and of the Brazilian Corporate Governance Institute (IBGC).

**Rogério Ziviani** – Member of the Board of Directors, elected on August 31, 2009. He is a business manager, graduating from the University of Mackenzie in 1980, with an MBA from the University of So. New Hampshire (1982) with a specialist degree in international administration from the University of So. New Hampshire (EUA), 1983.

**Andréa Seibel C. Ferreira** – Substitute board member – lawyer, graduated from PUC-SP, with an MBA from the Dom Cabral Foundation.

**Ricardo Villela Marino** – Substitute board member – mechanical engineer, graduated from the Polytechnic School from the University of São Paulo with a Masters in Business Administration from the University of Company Management MIT Sloan, Cambridge (USA), performing an executive role at Grupo Itaúsa (Itaú Unibanco Holding S.A. and Itaú Unibanco S.A.). Also president of Felaban, the Latin American Banking Association.

**Olavo Eydio Setubal Junior** – Substitute board member – Business manager, graduated from the Armando Álvares Penteado Foundation (FAAP), is an executive at the companies Elekeiroz S.A. and Itaotec S.A.

#### **Members of the Executive Board**

**Henri Penchas** – President since 2009. Former executive director of Itaúsa – Investimentos Itaú S.A. from December 1984 to April 2008, director vice president since April 2009 and investor relations director from 1995 to April 2008, from 2009, member of the committees for investment policy and accounting policy. He has been member of the Board of Directors of Itaú Unibanco Holding S.A. since March 2003, and exercised the role of senior vice president until May 2008. He is a mechanical engineer, graduated from the University of Mackenzie, with a post-graduate in finance from the Getúlio Vargas Foundation.

**Alexandre Coelho Neto do Nascimento** – Executive Director of Comercial Madeira – a graduate in Accounting Science from the Machado Sobrinho Faculty, and has been part of the Company's management since 1993. He is also on the executive board of Abipa, the Brazilian Wood Panel Industry Association.



**Antonio Joaquim de Oliveira** – Executive Director for Forestry – a graduate in forestry engineering from the University of Viçosa, with a Masters in economy and forestry planning from the same institution, with specialization in strategic business management from the Getúlio Vargas Foundation, he has been part of the Company's management since 1988.

**Antonio Massinelli** – Executive Director for Legal Matters – a graduate in law from PUC–SP, with specialization in civil lawsuits from the CEU – Centro de Extensão Universitária, and part of the Company's management since 1987. He is also an executive director of Abrapp, the Brazilian Association of Closed Pension Funds.

**Enrique Judas Manubens** – Executive Director of Comercial Deca – a graduate in industrial engineering from FEI, the Industrial Engineering Faculty, and a member of the Company's management since 1984.

**Flavio Marassi Donatelli** – Executive Director, elected on August 31, 2009, he combines this with the role of Investor Relations Director. He is a graduate and postgraduate in accounting science from the Economic and Administration Faculty of the University of São Paulo (USP).

**Lúcia Helena Videira** – Executive Director for human resources – a graduate in mechanical engineering from the Centro Federal de Educação Tecnológica Celso Suckow da Fonseca (RJ), with a postgraduate in human resources from PUC–RJ and an MBA in company management from the Dom Cabral Foundation, joining the company in March 2009.

**Mário Colombelli Filho** – Executive Director of the Wood Division – a graduate in agricultural engineering from the Luiz de Queiroz Higher School of Agriculture (Esalq/USP), being part of the Company's management since 1984.

**Raul P. de Oliveira Neto** – Executive Director of the Deca division – a graduate in law from Mackenzie University, and part of the Company's management since 1985. He is also part of the management of Itaotec S.A. and Elekeiroz S.A.

**Roberto Szachnowicz** – Executive Director of Supply Chain – a graduate in production engineering from USP, with a Masters in Company Administration from FEA-USP and a MBA from Insead – France. He joined the Company in 2001.

**Flávio Dias Soares** – Director of marketing and development at Deca – a graduate in business administration from the Armando Álvares Penteado foundation (FAAP), part of the Company's management since 1985.


**Francisco de Assis Guimarães** – Director of Wood Technology – a graduate in industrial chemistry from ITE – Bauru and business administration, from the Toledo Teaching Institute (ITE), of Botucatu, and part of the Company's management since 1999.

**Marco Antonio Milleo** – Industrial Director at Deca – a graduate in mechanical engineering from the faculty of industrial engineering (FEI), with a post-graduate in administration and marketing, from the Getúlio Vargas Foundation, and part of the Company's management since 1984.

**Renato Aguiar Coelho** – Technical-Industrial Director at the Wood Division – a graduate in mechanical production engineering from the Industrial Engineering Faculty (FEI), with a postgraduate in industrial administration from USP – Vanzolini Foundation and in strategic personnel management, from the Getúlio Vargas Foundation. He has been part of the Company's management since 1986.





As part of its risk management process, Duratex maintains a series of tools capable of identifying, standardising, evaluating and providing guidelines for contingency plans, or the elimination of factors that could adversely affect the Company's results. Analysis of potential risks, in all the Company's operations, is carried out by representatives of the various internal areas of the Company and follow the Principle of Precaution, established at the United Nations Conference for the Environment and Development. This document affirms that in the absence of formal scientific certainty, the organisation should adopt preventative measures capable of avoiding serious or irreversible damage to human health or the environment. To this end, the Company takes the ethical approach of adopting the best environmental and corporate governance practices.  GRI 4.1 I

### Market Risks

The results of the Company are directly related to the development of the building and furniture sectors, which in the domestic market

Management Tools help in assessment and parameterization of risks and in preparation of contingency plans

operate in a highly competitive environment. To protect this dependency and minimise the actions of its competitors, Duratex bases its business on the quality of its products and the constant updating of its production lines, through the introduction of new panel patterns, and new collections of metal and vitreous chinaware bathroom fittings, with differentials in terms of design and operating characteristics. These guarantees the Company's excellent position in its operational segments, as well as the respect and admiration of clients and consumers.

### Operational risks

In order to mitigate the risk of unscheduled stoppages in its production plants, which can result in major losses in productivity, the Company carried out intensive preventive maintenance work on its machinery and equipment, as well as taking out insurance policies. The verification process is supported by management software and the concept of Total Productive Management (TPM) and 5S, which involve advanced management practices, and includes the carrying out of inspections, tests and evaluations of any operational aspect, with a view to ensuring that the level of efficiency and quality control is compatible with a level of acceptable risk. The merger between Duratex and Satipel also resulted in the rationalisation of the Group's operations and considerable gains in scale, as well as investment in verticalisation in the Company's processes, an example of this being the high self-sufficiency status in terms of wood supply.

### Pricing risk

The Company operates in competitive markets, and is therefore subject to the relationship between supply and demand in the setting of its prices. To set itself apart from its competitors, the Company seeks to give priority to those segments that carry a higher added value, with the launching of products and differentiated standards to keep it at the forefront of its segment. The Company also carries out training for sales clerks, carpenters and plumbers – professional staff to maintain direct

contact with the end consumer of the Company's products, and who are important opinion formers, as well as providing services such as technical assistance to the consumer.

### Financial risks

Duratex adopts a conservative and rigorous policy in the management of its cash and financial investments. Its low leverage, together with its high cash generation potential, form a strong component in the reduction of risk associated with interest rates.

### Credit risks


To reduce credit risks in its receivable accounts, the Company has adopted a strategy of spreading its sales thinly, with more than 28,000 active clients. The percentage participation by the 20 largest clients at the Wood and Deca Divisions of total sales in their respective areas in 2009, was 29% and 26%, respectively. In addition to this, the Company maintains a Credit Committee which sets credit limits for clients and defines measures to help prevent risks associated with sales.

### Input risks

In order to ensure the necessary supply of raw materials essential for its production processes, Duratex has a diversified supply base. In the Wood Division, for example, wood supply is assured by the Company's land holdings where it develops a sustainable reforestry program.

### Environmental risks

In its industrial production and forestry processes, the Company follows the principles of eco-efficiency, increasingly reducing the use of raw materials and the impacts resulting from its operations. All environmental aspects involved in the Company's processes and at the installations at its industrial plants are identified, recorded and managed. In the area of metal bathroom fittings, investment is made in filters and gas scrubbers with a view to reducing emissions into the atmosphere.

The same applies to the manufacture of vitreous chinaware, where the furnaces powered by fuel oil had been replaced with others fuelled by natural gas. Control of environmental impacts in the forestry division is carried out by raising awareness, education, training, investment in infrastructure and equipment, maintenance, emergency planning, documented procedures, routine operations and contractual requirements. ISO 14001 certification and FSC (Forest Stewardship Council) certification both attest to the Company's sustainable management in the timber land area.  GRI EN26



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THE ADOPTION OF A LEGALISTIC APPROACH, THE ESTABLISHING OF A RISK COMMITTEE, FORMAL PROCEDURES IN CONDUCTING THE BUSINESS AND THE HIRING OF SEVERAL INSURANCE POLICIES ALLOWS TO REDUCE THE EXPOSURE OF THE COMPANY TO THE RISKS THAT IT IS EXPOSED.

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### Technological risks

In order to minimise the risk of obsolescence in its operational equipment, Duratex is implementing an intense investment program, which in the last three years has consumed approximately R\$1.7 billion in funds. The adoption of modern technology provides gains in terms of efficiency and safety in its operations, and reduces environmental impacts, as well as cutting production costs.

### Legal risks

The Company adopts a conservative policy in booking contingency provisions to cover ongoing lawsuits and legal demands. Decisions on this subject are taken based on regular assessment of these demands by the Legal Department.





# Transparency

Specific actions of engagement and suitable communication channels are directed to the different relationship publics

Engagement initiatives aim to promote a frank and clear dialogue with the Company's various public audiences: shareholders/investors, communities surrounding the Company's plants and units, clients, employees, suppliers, government and society. In addition to this, a series of specific communication channels are maintained for use by interested parties.

Piatan environment preservation area






**Interested party****Communication channel****Main actions**


Interested party	Communication channel	Main actions
<b>Shareholders/ investors</b> No.: 10,083	Quarterly conference calls on economic-financial results; roadshows in Brazil and abroad; individual and group meetings and factory visits for analysts; public meetings with market analysts in Brazil, and in the United States; Annual Report; communications channel on the Investor Relations site, with a contact for personal communication ( <i>fale conosco</i> – speak to us); e-mail alerts for the publishing of events of interest; relationship channel on environmental themes ( <a href="mailto:disk.meio-ambiente@duratex.com.br">disk.meio-ambiente@duratex.com.br</a> ).	Publishing, on the site, information on economic-financial, social, environmental and cultural subjects; quarterly reports containing discussion on economic-financial results and social and environmental performance; Code of Ethics and Conduct; Corporate Governance Committee; Options Committee; Disclosure and Trading Committee; Securities Trading Policy; policy for the disclosure of Material Events or Facts; And Corporate Governance Policy.
<b>Clients</b> No.: 28,455	Free telephone service for clients: 0800 011 7073 (Deca), 0800 055 7474 (wood panels) and 0800 770 3872 (Durafloor); websites: <a href="http://www.duratex.com.br">www.duratex.com.br</a> (corporate), <a href="http://www.deca.com.br">www.deca.com.br</a> (Deca) and <a href="http://www.duratex-madeira.com.br">www.duratex-madeira.com.br</a> (Wood); <i>Revista Duratex</i> and bulletin <i>Duratex Informa</i> ; <i>Annual Report</i> ; relationship channel on environmental themes ( <a href="mailto:disk.meio-ambiente@duratex.com.br">disk.meio-ambiente@duratex.com.br</a> ).	Training programs <i>Ciclo Saber é Vender</i> (to know is to sell); client services and technical assistance; advertising of products according to ethical standards; development of environmental friendly products; Risks and Ethics Committee; Credit Committee, and Code of Ethics and Conduct.
<b>Employees</b> No.: 8,681 direct employees 1,428 indirect employees	Confidential channels for denouncements of discrimination in the workplace ( <a href="mailto:disk.conduta@duratex.com.br">disk.conduta@duratex.com.br</a> and telephone (11) 3543-3543); relationship channel on environmental themes ( <a href="mailto:disk.meio-ambiente@duratex.com.br">disk.meio-ambiente@duratex.com.br</a> ); RH Escuta (HR listens); internal communication boards; intranet; <i>Revista Duratex</i> and bulletin <i>Duratex Informa</i> ; website; <i>Annual Report</i> .	Education and training programs; events on commemorative dates such as Secretary's Day, Mother's Day and the end of year celebrations; Code of Ethics and Conduct; Risks and Ethics Committee.
<b>Suppliers</b> No.: 5,364	<i>Revista Duratex</i> and bulletin <i>Duratex Informa</i> ; website; Annual Report; relationship channel on environmental themes ( <a href="mailto:disk.meio-ambiente@duratex.com.br">disk.meio-ambiente@duratex.com.br</a> ).	Policies for The Supply of Goods and Services; <i>Programa Na Mão Certa</i> (in the right hands program); Code of Ethics and Conduct.
<b>Community</b>	Community meetings; <i>Annual Report</i> ; website; relationship channel on environmental themes ( <a href="mailto:disk.meio-ambiente@duratex.com.br">disk.meio-ambiente@duratex.com.br</a> ).	Promotion of environmental education in the Piatan Environmental Preservation Area (Avap), in Agudos (SP); Tide Setúbal Joinery School; Environmental Committee, social and cultural sustainability; Olavo Egydio Setúbal Nature Reserve, in Lençóis Paulista (SP); and the sponsorship of cultural and social events.
<b>Government and society</b>	Annual Report; website; relationship channel on environmental themes ( <a href="mailto:disk.meio-ambiente@duratex.com.br">disk.meio-ambiente@duratex.com.br</a> ).	Code of Ethics and Conduct; Policy for the Receiving and Treating of Denouncements; Environmental Policy; Adhesion to the United Nations Global Pact; adhesion to the Brazilian Green Building Council as a founding member; participation and contribution to associations, entities and sustainability initiatives, such as the Ethos Institute for Companies and Social Responsibility Na Mão Certa program; ISO 14001 and FSC certification, attesting to the fact that the Company's forestry activity is carried out in a sustainable manner, socially just and environmentally correct.





For Duratex, the success of its businesses is directly related to the competence and professionalism of its employees. This being the case, the Company always seeks to adopt initiatives and policies which bring real benefits to this public audience, as well as encouraging personal and professional development.

All employees are hired under a collective employment regime (CLT) and are covered by collective labour agreements and contracts. The Company follows the directives of the International Labour Organisation, in terms of freedom to join a union – a theme also expressed in its Code of Ethics and Conduct. Exchange of information is based on transparency and is much valued in all areas of the business. This year, no operations were identified that put this right at risk. The total number of employees belonging to a union as at December 31 were 1067, which represents 12.3% of the Company's total workforce.  GRI LA4 and HR5


Although there is no union's collective agreement on this subject, notification about operational changes and those related to work, are communicated in a timely fashion so that the Company's employees and associated unions can take the necessary steps. In 2009, all the Company's collective labour agreements and contracts were renewed, covering 100% of the workforce. No cases of strikes or shutdowns were registered that jeopardise the Company's earnings, although there was a one-week strike at Deca by employees seeking higher salaries.  GRI LA5 and LA9

Due to the merger between Duratex and Satipel, intense work was carried out to integrate the professional staff of both companies. The process had the aim of facilitating the process of culture adjustment and organizational transformation, aiming to keep a team that is satisfied and proud to work at the new company. In order to make the process more transparent and facilitate communication at all levels, specific communication channels were created: initially, the Integration Bulletin, followed by the bulletin *Somos a Nova Duratex* (We are the New Duratex) and the virtual inquiries service ([integracaoduidas@novaduratex.com.br](mailto:integracaoduidas@novaduratex.com.br)). Through these channels, all employees were able to accompany the interaction process and clarify any queries.

To maintain the interest and cooperation of everyone in creating value, the Company has developed initiatives which aimed to maintain harmony in the workplace, in keeping with a high standard of ethics and safety, and free of any type of prejudice. The Company has a Code of Ethics and Conduct which is distributed to all new employees on joining the Company. On the Company intranet there is a link available "Code of Ethics and Conduct" which makes this document available in PDF format. There is also a direct line of communication with the Human Resources department [disk.conduta@duratex.com.br](mailto:disk.conduta@duratex.com.br) through which employees can send any complaints or announcements about abusive practices.

Integration  
As a result of the association between Duratex and Satipel, was carried out a hard and success work aimed at facilitating the culture adjustment

There is also regular communication on diverse subjects related to ethics and conduct, by the Company notice boards, intranet and e-mails to employees.

With the aim of promoting social and economic development in the regions in which it operates, Duratex gives preference to the hiring of local professional staff. As at the end of December 2009, 61.8% of the Company's employees resided in the towns and cities where the Company's units are located. To these differentials, can also be added the Company's differentiated employment benefit package, and its employee remuneration policy, which is in line with the market.  ECT

Also in the year, based on the results of the Research on Organisational Climate carried out in 2008 the Company adopted a series of measures in various areas. At the Wood Division, meetings were instituted every two months for the sales teams to discuss performance indicators, monitor the progress of the Company's results and a line expectations and plans accordingly. In the area of technical assistance, monthly meetings were set up with the various leaders to discuss results, individual performance and targets. In the marketing area monthly meetings were also held to present sales results, as well as new campaigns and products. At Deca, a new information pamphlet was created, *Infoventas*, which has the aim of establishing a communication channel for the entire sales team, and the launching of incentive campaigns for sales teams – one of these awarding the best initiatives taken by store promoters.

## PROFILE

At the end of 2009, Duratex had 8,681 employees in Brazil and 151 abroad. It also has 1,428 outsourced employees and 113 student trainees. Compared to 2008 the Company's workforce has increased by 10%.  GRI LA1

All are covered by a Code of Ethics and Conduct which sets a standard for the behaviour expected by the Company. Any denouncements involving this respect for this document can be sent via the communications channel *Disk Conduta*, by telephone, letter or e-mail, maintaining

the confidential nature of information and the anonymous status of the author. During the year, this channel received 8 denouncements, all evaluated and duly dealt with.

Women's participation in the Company has been continuously growing in various roles and posts. As at the end of December 2009, there were 826 women within the Company, corresponding to 9.5% of the total workforce. Of the total employees, the staff were distributed as follows: 43.6% up to 30 of age and 42.1% between the ages of 31 and 45. The number of staff over the age of 45 represented 14.3% of the total. Taking the total workforce, 79.8% white, 5.2% black, 14.6% mulatto and 0.3% yellow. The majority, approximately 53.0%, have completed high school. A further 9.7% have concluded higher education, with 2.1% being postgraduates.

During the period, 1,581 professional staff were taken on, while 1,841 left the Company, with not one of these retiring. Thus, staff turnover amounted to 19.4%.

Also during the year, the Company continued with its programs for the inclusion of handicapped staff, offering opportunities for training and development. At the end of the period the Company was employing 268 persons of this type, 8.1% more than 2008. One of the highlights in this area is the Company's program with the Association of Parents and Friends of Persons with Exceptional Needs (Apae) and the team of the sapling nursery at Lençóis Paulista, which includes mentally disabled among those who are involved in the production of saplings. They are given three months of experience, with the possibility of being hired at the end of this period. In 2009 this initiative involved 13 people. This project included the carry out of a training program for workers in the nursery, through a partnership between the Company, Apae – Lençóis, ADEFILP (Associação dos Deficientes Físicos de Lençóis Paulista) and the Municipal Authority of Lençóis Paulista.

The Company also invests in potential young talent through the hiring and training of student trainees. During the year, 236 candidates participated in this scheme, 55 of which were employed, representing 23.3%

**Education by gender (\*)**  GRI LA13

	Male	Female	Total
Incomplete Elementary School	1,217	31	1,248
Completed Elementary School	1,125	32	1,157
Incomplete High School	575	22	597
Completed High School	3,812	284	4,096
Incomplete University Degree	369	140	509
Completed University Degree	580	263	843
Incomplete Post-Graduation	21	12	33
Completed Post-Graduation	147	39	186
Incomplete Masters	1	1	2
Complete Masters	7	1	8
Incomplete PHD	0	0	0
Complete PHD	1	1	2
<b>Total</b>	<b>7,855</b>	<b>826</b>	<b>8,681</b>

**Job Position (\*)**

	Male	Female	Total
Managers	529	54	583
Analysts	526	253	779
Production staff	6,800	519	7,319
<b>Total</b>	<b>7,855</b>	<b>826</b>	<b>8,681</b>

(\*) Brazil related data.

**Diversity Indicators Duratex**

	2007	2008	2009
No. of women	601	701	826
No. of black and dark-skinned women	53	74	96
No. of women in management positions	2	3	4
No. of women directors	0	0	1
No. of black and dark-skinned employees	1,211	1,622	1,721
No. of black and dark-skinned directors	0	0	0
No. of employees with disability or special needs	247	248	268
Employees over 45 years	993	1,295	1,242

	Male	Female	Total
Yellow	20	9	29
White	6,209	721	6,930
Indigenous	1	0	1
Black	426	29	455
Mulatto	1,199	67	1,266
<b>Total</b>	<b>7,855</b>	<b>826</b>	<b>8,681</b>

## Staff turnover rates GRI LA2

	2008	2009
<b>Gender</b>		
Men	20.9%	19.6%
Women	18.1%	17.6%
<b>Age group</b>		
Up to 20 years	71.8%	71.5%
Between 21 and 25	35.0%	28.7%
Between 26 and 30	23.0%	20.1%
Between 31 and 35	13.4%	15.3%
Between 36 and 40	11.2%	11.1%
Between 41 and 45	6.9%	9.4%
Between 46 and 50	5.9%	9.8%
Between 51 and 55	4.8%	9.9%
56 and older	7.5%	11.1%

<b>Profile by Age Group</b>	<b>Staff</b>	<b>%</b>
Up to 30 years old	3,784	43.6%
Between 31 and 45	3,655	42.1%
Over 45	1,242	14.3%
<b>Total</b>	<b>8,681</b>	<b>100.0%</b>

### Remuneration and benefits


Duratex's salary policy aims at ensuring that remuneration for its staff is compatible with the market in the segments in which it operates, and takes into account the complexity of attributes and responsibilities, and the results and performance expected from each professional staff member. One of the practices to ensure the correct direction in this respect is the carrying out of periodic research in selected markets. Thus, the Company hopes to maintain the motivation of its various teams and challenge them to exceed their limits and cope with changes.

In addition to a fixed salary, the Company also offers its staff an employee profit-sharing plan. The value paid individually is defined based on the established indicators and targets, which are taken together with the global result of the

Company, together with the challenges and specific projects of each area.

In 2009, funds earmarked for the payment of salaries amounted to R\$264.9 million, in addition to R\$146.7 million in obligatory social charges. A further R\$26.7 million in variable remuneration was distributed. The lowest annual salary paid by the Company was R\$6,237.83, 4.1% higher than the national minimum salary for the year.  GRI EC5

Striving to retain and recognise its talent, Duratex also maintains an internal opportunities program which gives priority to existing employees to fill spaces that become available, thus helping their career to evolve. During the year, 1,574 employees had access to growth opportunities through promotion policies based on merit, which represents 18.1% of the total workforce.

The Company benefit package exceeds the legal requirements and includes personal loans and special loans, funeral assistance, pension scheme, group life and personal accident insurance, extensive medical assistance to dependents, food supplements, basic foodstuff basket, delivered to some regions, the sale of products under special prices and conditions, and toys for the children of employees of up to 12 years of age. The Company also has a bank arrangement for the crediting of salaries, without the charging of administrative fees, and a private pension plan which operates on two bases: Defined Benefit and Defined Contribution. The first aim is to complement retirement pensions based on length of contribution, special needs, by age group, invalidity, lifelong monthly income, a premium for retirement and a cash payment in the event of death. Not available for new participants, this pension scheme had 85 subscribers and 539 participants receiving benefits at the end of 2009. Over the same period, the Defined Contribution Plan, available to all members of staff, had 4,618 participants and 118 receiving benefit. The Company contributes between 50% and 100% of the employee contribution to the scheme.  GRI LA3 and EC3

25.6%  
 Was the reduction recorded in 2009 in the number of work accidents with days off

## Training and Education

Duratex continually invests in the training of its staff, through programs aimed both at technical improvement, as well as the development of behavioural and leadership skills. In 2009 R\$1.14 million was spent on initiatives of this nature, including subsidies for graduate and postgraduate, as well as language courses. The number of participations amounted to 48,278 in a total of 207,962 hours of training, representing 24.0 hours of training per employee.

Duratex's training involves all levels of the Company and includes the industrial units, corporate areas, as well as forestry.

## Recognition

In order to encourage the exchanging of ideas and the participation of employees in the processes focused on the sustainability of the business – both related to the working environment, such as improvements, as well as reducing costs – Duratex has the Kaizen Program for Suggestions for Improvement. The originators of the best suggestions adopted by the Company are recognised and receive monetary compensation.

The unit at Botucatu is a good example of the excellence of the Kaizen project. In two years, the number of projects registered with the unit number more than 4,000, 3,100 of which had been approved, and 2,300 which have already been adopted.

The total number of suggestions made under this program in 2009, by participants in the various areas of the Company, amounted to 21,506, with the rate of approval being 93.8%.

The Company also has developed a series of activities during the year aimed to promote better integration between employees in the various sectors and recognition of talent. In its



11<sup>th</sup> edition, the Golden Rhino program, aimed at recognising the performance of the sales teams in the Deca and Wood division, awarded prizes to those employees whose performance during the year has been outstanding.

The Between Factories Program has the aim of strengthening the ties between employees and the Company, as well as offering a broader view of the business, in the sense that through the program it is possible to more closely monitor the product manufacturing processes. Those interested may choose a particular unit which they would like


to get to know and visits are arranged for groups with a maximum of 46 people.

At the 30<sup>th</sup> anniversary commemorations at Louças Jundiá and the 20<sup>th</sup> anniversary celebrations at Metais Planidil, both in Jundiá, various activities were encouraged to improve the integration between the two units, among them being a visit by retired employees and their families, a lunch for general fraternising, an internal football championship and a walk in the City Park, with approximately 360 people participating.

<b>Investment in training</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Amount invested (R\$)	1,115,531.00	1,524,193.58	1,140,913.50
Hours of training per employee/year	3.4	29.1	24.0
No. trained	61,621	65,568	48,278
No. of educational scholarships awarded to employees	52	88	163
Amount invested in educational scholarships (R\$)	119,147.10	196,043.45	345,448.83
Percentage of investment in education and training in relation to total revenue	0.05%	0.06%	0.08%
Percentage of investment in education and training in relation to total operating expenses	0.40%	0.50%	0.37%
Percentage of investment in education and training in relation to spending on personnel (payroll)	0.66%	0.78%	0.43%

<b>Kaizen in numbers</b>	<b>Suggestions received in 2009</b>	<b>Suggestions implemented</b>	<b>Implementation rate</b>
Wood	3,964	2,878	72.6%
Forestry Area	53	34	64.2%
Deca	17,335	17,255	99.5%
Administrative Office	154	3	1.9%
<b>Total</b>	<b>21,506</b>	<b>20,170</b>	<b>93.8%</b>

## Health, Safety and Quality of Life

In order to ensure a working environment that is increasingly safe and accident-free, as well as the well-being of its employees, Duratex maintains a series of initiatives, among them being daily five-minute stoppages – this time being used for the dissemination of tips which range from how to operate machinery in safety, to concepts of occupational gymnastics to improve posture and avoid Repetitive Injury Strain.  GRI LA8

All the units have first-aid centres duly equipped to deal with emergencies and carry out routine examinations. Professional specialists accompany the processes in the clinics, making the necessary referrals in the event of encountering diseases, as well as implementing preventative measures. Frequently employees participate in vaccination campaigns against flu and yellow fever, among others.

Preoccupation with safety in the workplace is also expressed on other fronts. The Company holds Internal Accident Prevention Weeks (Sipats) and maintains Internal Accident Prevention Committees (Cipas).

In addition to this, the Company also transports its employees in the forestry division to the rural areas in safety, using buses equipped with suitable bathrooms, and canopies, tables and benches, that serve as a refectory. The vehicles undergo constant maintenance and their motorists receive orientation in terms of safe driving.

These initiatives, allied to investment in training, principally for operators at the Company's plants, has helped to reduce the incidence of accidents in the workplace. In 2009, there were 224 accidents registered, 124 of which involved time off work.

## Health and Safety GRI LA7

	2007	2008	2009
Accidents involving time of work	107	157	124
Accidents with no time off work	39	73	100
<b>Days lost through time off work</b>	<b>1,386</b>	<b>1,410</b>	<b>1,286</b>
Days lost transported	3,282	4,552	3,538
Days computed and debited	6,000	12,403	6300
Total days	10,668	18,365	11,124
<b>Absenteeism – doctors' subscriptions</b>	<b>0.78%</b>	<b>0.79%</b>	<b>1.48%</b>
Absenteeism – accidents	0.09%	0.08%	0.17%
Work-related deaths	1	0	1
Accident frequency rate (lost days/MWH)	5.9	3.4	5.37
Accident severity rate (MLA/MWH)	795.4	774.3	648.82

MWH: Man working hours.

MLA: Medical leave accidents.

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Health and safety by region	Accidents involving time off work	Accidents without time off work	Days lost	Absenteeism	AFR	ASR
South	21	19	459	0.87	6.74	220.97
Southeast	99	41	4,222	2.58	5.27	749.45
Northeast	4	40	143	1.71	3.89	139.09
<b>Brazil</b>	<b>124</b>	<b>100</b>	<b>4,824</b>	<b>1.65</b>	<b>5.37</b>	<b>648.82</b>

AFR: Accident frequency rate.

ASR: Accident seriousness rate.

In *Revista Duratex* (magazine) guidelines are also published on nutrition and tips for physical activities in order to promote a healthier life for the Company's employees. The practice of sports is encouraged through the sponsoring of employees who, during their free time, dedicate themselves to athletics. In 2009 the Company provided support for the football championship organised by Sesi in São Leopoldo (RS), bearing the cost of subscription for 18 participants in the unit at Louças Sul.

### Voluntary work

Duratex encourages and appreciates voluntary work among its employees because it understands that it contributes to the building of civic values and more solid morals. *Revista Duratex* reserves space for information on initiatives in which its employees are involved, thus encouraging other people to join them.

In 2009, one of the results of this initiative was the Christmas Campaign carried out by employees at the units of Agudos,

Botucatu, Itapetininga, Taquari and Uberaba, which collected approximately 1377 toys and distributed them to needy children looked after by regional institutions.

In addition to this, these employees take part in programs and help out at entities located in their area of operations, among them being Fighting Hunger, the distribution of prepared lunches for street dwellers in the city of São Paulo; the combating of chemical dependence, which includes weekly meetings at Rio Claro (SP) to convince those who are dependent on chemicals to abandon their addiction; help for the physically disabled, who are cared for by the Association for Assistance to Disabled Children (AACD) and the Association for the Hard of Hearing (Adefave); and Winter of Solidarity, under which employees at the units of Botucatu, Agudos and Itapetininga organised campaigns for the collection of warm clothing and distribute these to the Fund for Social Solidarity in their municipalities.

Labour exercise at seedlings nursery area



## Commitment to External Initiatives

 GRI 4.12

The Duratex's performance is conducted based on the ten principles of the Global Compact initiative that encourages business sector to adopt practices of socio-environmental responsibility













The alignment of practices in its various units to principles and standards widely adhered to around the world is one of the results of Duratex's commitment to socio-environmental progress. The Company is a signatory to the Global Compact, a United Nations initiative, which aims to encourage the corporate sector to adopt corporate social responsibility practices to work towards an economy that is more inclusive and sustainable. Thus, the Company bases its activities on the 10 principles of the pact.

2008  
It was the year in which Duratex made the commitment to the ten principles of the Global Compact

PAF – Program Athlete of the Future




	Principles of the Global Compact	Practices adopted by Duratex
<b>Human rights</b>	 <p><b>1) TO RESPECT</b> and support human rights which are recognized internationally in its area of influence</p>	1) Businesses should support and respect the protection of internationally proclaimed human rights. Code of Ethics and Conduct and Apae Forestry Project.
	 <p><b>2) TO ENSURE</b> the Company is not involved in any violation of human rights</p>	2) Make sure that they are not complicit in human rights abuses. Na Mão Certa (in the right hands) Program; Code of Ethics; Mission, Vision and Values.
	 <p><b>3) TO SUPPORT</b> freedom of association and recognize the right collective bargaining</p>	3) Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining. Code of Ethics and Conduct.
<b>Labour rights</b>	 <p><b>4) TO ELIMINATE</b> all forms of forced or compulsory labor</p>	4) The elimination of all forms of forced and compulsory labour. Code of Ethics and Conduct; Policy for the Supply of Goods and Services, and Monitoring of suppliers.
	 <p><b>5) TO ERADICATE</b> all forms of child labor in its productive chain</p>	5) The effective abolition of child labour. Code of Ethics and Conduct; Policy for the Supply of Goods and Services, and monitoring of suppliers.
	 <p><b>6) TO STIMULATE</b> practices which eliminate any kind of discrimination at work</p>	6) The elimination of discrimination in respect of employment and occupation. Code of Ethics and Conduct; confidential communication channels for the denouncement of irregularities; HR Listens, and Committee for Risks and Ethics.
	 <p><b>7) TO ASSUME</b> a preventive, responsible and proactive approach to environmental</p>	7) Businesses are asked to support a precautionary approach to environmental challenges. ISO 14,001 and FSC certification; Recurring investment in the treatment of effluents; Eucalyptus Genoma project; Flow Tower project; Creation of Committee for Environmental, Social and Cultural Sustainability; adherence to the Green Building Council as a founder member, and ratification of the Permanent Nature Protection Reserve (RPPN), part of the Olavo Egydio Setúbal Forestry Reserve.
<b>Environmental protection</b>	 <p><b>8) TO DEVELOP</b> initiatives and practices to promote and spread social and environmental responsibility</p>	8) Undertake initiatives to promote greater environmental responsibility. Piatan Environmental Preservation Area; Environmental Policies; Committee for Environmental Social and Cultural Sustainability; certification of product quality and origin.
	 <p><b>9) TO ENCOURAGE</b> the development and distribution of environmentally responsible technologies</p>	9) Encourage the development and diffusion of environmentally friendly technologies. Eucalyptus Genoma project (partnership between public and private entities); practice of carry out reforestation (wood panel industry); and adherence to the Green Building Council.
	 <p><b>10) TO COMBAT</b> corruption in all forms, including extortion and bribery</p>	10) Businesses should work against corruption in all its forms, including extortion and bribery. Code of Ethics and Conduct; Policy for the Combating of Illicit Acts; Policy for Receiving and Dealing with Denouncements; communication channel for anonymous denouncements, and Committee for Risks and Ethics.

Professionalization of youth and environmental education concentrate the initiatives of investment that help on building a society more just and egalitarian






## COMMUNITY

To perform its role in the building of a more just and equal society, Duratex runs and supports programs specially focused on the professional training of young people and environmental education, which involve the communities with which it relates. The most important of these is the Formare Program, whose objective is to develop the potential of youngsters from the low-income communities in the immediate vicinity of the Company's units.  GRI SO1

In the last six years, the Company has also invoked the Rouanet Law, for the stimulation of culture, and Law No. 8.069/90, which has instituted a fund for Infants and Adolescents (FIA), in order to direct part of its taxes to cultural initiatives and securing the rights of Brazilian children and adolescents.

In this area, in 2009 Duratex invested R\$2.4 million in external social activities, benefiting the communities in various regions of the Country, particularly those close to its units, through social inclusion programs that are coordinated and aligned with the Company's objectives.  GRI EC8

### Social projects maintained by Duratex

Project	Objective	Unit/coverage
<b>A união faz a vida (Environmental awareness)</b>	Educational co-operative, focused at teachers and students in primary schools in the municipality of Taquari, which has the aim of disseminating environmental preservation practices.	Taquari Plant (RS) – 1,767 pupils in the municipal education system.
<b>Health and violent behaviour</b>	Runs first aid activities to cater to victims of violence and their families, children and adolescents with violent behaviour problems, sexual abuse and also providing legal advice.	Taquari Plant (RS) – 300 children undergoing basic education on a semi-board basis, as well as their families.
<b>APAE (Association of Parents and Friends of Those with Exceptional Needs)</b>	To contribute financially to the education and rehabilitation of the handicapped and their inclusion in society.	Taquari Plant (RS) – 96 special needs children.
<b>Taquaryense Cultural Project</b>	To Rescue and preserve the history of <i>O Taquaryense</i> , the second oldest newspaper in Rio Grande do Sul, starting with the refurbishment of its physical installations.	Taquari Plant (RS) – The entire community
<b>Casa Maria Eunice Association</b>	In partnership with Sesi, this association stimulates and promotes initiatives which are targeted at the well-being of women who find themselves in a vulnerable social situation, encouraging the generation of income.	Taquari Plant (RS) – The entire feminine community
<b>GAP program – police support group</b>	Through financial contributions, this aims to provide better conditions for the police to serve the population.	Taquari Plant (RS) – Local community
<b>Natal Açoriano em Terra Gaúcha</b>	To contribute to Natal Açoriano (a traditional festival of the town).	Taquari Plant (RS) – Local community

<b>Formare School Program</b>	Carried out in partnership with the Lochpe Foundation of São Paulo and the Federal University for Technology of Paraná (UFTP), it contributes to the professional training of young people in a situation of social risk, placing at their disposal the professional education course of Agente de Serviços Administrativos e Comerciais. The students receive food, a uniform, a student grant of half the minimum salary, transport and health insurance. The course last 10 months and the certificate issued by the UFTP is recognised by the Minister of Education	Plants at Uberaba (MG) and Taquari (RS) – 15 adolescents from needy communities. In 2009, 29 adolescents from needy communities were trained, involving 72 volunteer educators. Since 2003, the program have already trained 210 adolescents, involving 747 volunteer educators.
<b>Blood donor campaign</b>	Running since 2000, this program has the support of the Company which provides meals to professional staff at the blood donor centre. Between 20 and 25 employees participate in this initiative.	Taquari Plant (RS) – average of 15 meals per campaign, which are carried out every three months.
<b>Community library project</b>	In partnership with the EcoFuturo Institute, the National Foundation for Infant-Children's Books and the Municipal Authority, the Company has installed community libraries known as <i>Ler é Preciso</i> (need to read), in the municipalities of Taquari (RS) and Estrela do Sul (MG). The Company has donated a microcomputer to each library, together with a printer and a collection of 1000 books.	Taquari Plant (RS) – communities and schools of Taquari and Estrela do Sul (MG).
<b>Travelling Theatrical Arts Roadshow</b>	Travelling culture and education group which puts on plays, shows films, and organizes music, dance and educational activities, with four workshops aimed at local teachers – two of the themes linked to the environment/sustainability and two focused on culture.	Taquari plant (RS) – 3,700 people in the municipalities of Taquari (MG) and Estrela do Sul (MG).
<b>Honey from the forest</b>	Carried out at Duratex's farms in Minas Gerais, in partnership with local beekeepers, the project aims to produce honey in areas planted with eucalyptus, with the objective of providing an alternative source of income for the region. Part of the production is donated to neighbouring municipal institutions.	Estrela do Sul (MG) – This project employs about 20 people directly involved in the collection and process of the honey. In 2009, it was made approximately 800 kg of honey that was given to social charities from Estrela do Sul, Romaria, Indianópolis, Iraí de Minas e Monte Carmelo cities.
<b>Tide Setúbal municipal School of joinery</b>	In partnership with the municipal authority, and Senai in the locality, this program offers opportunities to young people in the low-income population to participate in professional joinery courses.	Since 2000, 320 young people have passed through the course.
<b>Piatan Environmental Preservation Area (Avap)</b>	Space dedicated to the development of activities related to environmental education. Located in Agudos (SP), it serves public audiences in various regions and from abroad.	Agudos Plant (SP) – In 2009, the area received approximately 5,902 visitors.
<b>Quest for the future</b>	Practised at the Deca units since 2004, the program offers students from the public school and technical college network guidelines on how to enter the job market.	Deca (SP) – In 2009, the plant had 51 participants. Since 2004, 222 students were trained.
<b>Domestic cooking and arts and crafts courses</b>	Offered to the families of employees at the Agudos, in partnership with Sesi in the localities, and the program offers alternative ways of generating income. The classes are run by a nutritionist.	Agudos plant (SP) – student groups every three months. In 2009, 70 people took these courses.

## SUPPLIERS

Due to the growth, diversification and complexity in the management of its suppliers, logistics systems and operational planning for the Wood and Deca divisions in their 12 plants, in 2009 the Company added the Supply Chain Directorship to its organisational structure. This department is responsible for negotiating, purchasing and transporting raw materials, maintenance parts and equipment and services, as well as the management of contracts, imports and logistics for the entire Company.

Duratex's relationship with its suppliers is characterised by a policy of respect, confidence and a long-term view. In order to make this process more transparent, the Company has developed a Supply Policy, under which criteria are established for the authorisation and qualification of suppliers and service providers. In addition to meet detailed


technical specifications, they must also meet criteria that cover quality, punctual delivery, credit conditions, respect for applicable legislation, conformity to tax inspection, and particularly, good sustainability practices (for example, in terms of the prohibition of child and forced labour, and the adoption of environmental protection measures).


 GRI HR6 Parcial and HR7 Parcial

Duratex also concerns itself about the development of its suppliers. For this reason, it plans its launches in a systematic manner, in total synergy with them. Thus, the partnerships formed can manage stock in a more efficient manner, reducing losses and guaranteeing better results. This initiative has also contributed to the success of new products in the market, seeing that they depend to a large extent on the satisfactory supply of raw materials.

Durafloor training center, Agudos – SP




The Company ended 2009 with 24,000 companies registered on its Supplier Management System, all of them previously evaluated and well-prepared to participate in the Company's buying processes. A cleanup of the supplier register is carried out every three months, and commercial activity is only allowed once the relevant government bodies had been consulted about the particular Company's tax situation. The items agreed on are inspected with each delivery, in accordance with the predefined criteria. All the contracts include clauses referring to human rights, and none of them have been ever rescinded for failure to comply to supply standards.  GRI HR2

In 2009 Duratex purchased goods and services with a total value of R\$1.6 billion for use or investment. Of this amount, approximately 70% went to the Wood division, and 30% to the Deca division. The most significant expenditure categories were: resin forward, decorative paper, freight, electric power, gas and fuel oil, non-ferrous metals, ceramic minerals, various chemicals and packaging. Of these materials, approximately 18% were purchased from foreign suppliers. The Company's 20 largest suppliers represented 22% of total expenditure. In the Wood Division, the 20 largest represented 22% of the total, while in the Deca division, this figure was 31%.  GRI EC6


## CLIENTS AND CONSUMERS

The efforts that Duratex makes to protect the health and safety of its clients and consumers is reflected in the quality of its products and in the differentials which ensure the success of its brands. Among these are flexible client service channels, an extensive technical support network, continuous investment in the training of installation professionals and marketing programs, and relationships based on solid concepts based on respect and ethical behaviour.

The Company's products are widely accepted in every market, there being no restrictions whatsoever on their sale. Relevant information on the products is disclosed in a transparent manner on their labels, packaging and through the services offered. In 2009 no cases were identified of non-compliance to voluntary codes related to customer and consumer health and safety in relation the labelling of the Company's products and services, or complaints relating to violation of privacy or loss of client data.  GRI PR3, PR4 and PR8

Concurrently with this, Duratex carried out initiatives which aim to establish long-term partnerships, with significant results for all those involved. An example of this are the training programs which the Company provides for the customers and opinion formers at the Wood and Deca divisions, such as sales clerks, owners of authorised dealers, joiners, plumbers and floor layers, engineers, architects and decorators, which in 2009 involved 12,431 professionals, requiring investment of approximately R\$0.9 million.

The Company also implemented a series of initiatives to strengthen its relationships still further with its customers, such as technical seminars; the commemorating of Joiners' Day; and the 11<sup>th</sup> edition of the Plumbers Party. During sporting and leisure events, the Company ran training programs, and promoted factory visits.

The way in which the Company relates to its customers and consumers is also covered by the principles established in its Code of Ethics and Conduct, which includes the commitment to telling the truth in information disclosed and the prohibition of the use of children in its marketing and publicity. During the year, no denouncements or complaints were received in respect of the violation of self-regulating advertising, promotion or sponsorship codes, nor any complaints of client privacy violation.  GRI PR6 and PR7

## Client services


In 2009, the Company's Technical and Durafloor Support Service registered 46,849 phone calls, 29,451 received and 17,398 made, as well as 5,323 contacts via e-mail, 4,672 letters received and 2,479 Proprietary Card Registrations (CRP). Questions on registration, training, resale data, information on technical matters and guarantees, among others, corresponded to 51.3% of the contacts made. Queries represented 23.5% and complaints, 13.5%.

Deca's call centre received 98,594 phone calls, 41% requesting the location of authorised technical support outlets, 22% requesting information on products, 17% related to the sales area and 20% related to other matters. Less than 1% of the cause received were complaints.

The Company also adopts initiatives to evaluate and maintain the level of satisfaction of its clients, such as annual research which aims to identify requirements for action, preventative or corrective plans. The entire process is recorded and used for the monitoring and evaluation of the initiatives developed. Research carried out during the year by Deca's consumer services department, through the use of paid-reply letters sent out as part of technical support provided, registered a level of satisfaction of 96.8%, which demonstrates the

high degree of confidence that consumers have in the Division's products and services.

In a similar research campaign carried out by the Wood Division, the general level of satisfaction with the Technical and Durafloor Support Service was considered very good by 64% of the clients that used its services. Another 30% considered it to be good, and just 6% considered the service to be bad.

In order to acquaint itself better with the opinion of consumers about the quality of service offered, the customer service department also carries out auditing, based on taking samples of the requests made for technical assistance.  GRI PR5

## GOVERNMENT AND SOCIETY

Duratex seeks to act in a responsible and transparent manner to legitimise its actions among its interested public audiences, and expand its participation in the protection of human rights. These initiatives are continually monitored to ensure that the Company does not play any part in any relationships or businesses which involve corruption, child labour, slavery, forced labour, or other forms of disrespect and deviation from acceptable conduct. One of these initiatives involves the rigorous examination of the tax and labour documentation of its service providers.

<b>Customer Service – Deca</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Total calls answered by the Customer Call Center	97,726	92,845	100,555	98,594
% of complaints in relation to the total calls answered	0.27%	0.24%	0.11%	0.06%
% of complaints not answered by the CCS	0.04%	0.05%	0.09%	0.01%
Average call waiting time until service was provided	34s	115s	63s	49s


<b>Customer Service – Durafloor</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Total calls answered by the Customer Call Center	28,013	25,986	28,418	29,451
% of complaints in relation to the total calls answered	7.20%	8.00%	10.10%	11.74%
% of complaints not answered by the CCS	0%	0%	0%	0%
Average call waiting time until service was provided	5s	5s	7s	6s

# 96.8%

## Was the consumers satisfaction level at Deca's Technical Assistance Services, that demonstrates reliability on products and services

As signatory of the Global Pact and the Na Mão Certa program, the Company also participates in entities and organisations which act in the defence of the interests of its sector and in the promotion of socio-environmental development in Brazil. It is a founding member of the Brazilian Green Building Council (GBC Brasil), which helps to develop a sustainable construction industry, and is associated with: the Ethos Institute for Socially Responsible Companies, Abrasca (Brazilian Association of Listed Companies), Abrapp (Brazilian Association of Closed Pension Funds), Abimóvel (Brazilian Furniture Association) Abipa (Brazilian Wood Panel Association), Abiplar (Brazilian Association for the High Resistance

Wood Flooring Industry), Abipla (Brazilian Paper and Pulp Association), Fiesp/Ciesp (Federation and Centre for Industry for the State of São Paulo), Ibri (Brazilian Institute for Investor Relations), Ipef (Institute for Forestry Research and Studies), Iedi (Institute for Studies on Industrial Development); Scientific Certification Systems and the SIF (Society for Forestry Investigations), among others. Through these organisations, the Company contributes to the drawing up and application of public policies.  GRI 4.13

The Company also maintains a formal policy that establishes criteria for its donations, including those to political parties. This policy determines that donations to political parties or candidates must be approved by top management, and comply with a rigid process of control and registration. In 2009, no contributions to political parties, politicians, or related institutions were made.  GRI SO5

The Code of Ethics and Conduct also contains clear directives which governs the Company's relationship with the Public Authority. They seek principally to prevent illicit practices, establishing among other things, that no payments in cash, presents, services or benefits of value may be offered to any authority or any government employees, state companies or public bodies, with the object of bribing, favouring or influencing acts or decisions; and that any form of pressure or request by public agents must be refuted and immediately reported to the Executive Board.

The Company also rigorously complies with its tax obligations. In 2009, a total of R\$504.9 million was paid by the Company in Federal, State and municipal taxes, equivalent to 41.4% of the *pro forma* value added for the year.

<b>Contributions to the Government</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Total in taxes, charges and contributions (R\$ million)	415.0	467.4	447.2	504.9

Efficient management of natural resources, continuous improvement of processes and environmental impacts minimization policy characterize the commitment to preservation





Duratex's actions to preserve the environment involve various fronts. At its business units, the Company applies a rigorous policy of minimising the environmental impact of its activities, as well as promoting the efficient management of natural resources. To deal with this subject in a professional manner, the Company runs a Sustainability Management Department as part of its structure, which is responsible for the managing of processes which involve questions related to the environment, and a Committee for Social, Environmental and Cultural Sustainability, whose function is to define operational strategies and monitor the results.

The Company also carries out awareness campaigns in society, on questions related to the appropriate use of natural resources, reforestation, conservation in terms of biodiversity, the disposal and recycling of garbage, among others, while also participating in discussions on the various legal aspects with the regulatory bodies. An example of this practice is its maintenance of the Piatan Environmental Preservation Area (Avap), in Agudos, where concepts are disseminated about the sustainable production of wood based on forestry plantations, through activities such as the showing of films and the presentation of technical measures designed to conserve the soil, water and biodiversity. This locality is frequented by teachers, students, representatives of public bodies, clients and communities. In 2009 some 6000 people visited Avap.

Duratex is also part of projects such as Torre de Fluxo (flow tower), which involves the study of the balance of carbon, water and nutrients in the eucalyptus forestry cycle. This initiative is coordinated by the French Centre for International Co-operation on Agricultural Research for Development (Cirad), the Institute of Forestry Research and Studies (Ipef), part of Esalq/USP and North Carolina State University (NCSU), in the United States.

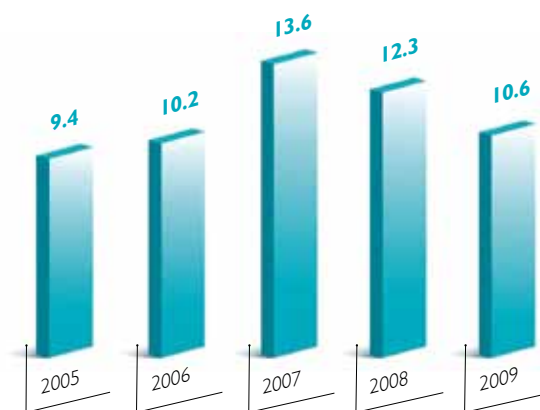
In 2009, the Company's environmental protection initiatives consumed investment of R\$10.6 million. The reduction of 14% compared to the previous year was due to the de-activation of the hardboard manufacturing unit at Jundiá. The funds were spent on the implementation of internal initiatives, such as the treatment of effluents, the collection of residues, and forestry preservation.




DURATEX IS ONE OF THE GREEN BUILDING COUNCIL BRAZIL FOUNDERS, WHOSE MISSION IS TO HELP THE DEVELOPMENT OF A SUSTAINABLE CONSTRUCTION INDUSTRY IN THE COUNTRY BEING THE MAIN BENCHMARK. ITS OPERATION INCLUDES THE TRAINING OF PROFESSIONALS IN VARIOUS LINKS OF THE INDUSTRY, THE COMPILATION AND DISSEMINATION OF BEST PRACTICES INCLUDING TECHNOLOGIES, MATERIALS, PROCESSES AND OPERATING PROCEDURES, AMONG OTHERS.

### Environmental Investment

in R\$ million



## Biodiversity


Since 1973, the Company has had programs in place that identify and monitor the biodiversity of its forests, which cover a total of 209,000 hectares. This work is carried out in partnership with research institutions and involves different species of animal (mammals, birds, reptiles, amphibians, insects, among others), which are studied in order to gain an understanding of their dynamics and relationships with their habitats. The results of these analyses make it possible to apply sustainable management models. One of these centres is the Olavo Egydio Setúbal Nature Reserve, located at the Lençóis Paulista Unit, which in 2008 was ratified by the state government as a Private Natural Heritage Reserve. The area, of 615.5 hectares, is one of the richest in terms of native forestry in the interior of the state of São Paulo state, containing species that have great value in the conservation of biodiversity.  GRI EN11 and EN13

In the managing of its forestry areas, Duratex does not practise deforestation; plantations are only established in areas that have already been previously used by man for agriculture or animal breeding. The forests are also managed using appropriate environmental techniques. To increase their productivity, uses leading-edge technology and carries out constant training of its staff, ensuring that the forests are managed efficiently and there is no damage to the environment. The Company also adopt practices such as:

**Minimum cultivation** – New planting is carried out in the residue of previous forests, with little soil being turned over, which protects the soil with organic content from the own forest.

**Fertilisation of soil** – Duratex implements a program of localised fertilisation, ensuring that the fertiliser is applied directly to the saplings and trees, thus reducing its unnecessary dispersion on the soil. The program also involves the choosing of the formulae and the methods of application of these fertilisers, thus conserving the fertility of the land.

**Management of pests and diseases** – whenever applicable, biological controls are given priority, involving partnerships with research institutes, by the creation and introduction of natural enemies to these pests and diseases. Genetic improvement and nutrition of the forest of fundamental in managing this process, because trees are planted that are resistant to the main diseases, characteristics which are maintained by adequate nutrition of the forest.

**Control of fire** – An advanced system for the prevention and combating of forest fires is used by the Company, which is aimed at protecting the trees cultivated, machinery, installations, and flora and fauna conservation areas. This experience is applied also to protecting neighbouring communities.  GRI EN12 and EN14

## Investment and expenditure on environmental protection in (R\$'000) GRI EN30

	2006	2007	2008	2009	Change
Treatment of effluents	6,204	8,398	7,313	4,637	-37%
Waste collection	1,652	1,647	2,136	2,509	18%
Forestry preservation	1,025	1,280	1,301	1,433	10%
Others	1,366	2,292	1,576	2,007	27%
<b>Total</b>	<b>10,247</b>	<b>13,617</b>	<b>12,327</b>	<b>10,586</b>	<b>-14%</b>


## Materials

In 2009, the Company used 1,822,572 tons of material in its cultivation and production processes, 9.29% more than in the previous year (1,667,635 tons). Of the total, 93.5%, or 1,704,232 tons, referred to the raw materials consumed by the Wood Division in its panel manufacturing processes. The main input in this area, however, is the wood from the Company's forests.

The Deca Division in 2009 consumed 118,340 tons of raw material, 6.50% of the total.

The reuse of material in the production process in the vitreous china and metal bathroom fitting segments is technically efficient, in accordance with the proportions defined by the engineering department. In the metal segment, the percentage of inputs used that derived from recycling is 68.4% for bronze, 38% for brass, 20% for polyethylene, 10% for acrylic, 20% for santoprene, 20% for polypropylene and 10% for acetal.

In the vitreous chinaware segment, use of inputs from the Recovered Material Department amounted to 3,129.04 tons, equivalent to 46% of the total mass used in the industrial units. This year, in addition to using material from the Recovered Material Department, the figures also include the operations of the Louças Ideal unit.


Of particular note in this field is the project for the reuse of broken china maintained at the Louças Sul unit. Based on the principle of the 3Rs (Reduce, Reuse and Recycle), it aims to reuse part of this material in the manufacture of new pieces. In a partnership arrangement with the company Refrasul, this broken china is transformed into pitcher (crushed china) and distributed between the two companies, being 60% for the manufacture of fire resistant bricks and 40% reused in Deca's manufacturing processes. In addition to the financial profit, the process also represents a significant environmental gain, seeing that broken china, which has the characteristics of glass, takes approximately one million years to decompose.  GRI EN2

## Energy

The Duratex energetic matrix comprises the usage of renewable sources, like biomass. At the end of 2009, approximately 51% of the energy used by the Company was generated from this source, which reflects the efforts made to adopt clean technology. The remaining energy used was in the form of electricity, from the local concessionaire (24%), the use of natural gas (9%) and fuel oil (15%).


During the year, the Company's operations consumed 6,963,322 Gjoules of energy, 6.6% less than in 2008, as a result of the de-activation of the operations at Jundiaí. The Wood Division accounted for 86.4% of total consumption, and the Deca division, 13.6%. Figures from the operations in Minas Gerais and Rio Grande do Sul are not included in this analysis.

51%  
It was the proportion of energy generated from biomass, which reflects commitment with the use of renewable resources and clean technologies

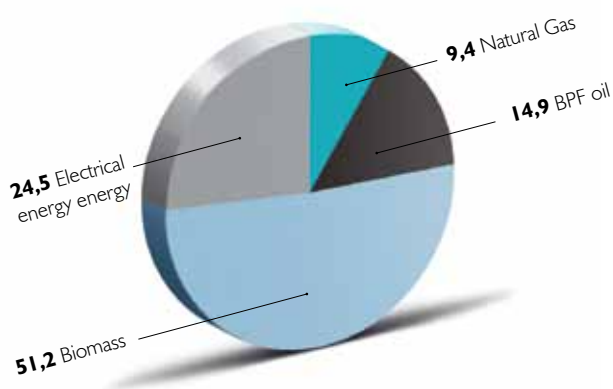
<b>Materials used</b> (tons/year)  GRI EN1	<b>2007</b>	<b>2008</b>	<b>2009</b>
NPK fertilizer, Borax, dolomite lime, etc.	31,254	40,549	37,000
<b>Raw materials</b>			
Wood processed	1,208,874	1,413,015	1,525,228
Clay, kaolin, feldspat, quartz, plaster of paris and others	72,630	86,917	106,677
Reinforcing bars	3,445	3,508	3,786
Brass pipe	318	322	347
Brass disc and tape	283	397	439
Zamac	111	102	62
Cst brass	1,788	1,750	1,688
Bronze	4,146	4,344	4,192
Plastic	933	1,050	1,149
<b>Associated materials</b>			
Lubricants (production process)	326	372	447
Resin and other materials purchased from third parties (*)	106,594	105,798	133,272
Aluminium sulphate	2,407	2,283	1,696
Paper purchased from third parties	2,715	7,228	6,589
<b>Total</b>	<b>1,435,824</b>	<b>1,667,635</b>	<b>1,822,572</b>

\* resin, formol, ureia, melamine, paraffin, humocer, ammonium sulphate, paints and varnishes, among others.

### Energy Matrix

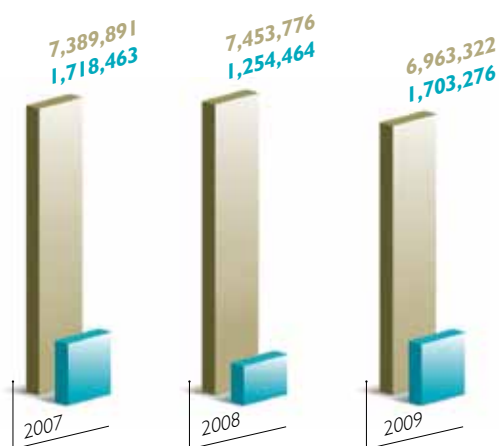
<b>Origin of the Resource (Giga Joule)</b>  GRI EN3	<b>2007</b>	<b>2008</b>	<b>2009</b>
Natural Gas	1,202,460	1,149,605	655,622
BPF Oil	564,715	810,993	1,041,117
Biomass	3,334,905	3,767,732	3,563,307
Electricity	1,704,642	1,725,445	1,703,276
<b>Total</b>	<b>6,806,722</b>	<b>7,453,775</b>	<b>6,963,322</b>

**Energy Matrix** in %  
2009



### Energy consumption

■ Total energy consumed (Gjoule)  
■ Direct energy consumption



**Water**

In 2009, water consumption was 14% less than in the previous year, also as a result of the shutdown of the hardboard plant at Jundiá. The amount used was 4,198,687 m<sup>3</sup>, being 92% by the Wood Division and 8% by the Deca Division. Of this total, 5.3% came from public water supply systems, 24% from artesian and semi-artesian wells, 70.1% captured from water courses and 0.2% from captured rainfall. The units belonging to Satipel are not included in these figures. GRI EN8 and EN9

In order to preserve hydrographic basins, Duratex complies with all the requirements of the environmental bodies. In the capturing of water from artesian world and water courses, the Company also adopts the principles of sustainability. In addition to this, it has developed programs for the recycling and reuse of water. Of the total consumed in 2009, 2,339,254 m<sup>3</sup> (55.7%) went through these processes. This volume is not comparable with 2008 and previous years because the concept applied now takes into account the water used in the Company's cooling towers, as part of a closed circuit, which is now included in the calculation. GRI EN10

In addition to measure developed internally to improve its performance in the use of natural resources, Duratex also concerns itself with this theme in the products that it manufactures. In its portfolio are taps, flushing valves, lavatory bowls, among others, which have built in technology created to save water.

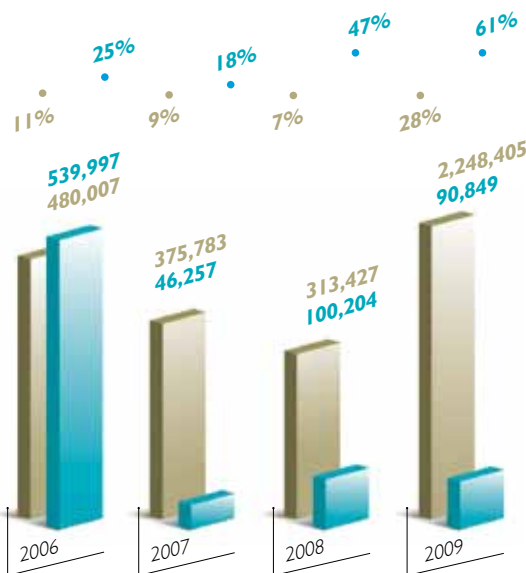
The Deca and Hydra also offer, free of charge, economic feasibility studies for adopting the rational use of water. Those interested may obtain these from the website [www.valulahydra.com.br](http://www.valulahydra.com.br).

**Effluents and residues**

Duratex carries out the monitoring and treatment of its effluents in compliance with the applicable legislation, always paying close attention to the condition of the water bodies that receive its discharges. The main parameters of the effluents are monitored on a regular basis and serve to assist in the application of initiatives which aimed to mitigate the impact of the effluents released. The outline that follows does not include the units resulting from the merger with Satipel, which will be included during 2010.

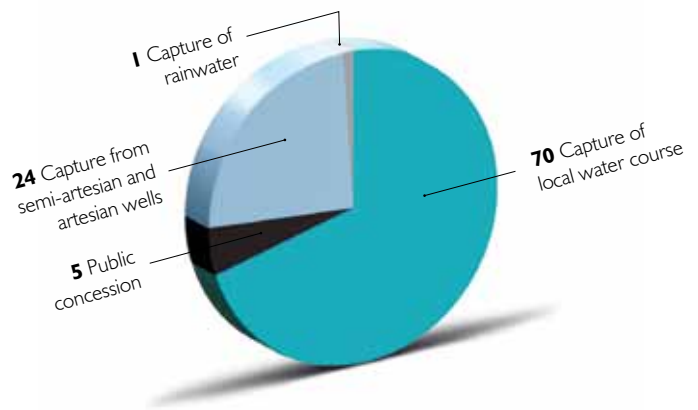
**Reuse and recycling per division**

■ Wood Division Volume m<sup>3</sup> and % of the consumption  
 ■ Deca Division Volume m<sup>3</sup> and % of the consumption




**Water source matrix in %**

Origin of the Resource GRI EN8




Since 2004, the Company has invested in its Effluent Treatment Stations, which are run by the Material Recuperation Areas. Thus, the effluents that were previously treated and returned to the public system are now reused in the Company's production processes, and for the maintenance of its units.

In 2009, the total amount of effluents generated was 2,689,061 m<sup>3</sup>, a volume that was 21% less than in 2008. Of this total, 70% was discharged into irrigation fields for the production of grass used as biomass in the generation of thermal energy. The portion returned to the public network and discharged in watercourses represented 14% and 16%, respectively, after treatment in their respective effluent treatment stations, to achieve the necessary water quality established by the environmental legislation. During the year, no significant spillages were recorded of any type.  GRI EN21 and EN23

The Company also seeks to use ecologically correct alternatives for the destination of the solid residues deriving from its activities. An advanced System of Environmental Management enables each activity to be monitored, as well as controlling the treatment of effluents and actions taken to reduce atmospheric emissions.

Some residues are reused in the Company's own processes, resulting in operational gains from the reduction in the consumption of raw material. Other materials can be used by third parties, which also results in non-operational gains. Examples of materials that are 100% reused are the metallic residues of the Deca Division, which are melted down and returned to the production line, and wood residues, used as biomass for the generation of heat in the Wood Division. Nickel hydroxide is sold to the chemical industry, and galvanic sludge is used by the fertiliser industry.

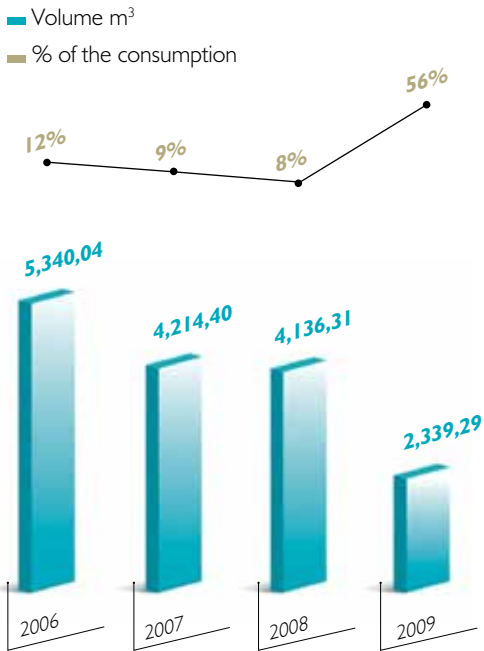
During the year, the Company registered 155,710 tons of solid residue. Dangerous residues accounted for 1.3% of the total generated, which were dispatched in accordance with the appropriate technical precautions, to companies that are duly authorised to handle toxic waste, or returned to suppliers for correct treatment. The non-dangerous element (98.7%) is either reused, sent to industrial landfills, or sent for recycling.  GRI EN22

<b>Generation of effluent</b> m <sup>3</sup>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Deca Division	255,443	337,093	369,392
Wood Division	3,362,638	3,052,989	2,319,669
<b>Total</b>	<b>3,618,081</b>	<b>3,390,082</b>	<b>2,689,061</b>

#### **Generation of solid waste** (tons)

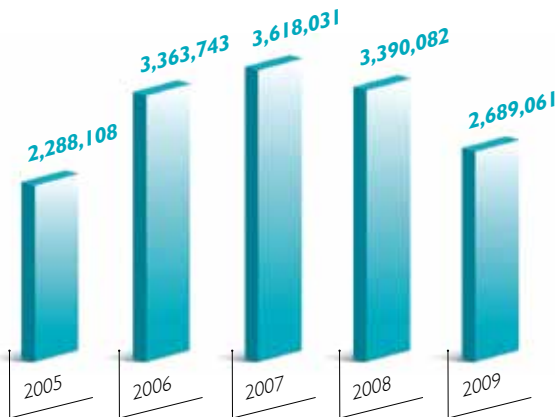
<b>Classification</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Class I Waste	1,616	1,655	2,007
Class II A Waste	119,649	116,218	137,012
Class II B Waste	18,854	19,191	16,691
<b>Total solid waste</b>	<b>140,119</b>	<b>137,064</b>	<b>155,710</b>

### Reuse and recycling of total water



### Total water discharge

m³/year



### Atmospheric Emissions

Since 2007 Duratex has been part of the Chicago Climate Exchange (CCX) – which operates in the voluntary carbon credit market. Duratex’s reason for joining was to enable it to implement its carbon credit project developed based on forest planted on the sustainable management, certified by the Forest Stewardship Council (FSC) which demonstrated, after external auditing, that the amount of carbon in the atmosphere captured by the planted forests exceeded the emissions by the Company.

Total emissions assessed under the inventory in 2009 amounted to 168,787 tons of CO<sub>2</sub> equivalents, with 92.27% of this total (155,742 tons) being direct emissions, in other words, Scope 1, according to the GHG Protocol. The emissions referring to the electricity purchased, Scope 2, totalled 12,035 tons of CO<sub>2</sub> equivalent, 7.13% of the total emissions. Indirect emissions, Scope 3 represented 0.6% of emissions, being 1,010 tons of CO<sub>2</sub> equivalent.

The increase in the amount of emissions in the last two years under Scope 1, compared to the base-year 2000 is related to the increased level of production, and therefore is not due to the adoption of less efficient processes in the control of greenhouse gases.

GRI EN16, EN17 and EN18

The work in assessing the emissions was carried out by the external consultancy firm ICF International which after participating with the teams in the compilation of data for the inventory, validated the information shown.

In 2009 an inventory was made of the emissions in 2007, in other words, a correction was made to the emissions under Scope 3, part of which came to be more appropriately reported as direct emissions, in other words, under Scope 1.



As part of this same process, this inventory also began to include emissions from the vitreous chinaware units Ideal and Monte Carlo, acquired in 2008. With regard to the emissions from Satipel, the company with which we emerged in 2009, part of the emissions from the forestry units in Minas Gerais and Rio Grande do Sul were considered, while the emissions from industrial activity were disregarded.

The target for the next inventory, once the process of integrating the units incorporated following the merger with Satipel is completed, is to include the emissions from the new units.

**Interested Parties**

Duratex maintains a permanent and direct communication channel with its Sustainable Management Department (disk.meio-ambiente@duratex.com.br) which facilitates the interaction with internal and external public audiences in dealing with socio-economic and environmental questions and aspects. With a focus on continuous improvement, the interested parties can use this communication means to make suggestions and give their opinions, as well as having their queries on these subjects answered.

In 2009, 409 contacts were received, 8% more than in the previous year, particularly from external public audiences. Of the total contact received, most of those referred to the presentation of technical projects and partnerships.

Control  
 The emissions inventory control enables a project to market carbon credits from the planted forests base which management is certified by the Forest Stewardship Council

**Inventory of Atmospheric Emissions** CO<sub>2</sub>  GRI EN16 and EN17

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	24,077	1,339	182,220
2009	155,742	12,035	1,010	168,787

Scope 1: Direct emissions; Scope 2: Electricity; Scope 3: Indirect emissions





**Brazilian environmental benchmarking** – The Wood Division was ranked in first place in one of the most respected sustainability awards in Brazil, and internationally recognised, for companies with outstanding socio-environmental practices.

**Top Mobile Prize** – Conducted by *Alternativa Editorial/Revista Móvil* and coveted in the furniture market as an important marketing instrument, the laurel crown, awarded to those suppliers most remembered by the furniture manufacturers, was granted to the MDP and MDF areas of the Wood Division.



THE CONSTANT INVESTMENT OF RESOURCES IN RESEARCH AND DEVELOPMENT OF NEW TECHNOLOGIES AND NEW PRODUCTS PUTS THE COMPANY AT THE FOREFRONT OF ITS SEGMENTS. THE ETHICAL RELATIONSHIPS WITH CUSTOMERS, SUPPLIERS, SHAREHOLDERS, EMPLOYEES AND GOVERNMENTS IN WHICH IT HAS ITS UNITS INSTALLED, CONTRIBUTES TO STRENGTHEN THE CORPORATE IMAGE BINGING TOGETHER DURATEX AND SOCIETY.

**Export Quality 2009** – Promoted by *Revista da Madeira*, which certifies the largest companies in terms of export volume in the forestry base sector. The laurel crown was presented at a ceremony held in the city of Curitiba (PR).

**PINI prize** – In its 15<sup>th</sup> edition, this competition, which lists the brand's most preferred by the professional public, cited Durafloor as the best choice in the Laminated Flooring category. This is the 10<sup>th</sup> time running that this brand has achieved this honour granted by the magazine *Construção Mercado*.

**Top Anamaco 2009** – The success in the sales of Durafloor Nature products contributed to winning the category *Marketing and Sales* in the prize awarded by the National Association of Construction Materials.

With the launching of its Duratex Moulding Line, the Company won the award for the second year running in the category of Marketing and Sales. The competition, promoted by the National Association of Construction Material Merchants (Anamaco), is dedicated to companies in the sector who have successfully coped with real challenges in their internal business environments or in establishing their position in the market.

**Top Marcas** – Duratex was awarded with the Top Marcas diploma in the Flooring category, in research carried out by readers of the magazine *Projetodesign*, an important resilient publication aimed at professionals in the architecture and construction segments, and the portal Arcoweb.

**International Design Excellence Awards (Idea) International Edition** – in the 2009 edition of these awards – the most important in this segment in the United States, promoted by the Industrial Designers Society of America (IDSA) –, the Twin Filter (represented on page 87) received the bronze medal.

**International Design Excellence Awards (Idea) International Edition** – the Twin Filter won the gold medal in the Brazilian stage of the awards, with the Slide Line, in the Segment, being awarded the bronze medal.

**Museu da Casa Brasileira Design Award** – the Twin filter and Kit Brasil won first place in the 23<sup>rd</sup> edition of this award, noted for its significant social visibility, in the categories in which they were represented; the Slide Line received an Honourable Mention.

**Planeta Casa** – This is an initiative by the magazine *Casa Claudia/Editora Abril* whose focus is on the appreciation and publicity of companies and professionals in the architecture, construction and decoration segments, engaged in the sustainability of the planet. Among the winners in the Construction Materials Category, were: Kit Brasil and Twin Filter.

Quality  
Management  
systems and forest  
management are  
certified by the  
most respected  
international  
standards of quality  
and sustainability

#### Certifications

**ISO 9001** – Attests to the Company's capacity to provide products in accordance with the requirements and manage its processes with a focus on continuous improvement and customer satisfaction.

**ISO 14001** – Is testament to the excellence of the Company's environmental management system adopted at the farms of the Botucatu unit and in the sapling nursery at Lençóis Paulistas.

**Forest Stewardship Council (FSC)** – This certificate, which attests to the adoption of correct environmental, socially just and economically viable practices, covers 78% of the forests of Duratex in the State of São Paulo and 85% of those located in Minas Gerais.

Seedlings nursery area



## 2009 ANNUAL SOCIAL BALANCE (NON AUDITED)

<b>I – Calculation Base</b>	<b>2009 Value (R\$'000)</b>	<b>2008 Value (R\$'000)</b>
Net Revenue (NR)	2,244,864	1,913,604
Operating Result (OP)	443,564	496,238
Gross Payroll (GP)	264,869	191,854

<b>2 – Internal Social Indicators</b>	<b>Value ( ' 000)</b>	<b>% over GP</b>	<b>% over NR</b>	<b>Value ( ' 000)</b>	<b>% over GP</b>	<b>% over NR</b>
Food	15,307	5.8%	0.7%	12,438	6.5%	0.6%
Compulsory Social Charges	146,672	55.4%	6.5%	98,550	51.4%	5.1%
Private Pension	4,565	1.7%	0.2%	4,667	2.4%	0.2%
Health	16,599	6.3%	0.7%	11,642	6.1%	0.6%
Safety and Health at Work	8,849	3.3%	0.4%	7,305	3.8%	0.4%
Education	178	0.1%	0.0%	196	0.1%	0.0%
Culture	-	0.0%	0.0%	-	0.0%	0.0%
Qualification and professional development	795	0.3%	0.0%	1,328	0.7%	0.1%
Creches or assistance with creche	27	0.0%	0.0%	24	0.0%	0.0%
Profit sharing	26,746	10.1%	1.2%	23,231	12.1%	1.2%
Others	9,272	3.5%	0.4%	8,119	4.2%	0.4%
<b>Total – internal Social Indicators</b>	<b>229,012</b>	<b>86.5%</b>	<b>10.2%</b>	<b>167,500</b>	<b>87.3%</b>	<b>8.8%</b>

<b>3 – External Social Indicators</b>	<b>Value ( ' 000)</b>	<b>% over OP</b>	<b>% over NR</b>	<b>Value ( ' 000)</b>	<b>% over OP</b>	<b>% over NR</b>
Education <sup>(1)</sup>	673	0.2%	0.0%	91	0.0%	0.0%
Culture <sup>(2)</sup>	982	0.2%	0.0%	700	0.1%	0.0%
Sport	150	0.0%	0.0%	150	0.0%	0.0%
Others	756	0.2%	0.0%	-	0.0%	0.0%
<b>Total contributions to society</b>	<b>2,561</b>	<b>0.6%</b>	<b>0.1%</b>	<b>941</b>	<b>0.2%</b>	<b>0.0%</b>
Taxes (excluding social charges)	477,582	107.7%	21.3%	592,701	119.4%	31.0%
<b>Total – External Social Indicators</b>	<b>480,143</b>	<b>108.2%</b>	<b>21.4%</b>	<b>593,642</b>	<b>119.6%</b>	<b>31.0%</b>

<b>4 – Environmental Indicators</b>	<b>Value ( ' 000)</b>	<b>% over OP</b>	<b>% over NR</b>	<b>Value ( ' 000)</b>	<b>% over OP</b>	<b>% over NR</b>
Investments related to production/operation	10,586	2.4%	0.5%	12,327	2.5%	0.6%
Investments in external programs and/or projects	0	0.0%	0.0%	140	0.0%	0.0%
<b>Total investments in the environment</b>	<b>10,586</b>	<b>2.4%</b>	<b>0.5%</b>	<b>12,467</b>	<b>2.5%</b>	<b>0.7%</b>

In terms of establishing “annual targets” to minimize waste, the general level of consumption in production/operation and increase the efficiency in the use of natural resources, the Company:

( ) no targets  
 ( ) complied between 0% and 50%  
 ( ) complied between 51% and 75%  
 ( ) complied between 76% and 100%

( ) no targets  
 ( ) complied between 0% and 50%  
 ( ) complied between 51% and 75%  
 (X) complied between 76% and 100%

<b>5 – Work Force Indicators</b>	<b>2009</b>	<b>2008</b>
No. of employees at the end of the period	8,681	7,886
No. of admissions during the period	1,581	1,600
No. of outsourced employees	209	149
No. of trainees	113	107
No. of employees over 45	1,242	1,148
No. of woman working at the Company	826	701
% of management positions occupied by woman	14.2%	14.2%
No. of black people working at the Company	455	422
% of management positions occupied by black people	2.7%	0.9%
No. of disabled or special needs employees	268	248

<b>6 – Relevant information to the financial year of business citizenship</b>	<b>2009</b>	<b>Targets 2010</b>
Relationship between the highest and lowest salary paid by the Company	79.28	75.32
Total number of accidents at work	224	214
The social and environmental projects developed by the Company were defined by:	2009 ( ) directors (X) directors and managers ( ) all employees Targets 2010 ( ) directors (X) directors and managers ( ) all employees	
The safety standards of the work environment were defined by:	2009 ( ) directors ( ) directors and managers ( ) all employees (X) all + Cipa Targets 2010 ( ) directors ( ) directors and managers ( ) all employees (X) all + Cipa	
In terms of the freedom to join unions, the right to collective negotiation and internal representation for employees, the Company:	2009 ( ) does not get involved (X) follow OIT norms ( ) encourage and follow OIT norms Targets 2010 ( ) does not get involved (X) follow OIT norms ( ) encourage and follow OIT norms	
Private pensions include:	2009 ( ) directors ( ) directors and managers (X) all employees Targets 2010 ( ) directors ( ) directors and managers (X) all employees	
Profit-sharing (or results) include:	2009 ( ) directors ( ) directors and managers (X) all employees Targets 2010 ( ) directors ( ) directors and managers (X) all employees	
In the selection of suppliers, the same ethical standards and social and environmental responsibility adopted by the Company:	2009 ( ) are not considered ( ) are suggested (X) are required Targets 2010 ( ) will not be considered ( ) will not be suggested (X) will be required	
In terms of employee participation in voluntary work programs, the Company:	2009 ( ) does not get involved (X) supports ( ) organizes and encourages Targets 2010 ( ) will not get involves (X) will support ( ) organizes and encourages	
Total numbers of complaints and criticism from consumers:	2009 In the Company 2,420 in Procon 14 in Court 23 Targets 2010 In the Company ___ in Procon ___ in Court ___	
% of complaints and criticism answered or resolved:	2009 In the Company 96% in Procon 86% in Court 30% Targets 2010 In the Company ___ % in Procon ___ % in Court ___ %	
<b>Total added value to distribute (R\$'000)</b>	<b>In 2009: 1,219,694 (pro forma)</b>	<b>In 2008: 1,285,602</b>
Distribution of Value Added (DVA):	41% government 33% employees 6% shareholders 10% third parties 10% retained	35% government 27% employees 9% shareholders 13% third parties 16% retained

## 7 – Other Information

For clarification about any the information provided: Investor Relations Management – Phone: +55 (11) 3179-7259 – e-mail: investidores@duratex.com.br This company does not use child labor, degrading work or slavery in any form, is not involved in prostitution or sexual exploitation of children or adolescents and is not involved in any corruption, Our company values and respects internal and external diversity.

(1) Formare Project, Environmental Education Program in Schools, Buriti Environmental Education Center, Castelo Branco Municipal Education Center.

(2) Estrada Fora Circuit , Ler é Preciso Library, Observation: Mel da Floresta Project is without costs.

There was a change of values that there were improperly addressed,

**ES – Essential indicator**

**AD – Additional indicator**

**Correlation with Global Pact**

	<b>Global Pact Principle</b>	<b>Page/ Comment</b>
<b>STRATEGY AND ANALYSIS</b>		
<b>1.1</b>	Declaration about the importance of sustainability	4 to 7
<b>1.2</b>	Description of the main impacts, risks and opportunities	-
<b>Organisational profile</b>		
<b>2.1</b>	Name of the organisation	Back cover
<b>2.2</b>	Main brands, products and/or services	Back cover
<b>2.3</b>	Operational structure	Back cover
<b>2.4</b>	Location of headquarters	Back cover
<b>2.5</b>	Number of countries in which the organisation operates	Back cover
<b>2.6</b>	Type and legal nature of the property	Back cover
<b>2.7</b>	Markets served (regions, sectors and types of clients/beneficiaries)	Back cover
<b>2.8</b>	Size of the organisation	Back cover
<b>2.9</b>	Principal changes during the period covered by the report in terms of size, structure or shareholder participation	Back cover
<b>2.10</b>	Awards received in the period covered by the report	86 to 88
<b>Report profile</b>		
<b>3.1</b>	Period covered by the report for the information presented	09
<b>3.2</b>	Date of the most recent previous report	09
<b>3.3</b>	Frequency with which reports are published (annually, bi-annually)	09
<b>3.4</b>	Contact details	09
<b>Scope and limit of report</b>		
<b>3.5</b>	Process for the definition of content	09
<b>3.6</b>	Limit of report (countries, divisions, subsidiaries, suppliers)	09
<b>3.7</b>	Declaration on any specific limitations in terms of the scope or limit of the report	09
<b>3.8</b>	Basis for the preparing of the report in terms of joint ventures, subsidiaries, etc.	09
<b>3.9</b>	Techniques of data management and bases for calculations	09
<b>3.10</b>	Consequences of any reformulation of information published earlier	09
<b>3.11</b>	Significant changes compared to previous years	09
<b>3.12</b>	Table that identifies the location of the information in this report	92
<b>Verification</b>		
<b>3.13</b>	Current policies and practices referring to the seeking of external verification for this report	09



<b>GOVERNANCE, COMMITMENTS AND ENGAGEMENT</b>			
<b>Governance</b>			
<b>4.1</b>	Governance structure	1 to 10	41
<b>4.2</b>	Indication as to whether or not the president of the highest body of governance is also an executive director	1 to 10	41
<b>4.3</b>	Independent or non-executive members of the highest body of governance	1 to 10	41
<b>4.4</b>	Mechanisms by which shareholders and employees make recommendations	1 to 10	41
<b>4.5</b>	Relationship between remuneration and performance	1 to 10	-
<b>4.6</b>	Processes in place to ensure that conflicts of interest are avoided	1 to 10	-
<b>4.7</b>	Process to determine the qualifications and knowledge of board members	1 to 10	-
<b>4.8</b>	Statements of the mission and values, codes of conduct and internal principles relevant to economic, environmental and social development, such as the stage of its implementation	1 to 10	2, 3 and 42
<b>4.9</b>	Procedures adopted by the highest body of governance to supervise and identify and manage economic, environmental and social performance on behalf of the organization, including relevant risks and opportunities, such as the adherence to or compliance with internationally agreed norms, codes of conduct and principles.	1 to 10	41
<b>4.10</b>	Processes for the self-evaluation of the performance of the highest body of governance, particularly with respect to economic, environmental and social performance.	1 to 10	-
<b>Commitments to external initiatives</b>			
<b>4.11</b>	Principal of precaution	7	48
<b>4.12</b>	Letters, principles or other external initiatives subscribed to or endorsed		64 to 67
<b>4.13</b>	Participation in associations and/or national international entities		75
<b>Involvement of stakeholders</b>			
<b>4.14</b>	List of the groups of stakeholders engaged with the organization		53
<b>4.15</b>	Basis for the identification and selection of stakeholders with whom the Company is involved		50 to 53
<b>4.16</b>	Precepts for the involvement of stakeholders		50 to 53
<b>4.17</b>	The main issues and concerns raised through the involvement of stakeholders		-
		<b>Global Pact Principle</b>	<b>Page/ Comment</b>
<b>ECONOMIC PERFORMANCE</b>			
<b>Economic Performance</b>			
<b>ES</b>	<b>EC1</b>	Direct economic value generated and distributed (DVA)	35
<b>ES</b>	<b>EC2</b>	Financial implications, risks and opportunities from climactic changes	7 -
<b>ES</b>	<b>EC3</b>	Coverage of the obligations of the defined benefit pension plan	60
<b>ES</b>	<b>EC4</b>	Significant financial help received from the government	-
<b>Presence in the market</b>			
<b>AD</b>	<b>EC5</b>	Lowest salary compared to the local minimum salary	1 59
<b>ES</b>	<b>EC6</b>	Policies, practices and proportion of spending with local suppliers	73
<b>ES</b>	<b>EC7</b>	Procedures for the hiring of local labour	6 57
<b>Indirect economic impact</b>			
<b>ES</b>	<b>EC8</b>	Investment in infrastructure and services in the community	70
<b>AD</b>	<b>EC9</b>	Significant indirect economic impacts	-

## ENVIRONMENTAL PERFORMANCE

### Materials

<b>ES</b>	<b>EN1</b>	Materials used by weight or volume	8	81
<b>ES</b>	<b>EN2</b>	Percentage of materials used from recycling programs	8, 9	80

### Energy

<b>ES</b>	<b>EN3</b>	Direct consumption of energy broken down by primary energy source	8	81
<b>ES</b>	<b>EN4</b>	Consumption of indirect energy, broken down by primary source	8	-
<b>AD</b>	<b>EN5</b>	Energy saved as a result of improvements in conservation and efficiency	8, 9	-
<b>AD</b>	<b>EN6</b>	Initiatives to provide products and services with lower energy consumption	8, 9	-
<b>AD</b>	<b>EN7</b>	Initiatives to reduce the consumption of indirect energy, and the reductions obtained	8, 9	-

### Water

<b>ES</b>	<b>EN8</b>	Total water used, according to source	8	82
<b>AD</b>	<b>EN9</b>	Water sources significantly affected by water used	8	82
<b>AD</b>	<b>EN10</b>	Percentage and total volume of water that is recycled and reused	8, 9	82

### Biodiversity

<b>ES</b>	<b>EN11</b>	Location and size of the area of the Company in areas that are protected or which contain a high degree of biodiversity	8	79
<b>ES</b>	<b>EN12</b>	Description of significant impact on biodiversity	8	79
<b>AD</b>	<b>EN13</b>	Protected or restored habitats	8	79
<b>AD</b>	<b>EN14</b>	Management of impact on biodiversity	8	79
<b>AD</b>	<b>EN15</b>	Number of species on the red list of the WCU or national conservation lists	8	-

### Emissions, Effluents and Residues

<b>ES</b>	<b>EN16</b>	Total direct and indirect emissions of greenhouse gases, by weight	8	84 and 85
<b>ES</b>	<b>EN17</b>	Other significant indirect greenhouse gas emissions, by weight	8	84 and 85
<b>ES</b>	<b>EN18</b>	Initiatives to reduce greenhouse gas emissions and the reductions obtained	7, 8, 9	84
<b>ES</b>	<b>EN19</b>	Emissions of substances which destroy the ozone layer, by weight	8	-
<b>ES</b>	<b>EN20</b>	NO <sub>x</sub> , SO <sub>x</sub> and other significant atmospheric emissions, by type and weight	8	-
<b>ES</b>	<b>EN21</b>	Total quantity of water discharged, by quality and destination	8	83
<b>ES</b>	<b>EN22</b>	Total weight of residues, by type and method of disposal	8	83
<b>ES</b>	<b>EN23</b>	Number and volume of significance spillages	8	83
<b>AD</b>	<b>EN24</b>	Weight of dangerous residues transported, imported, exported or treated	8	-
<b>AD</b>	<b>EN25</b>	Biodiversity of water bodies and habitats affected by the discharge of water and draining	8	-

### Products and Services

<b>ES</b>	<b>EN26</b>	Initiatives taken to mitigate the environmental impact of the company's products and services	7, 8, 9	49
<b>ES</b>	<b>EN27</b>	Percentage of products and packaging recovered	8, 9	-

### Compliance

<b>ES</b>	<b>EN28</b>	Fines and sanctions for non-compliance to laws and environmental regulations	8	-
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### Transport


<b>AD</b>	<b>EN29</b>	Environmental impact from the transport of products, goods, materials and employees	8	-
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### General

<b>AD</b>	<b>EN30</b>	Total investment and expenditure on environmental protection, by type	7, 8, 9	79
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<b>LABOUR PRACTICES AND DECENT WORK</b>				
<b>Employment</b>				
<b>ES</b>	<b>LA1</b>	Total employees, by type of employment, labor contract and region		57
<b>ES</b>	<b>LA2</b>	Total number and rate of turnover, of employers, by age group, gender and region	6	59
<b>AD</b>	<b>LA3</b>	Benefits which are not offered to temporary or part-time employees		60
<b>Relationships between employees and governance</b>				
<b>ES</b>	<b>LA4</b>	Percentage of employees covered by collective wage negotiation agreements	1, 3	56
<b>ES</b>	<b>LA5</b>	Minimum prior notice required for operational changes	3	56
<b>Occupational Health and Safety</b>				
<b>AD</b>	<b>LA6</b>	Percentage of employees represented on formal health and safety committees	1	-
<b>ES</b>	<b>LA7</b>	Rates of injuries, occupational illnesses, number of days lost, absenteeism and work-related deaths	1	62
<b>ES</b>	<b>LA8</b>	Programs for education, training, advising, prevention and control of risks	1	62
<b>AD</b>	<b>LA9</b>	Themes related to health and safety covered by formal agreements with unions	1	56
<b>Training and education</b>				
<b>ES</b>	<b>LA10</b>	Average amount of training hours per year, by employee, by job category	6	-
<b>AD</b>	<b>LA11</b>	Programs for the management of skills and continuous learning, and as well as providing support at the end of their careers		-
<b>AD</b>	<b>LA12</b>	Percentage of employees that received regular performance assessments		-
<b>Diversity and equality of opportunities</b>				
<b>ES</b>	<b>LA13</b>	Those responsible for governance and employees by category, according to gender, age, and minority groups	1, 6	58
<b>ES</b>	<b>LA14</b>	Proportion of salary base split between men and women, according to job category	1, 6	-
<b>HUMAN RIGHTS</b>				
<b>Investment practices and purchasing processes</b>				
<b>ES</b>	<b>HR1</b>	Investment contracts that include clauses referring to human rights	1 to 6	-
<b>ES</b>	<b>HR2</b>	Suppliers subjected to human rights evaluations	1 to 6	73
<b>AD</b>	<b>HR3</b>	Training of employees on the subject of human rights	1 to 6	-
<b>Non-discrimination</b>				
<b>ES</b>	<b>HR4</b>	Total number of cases of discrimination and measures taken	1, 2, 6	-
<b>Freedom of association and right to collective negotiations</b>				
<b>ES</b>	<b>HR5</b>	Operations that carry a risk in terms of the right to exercise freedom of association	1, 2, 3	56
<b>Child labour</b>				
<b>ES</b>	<b>HR6</b>	Operations that carry a significant risk of the occurrence of child labour	1, 2, 5	72
<b>Forced labour or work analogous to slave labour</b>				
<b>ES</b>	<b>HR7</b>	Operations identified that carry a risk of forced labour, or work analogous to slave labour	1, 2, 4	72
<b>Safety practices</b>				
<b>AD</b>	<b>HR8</b>	Safety personnel trained in human rights	1, 2	-
<b>Indigenous rights</b>				
<b>AD</b>	<b>HR9</b>	Total number of cases of the violation of the rights of indigenous people and the measures taken	1, 2	-

<b>SOCIETY</b>				
<b>Community</b>				
<b>ES</b>	<b>SO1</b>	Programs and practices to evaluate and manage the impact of the company's operations on the community	70 and 71	
<b>Corruption</b>				
<b>ES</b>	<b>SO2</b>	Business units subjected to assessment in terms of risks related to corruption	10	-
<b>ES</b>	<b>SO3</b>	Employees trained in anti-corruption policies and procedures	10	-
<b>ES</b>	<b>SO4</b>	Measures taken in response to cases of corruption	10	-
<b>Public policies</b>				
<b>ES</b>	<b>SO5</b>	Positions taken and participation regarding public policies and lobbies	1 to 10	75
<b>AD</b>	<b>SO6</b>	Contributions to political parties, politicians or related institutions	10	-
<b>Unfair Competition</b>				
<b>AD</b>	<b>SO7</b>	Total number of law suits involving unfair competition, anti-trust practices, monopolies		-
<b>Compliance</b>				
<b>ES</b>	<b>SO8</b>	Fines and sanctions for non-compliance to laws and regulations		-
<b>RESPONSIBILITY FOR THE PRODUCT</b>				
<b>Customer health and safety</b>				
<b>ES</b>	<b>PR1</b>	Phases of the life cycle of products and services in which the impacts on health and safety are evaluated	1	-
<b>AD</b>	<b>PR2</b>	Compliance to regulations and voluntary codes related to health and safety	1	-
<b>Labelling of products and services</b>				
<b>ES</b>	<b>PR3</b>	Type of information on products and services required by labelling procedures	8	73
<b>AD</b>	<b>PR4</b>	Cases of non-compliance related to labelling information	8	73
<b>AD</b>	<b>PR5</b>	Practices related to customer satisfaction, including research results		74
<b>Marketing communications</b>				
<b>ES</b>	<b>PR6</b>	Adherence to laws, standards and voluntary marketing communication codes		73
<b>AD</b>	<b>PR7</b>	Cases of non-compliance in marketing communications		73
<b>Client Privacy</b>				
<b>AD</b>	<b>PR8</b>	Proven complaints related to the violation of customer privacy and loss of client data	1	73
<b>Compliance</b>				
<b>ES</b>	<b>PR9</b>	Fines for non-compliance in the supply and use of products and services		-

2002		C	C+	B	B+	A	A+
according to							
<b>Mandatory</b>	Self-Declared		Report Externally Assured	Report Externally Assured	Report Externally Assured	Report Externally Assured	Report Externally Assured

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### President

Salo Davi Seibel

### Vice-presidents

Alfredo Egidio Arruda Villela Filho

Ricardo Egidio Setúbal

### Board Members

Alcides Lopes Tápias

Helio Seibel

Paulo Satúbal Neto

Pedro Parente

Rodolfo Villela Marino

Rogério Ziviani

### Substitutes

Andrea Seibel C. Ferreira

Olavo Egidio Setúbal Júnior

Ricardo Villela Marino

### Secretary

Andrea Seibel C. Ferreira

## EXECUTIVE BOARD

### President

Henri Penchas

### Executive Directors

Alexandre Coelho Neto do Nascimento

Antonio Massinelli

Antonio Joaquim de Oliveira

Enrique Judas Manubens

Flavio Marassi Donatelli

Lúcia Helena Videria

Mário Colombelli Filho

Raul P. de Oliveira Neto

Roberto Szachnowicz

## Directors

Flávio Dias Soares

Francisco de Assis Guimarães

Marco Antônio Milleo

Renato Aguiar Coelho

## NEGOCIATION COMMITTEE

Antonio Massinelli

Flavio Marassi Donatelli

Henri Penchas

Raul P. de Oliveira Neto

Ricardo Egidio Setúbal

Salo Davi Seibel

## COMMITTEE FOR STAFF, GOVERNANCE AND NOMINATION

Alfredo Egidio Arruda Villela Filho

Andrea Seibel C. Ferreira

Helio Seibel

Pedro Pullen Parente

Ricardo Egidio Setúbal

Rodolfo Villela Marino

## RISK COMMITTEE

Alcides Lopes Tápias

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## SUSTAINABILITY COMMITTEE

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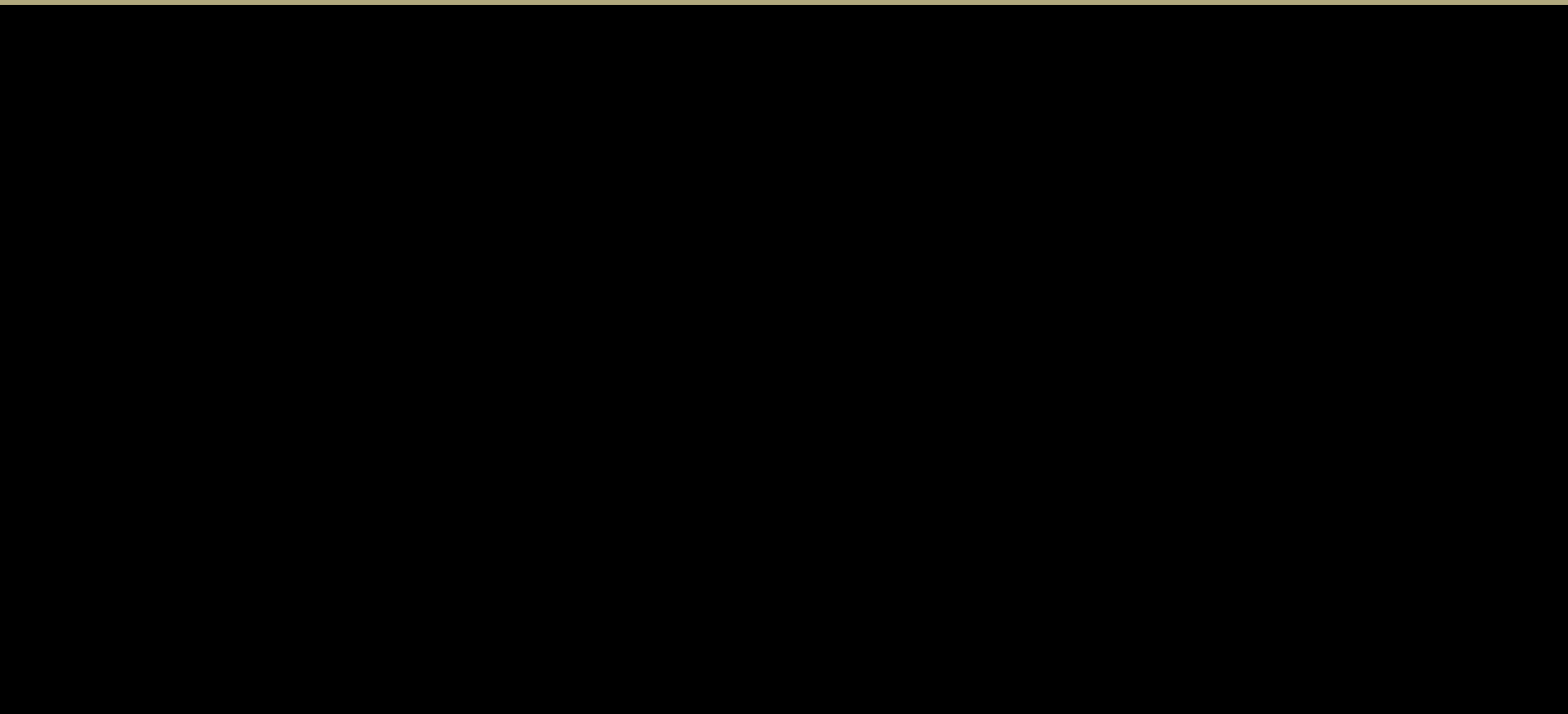
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Financial Statements and  
Explanatory Notes



# CONSOLIDATED BALANCE SHEET PRO FORMA

(in thousands of reais)

<b>ASSETS</b>	<b>2009 <sup>(1)</sup></b>	<b>2008 <sup>(2)</sup></b>
<b>Current Assets</b>	<b>1,214,084</b>	<b>1,566,208</b>
Cash and Cash Equivalents	300,924	716,772
Trade Accounts Receivable	447,472	386,155
Inventories	262,054	305,879
Receivables	20,099	20,167
Tax Credits	172,300	124,091
Other Credits	11,235	13,144
<b>NON CURRENT</b>	<b>3,119,657</b>	<b>2,944,830</b>
<b>Long Term Receivables</b>	<b>160,277</b>	<b>194,213</b>
Restricted Deposits	9,014	9,743
Receivables	43,630	53,170
Tax Credits	107,633	131,300
<b>Other Investments</b>	<b>652</b>	<b>648</b>
<b>Property, plant, equip.</b>	<b>2,555,431</b>	<b>2,403,208</b>
<b>Forest Reserves</b>	<b>360,247</b>	<b>313,443</b>
<b>Intangible Assets</b>	<b>43,050</b>	<b>33,318</b>
<b>TOTAL ASSETS</b>	<b>4,333,741</b>	<b>4,511,038</b>

<sup>(1)</sup> Audited by PricewaterhouseCoopers.

<sup>(2)</sup> Duratex + Satipel not reviewed by independent auditors, obtained from the related Financial Statements.

# CONSOLIDATED BALANCE SHEET PRO FORMA

(in thousands of reais)

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2009 <sup>(1)</sup></b>	<b>2008 <sup>(2)</sup></b>
<b>Current Liabilities</b>	<b>886,265</b>	<b>997,600</b>
Loans and Financing	601,796	522,283
Suppliers	108,067	187,377
Personnel	75,046	82,336
Accounts Payable	37,921	110,322
Taxes and Contributions	22,347	26,610
Dividends and Profit Sharing	41,088	68,672
<b>NON CURRENT</b>	<b>1,074,825</b>	<b>1,254,646</b>
Loans and Financing	807,087	1,011,653
Provisions for Contingencies	165,086	134,081
Other Accounts Payable	102,652	108,912
<b>Minority Interest</b>	<b>717</b>	<b>6,165</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>2,371,934</b>	<b>2,252,627</b>
Capital	1,288,085	1,288,085
(-) IPO Costs	(7,823)	(7,823)
Capital Reserves	295,753	287,091
Revaluation Reserves	153,747	163,843
Cumulative Translation Adjustment	(5,740)	775
Revenue Reserves	650,089	598,328
Treasury Shares	(2,177)	(77,672)
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>4,333,741</b>	<b>4,511,038</b>

<sup>(1)</sup> Audited by PricewaterhouseCoopers.

<sup>(2)</sup> Duratex + Satipel not reviewed by independent auditors, obtained from the related Financial Statements.

# INCOME STATEMENT CONSOLIDATED ACUMULATED PRO FORMA

(in thousands of reais)

	Duratex S.A. + Satipel with adjustments	Non Recurring Association Adjustments	Duratex S.A. + Satipel without adjustments	Duratex S.A. + Satipel
	2009 <sup>(1)</sup>	2009	2009 <sup>(1)</sup>	2008 <sup>(1)</sup>
<b>GROSS SALES</b>	<b>2,976,466</b>		<b>2,976,466</b>	<b>3,285,228</b>
Taxes and Contributions on Sales	(731,602)	-	(731,602)	(837,259)
<b>NET SALES</b>	<b>2,244,864</b>	<b>-</b>	<b>2,244,864</b>	<b>2,447,969</b>
Cost of Goods Sold	(1,293,399)	(4,689)	(1,288,710)	(1,344,529)
Depreciation/Amortization/Depletion	(170,327)	-	(170,327)	(123,850)
<b>GROSS PROFIT</b>	<b>781,138</b>	<b>(4,689)</b>	<b>785,827</b>	<b>979,590</b>
Sales Expenses	(258,929)	300	(259,229)	(271,544)
General and Administrative Expenses	(122,616)	(26,175)	(96,441)	(98,980)
Other Operational Results	(71,190)	(66,152)	(5,038)	12,336
<b>OPERATIONAL PROFIT BEFORE FINANCIAL RESULT</b>	<b>328,403</b>	<b>(96,716)</b>	<b>425,119</b>	<b>621,402</b>
Financial Income	55,864	554	55,310	157,981
Financial Expenses	(129,051)	(130)	(128,921)	(233,637)
<b>PROFIT BEFORE TAXES AND PROFIT SHARING</b>	<b>255,216</b>	<b>(96,292)</b>	<b>351,508</b>	<b>545,746</b>
Income Tax and Social Contribution	(26,923)	28,827	(55,750)	(100,523)
Profit Sharing Plan	(18,417)	-	(18,417)	(25,976)
Statutory Profit Sharing/Stock Options	(18,476)	-	(18,476)	(29,847)
Minority Interest	(1,617)		(1,617)	(492)
<b>NET INCOME</b>	<b>189,783</b>	<b>(67,465)</b>	<b>257,248</b>	<b>388,908</b>

<sup>(1)</sup> Duratex + Satipel not reviewed by independent auditors, obtained from the related Financial Statements.

# BALANCE SHEET

(in thousands of reais)

ASSETS	PARENT COMPANY		CONSOLIDATED	
	2009	2008	2009	2008
<b>CURRENT ASSETS</b>	863,679	247,938	<b>1,214,084</b>	257,372
Cash/cash equivalents – (Note 5)	16,098	112,928	300,924	118,647
Clients (Note 6)	432,110	45,478	447,472	47,595
Inventories – (Note 7)	229,983	52,477	262,054	53,972
Accounts receivable	29,389	-	20,099	-
Tax credits (Note 8)	146,917	26,954	172,300	26,964
Other credits	9,182	10,101	11,235	10,194
<b>NON – CURRENT ASSETS</b>	3,200,747	826,067	<b>3,119,657</b>	880,219
<b>LONG-TERM RECEIVABLES</b>	140,172	70,222	<b>160,277</b>	49,780
Subsidiaries (Note 9)	21,039	23,132	-	-
Restricted deposits	7,524	-	9,014	-
Accounts receivable	27,079	16,082	43,630	18,772
Tax credits (Note 8)	84,530	31,008	107,633	31,008
Investments in subsidiaries – (Note 10)	1,062,851	76,970	-	-
Others investments	180	63	652	63
Property, plant and equipment – (Note 11)	1,976,764	673,028	2,555,431	697,472
Forest reserves – (Note 11)	-	4,222	360,247	131,259
Intangible assets – (Note 12)	20,780	1,562	43,050	1,645
<b>TOTAL ASSETS</b>	4,064,426	1,074,005	<b>4,333,741</b>	1,137,591

# BALANCE SHEET

(in thousands of reais)

LIABILITIES AND SHAREHOLDERS' EQUITY	PARENT COMPANY		CONSOLIDATED	
	2009	2008	2009	2008
<b>CURRENT LIABILITIES</b>	818,025	149,222	<b>886,265</b>	164,810
Loans and financing – (Note 13)	552,620	57,998	601,796	57,998
Suppliers	115,302	61,165	108,067	68,521
Personnel	66,496	10,191	75,046	10,953
Accounts payable	33,631	5,800	37,921	12,024
Taxes and contributions	8,947	5,542	22,347	6,788
Dividends and profit sharing (Note 17 (d))	41,029	8,526	41,088	8,526
<b>NON CURRENT LIABILITIES</b>	874,467	403,699	<b>1,074,825</b>	446,179
Loans and financing – (Note 13)	707,087	362,295	807,087	362,295
Provision for contingencies – (Note 15)	107,793	5,260	165,086	5,367
Other accounts payable	59,587	36,144	102,652	78,517
<b>MINORITY INTEREST</b>	-	-	<b>717</b>	5,518
<b>SHAREHOLDERS' EQUITY (Note 17)</b>	2,371,934	521,084	<b>2,371,934</b>	521,084
Capital	1,288,085	344,459	1,288,085	344,459
(-)IPO costs	(7,823)	(7,823)	(7,823)	(7,823)
Capital reserves	295,753	50,347	295,753	50,347
Revaluation reserves	153,747	57,293	153,747	57,293
Cumulative translation adjustments	(5,740)	-	(5,740)	-
Revenue reserves	650,089	78,985	650,089	78,985
Treasury shares	(2,177)	(2,177)	(2,177)	(2,177)
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	4,064,426	1,074,005	<b>4,333,741</b>	1,137,591

# INCOME STATEMENT

(in thousands of reais)

	<b>PARENT COMPANY</b>		<b>CONSOLIDATED</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>GROSS SALES</b>	1,806,432	672,513	<b>1,904,664</b>	716,271
Taxes and contributions on sales	(452,186)	(186,265)	<b>(466,868)</b>	(196,098)
<b>NET SALES</b>	1,354,246	486,248	<b>1,437,796</b>	520,173
Cost of goods sold	(976,273)	(310,871)	<b>(954,420)</b>	(324,291)
<b>GROSS PROFIT</b>	377,973	175,377	<b>483,376</b>	195,882
Selling expenses	(146,859)	(40,463)	<b>(158,551)</b>	(40,464)
General and administrative expenses	(74,164)	(23,135)	<b>(85,116)</b>	(25,592)
Management fees	(10,436)	(4,590)	<b>(11,056)</b>	(4,590)
Other operating results	(44,617)	8,214	<b>(56,376)</b>	(72)
<b>OPERATING PROFIT BEFORE FINANCIAL RESULTS</b>	101,897	115,403	<b>172,277</b>	125,164
Financial revenue	29,053	29,365	<b>29,875</b>	29,401
Financial expenses	(86,484)	(54,741)	<b>(88,056)</b>	(55,131)
Equity in the results of subsidiaries – (Note 10)	62,420	10,202	-	-
<b>OPERATING PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION</b>	106,886	100,229	<b>114,096</b>	99,434
<b>Income tax and social contribution – (Note 14)</b>	6,961	(20,795)	<b>1,051</b>	(19,791)
Profit sharing	(15,943)	(4,339)	<b>(17,189)</b>	(4,530)
Minority interest	-	-	<b>(23)</b>	(18)
<b>NET INCOME FOR THE YEAR</b>	97,904	75,095	<b>97,935</b>	75,095
Net income per share	R\$	0,21	0,69	
Equity value per share	R\$	5,18	4,78	
Amount of shares		457,899,576	109,113,606	

# STATEMENTS OF CASH FLOWS

(in thousands of reais)

	PARENT COMPANY		CONSOLIDATED	
	2009	2008	2009	2008
<b>Operating activities</b>				
<b>Net income for the year</b>	<b>97,904</b>	<b>75,095</b>	<b>97,935</b>	<b>75,095</b>
<b>Items not affecting cash</b>				
Depreciation, amortization and depletion	101,106	31,324	131,891	43,794
Interest, foreign exchange and monetary variations, net	23,953	21,200	19,195	21,410
Equity in the results	(62,420)	(10,202)	-	-
Provisions, disposal of assets	46,899	7,660	51,993	5,141
<b>Investments in working capital:</b>				
(Increase) Decrease in Assets				
Clients	(66,165)	7,926	(77,439)	8,016
Inventories	2,936	(30,118)	9,066	(30,847)
Other Assets	38,530	(57,276)	(20,010)	(34,091)
Increase (Decrease) in Liabilities				
Suppliers	(47,838)	10,794	(76,179)	16,381
Personnel Liabilities	(3,086)	2,000	(1,859)	2,393
Accounts payable	53,635	-	(5,220)	-
Subsidiaries	(19,966)	(9,678)	-	-
Taxes and contributions	(69,368)	(4,917)	(66,103)	(4,703)
Other liabilities	31,414	1,926	25,843	3,606
<b>Cash provided by operating activities</b>	<b>127,534</b>	<b>45,734</b>	<b>89,113</b>	<b>106,195</b>
<b>Investing activities:</b>				
Investments in fixed and intangible assets	(185,316)	(274,458)	(272,376)	(336,815)
Capital increase in subsidiaries	-	-	-	5,500
Advance for future capital increase in subsidiaries	(92,618)	-	-	-
<b>Cash used in investing activities</b>	<b>(277,934)</b>	<b>(274,458)</b>	<b>(272,376)</b>	<b>(331,315)</b>
<b>Financing activities:</b>				
Financing	278,192	216,666	417,496	223,421
Amortization of financing	(252,246)	(128,769)	(414,140)	(133,648)
Loans from subsidiaries	3,927	-	-	-
Dividends and profit sharing	(43,767)	(20,861)	(44,202)	(20,861)
Treasury shares and others	-	(2,177)	11,004	(2,177)
Incorporation of Duratex's cash	67,464	-	400,066	-
<b>Cash provided by financing activities</b>	<b>53,570</b>	<b>64,859</b>	<b>370,224</b>	<b>66,735</b>
<b>Exchange variation on cash and cash equivalents</b>	<b>-</b>	<b>-</b>	<b>(4,684)</b>	<b>-</b>
<b>Increase (Decrease) in cash for the year</b>	<b>(96,830)</b>	<b>(163,865)</b>	<b>182,277</b>	<b>(158,385)</b>
<b>Opening Balance</b>	<b>112,928</b>	<b>276,793</b>	<b>118,647</b>	<b>277,032</b>
<b>Closing Balance</b>	<b>16,098</b>	<b>112,928</b>	<b>300,924</b>	<b>118,647</b>
<b>Supplementary information to cash flows</b>				
Taxes and contributions paid	16,803	20,102	24,152	21,698
Interest paid	64,407	20,847	90,455	21,275



# STATEMENTS OF VALUE ADDED

(in thousands of reais)

	PARENT COMPANY		CONSOLIDATED	
	2009	2008	2009	2008
<b>Income</b>	<b>1,828,351</b>	<b>669,946</b>	<b>1,924,292</b>	<b>713,755</b>
Gross Income	1,806,432	668,804	1,904,664	712,516
Other Income	21,829	2,469	20,349	2,577
Allowance for Doubtful Accounts	90	(1,327)	(721)	(1,338)
<b>Inputs acquired from third parties</b>	<b>(1,148,382)</b>	<b>(375,860)</b>	<b>(1,112,331)</b>	<b>(377,234)</b>
Cost of Sales	(922,595)	(258,041)	(855,989)	(246,240)
Materials, energy, outsourced services and others	(225,787)	(117,819)	(256,342)	(130,994)
<b>Gross Value Added</b>	<b>679,969</b>	<b>294,086</b>	<b>811,961</b>	<b>336,521</b>
Depreciation, amortization and Depletion	(101,106)	(31,324)	(131,891)	(43,794)
<b>Net Value Added</b>	<b>578,863</b>	<b>262,762</b>	<b>680,070</b>	<b>292,727</b>
<b>Value Added received through transfer</b>	<b>91,473</b>	<b>47,264</b>	<b>29,875</b>	<b>37,099</b>
Equity in the results	62,420	10,202	-	-
Financial Income	29,053	29,365	29,875	29,402
Others	-	7,697	-	7,697
<b>VALUE ADDED TO BE DISTRIBUTED</b>	<b>670,336</b>	<b>310,026</b>	<b>709,945</b>	<b>329,826</b>
<b>DISTRIBUTION OF VALUE ADDED</b>				
<b>Work Compensation</b>	<b>197,910</b>	<b>41,880</b>	<b>225,583</b>	<b>44,866</b>
Direct Compensation	165,021	31,767	185,739	34,040
Benefits	21,259	8,207	26,791	8,764
Severance Indemnity Fund (FGTS)	10,634	1,906	12,017	2,062
Other	996	-	1,036	-
<b>Government Compensation</b>	<b>288,457</b>	<b>136,741</b>	<b>299,989</b>	<b>150,253</b>
Federal	191,424	92,516	194,840	97,922
State	96,951	44,127	104,043	52,233
Municipal	82	98	1,106	98
<b>Financing Remuneration</b>	<b>86,065</b>	<b>56,310</b>	<b>86,415</b>	<b>65,182</b>
<b>Shareholders' Remuneration</b>	<b>97,904</b>	<b>75,095</b>	<b>97,958</b>	<b>69,525</b>
Interest on own capital	36,065	24,387	36,065	24,387
Retained earnings	61,839	50,708	61,893	45,138
<b>TOTAL VALUE ADDED DISTRIBUTED</b>	<b>670,336</b>	<b>310,026</b>	<b>709,945</b>	<b>329,826</b>

# STATEMENT CHANGES IN STOCKHOLDERS' EQUITY

(in thousands of reais)

2009

DESCRIPTION	Capital	IPO Costs	Capital reserves	Revaluation reserves	Cumulative Transl. Adj.	Revenue reserves	Treasury Shares	Retained earnings	Total
<b>OPENING BALANCE 01.01</b>	<b>344,459</b>	<b>(7,823)</b>	<b>50,347</b>	<b>57,293</b>	<b>-</b>	<b>78,985</b>	<b>(2,177)</b>	<b>-</b>	<b>521,084</b>
Incorporation of Duratex S.A.	943,626	-	243,793	105,630	(3,128)	500,089	-	-	1,790,010
Share option granted	-	-	1,613	-	-	-	-	-	1,613
Treasury shares	-	-	-	-	-	-	-	-	-
Realization of reserves	-	-	-	(9,176)	-	-	-	9,176	-
Foreign exchange in subsidiaries	-	-	-	-	(2,612)	-	-	-	(2,612)
Net income for the year	-	-	-	-	-	-	-	97,904	97,904
Legal reserve	-	-	-	-	-	4,895	-	(4,895)	-
Interest on shareholders' equity (Note 17 (d))	-	-	-	-	-	-	-	(36,065)	(36,065)
Retained earnings	-	-	-	-	-	66,120	-	(66,120)	-
<b>CLOSING BALANCE 12.31</b>	<b>1,288,085</b>	<b>(7,823)</b>	<b>295,753</b>	<b>153,747</b>	<b>(5,740)</b>	<b>650,089</b>	<b>(2,177)</b>	<b>-</b>	<b>2,371,934</b>

2008

DESCRIPTION	Capital	IPO Costs	Capital reserves	Revaluation reserves	Revenue reserves	Treasury Shares	Retained earnings	Total
<b>OPENING BALANCE 01.01</b>	<b>344,459</b>	<b>(7,823)</b>	<b>50,347</b>	<b>64,070</b>	<b>24,024</b>	-	<b>(2,524)</b>	<b>472,553</b>
Incorporation of Duratex S.A.	-	-	-	-	-	-	-	-
Share option granted	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	(2,177)	-	(2,177)
Realization of reserves	-	-	-	(6,777)	-	-	6,777	-
Foreign exchange in subsidiaries	-	-	-	-	-	-	-	-
Net income for the year	-	-	-	-	-	-	75,095	75,095
Legal reserve	-	-	-	-	3,755	-	(3,755)	-
Interest on shareholders' equity (Note 17 (d))	-	-	-	-	-	-	(24,387)	(24,387)
Retained earnings	-	-	-	-	51,206	-	(51,206)	-
<b>CLOSING BALANCE 12.31</b>	<b>344,459</b>	<b>(7,823)</b>	<b>50,347</b>	<b>57,293</b>	<b>78,985</b>	<b>(2,177)</b>	-	<b>521,084</b>

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in thousands of reais unless otherwise indicated)

## NOTE I – OPERATIONS

Duratex S.A. (formerly named Satipel Industrial S.A.) is a listed company headquartered in the city of São Paulo – SP, controlled by Itaúsa Group – Investimentos Itaú S.A., second largest group of the country operating in the financial, chemical and IT sector and also controlled by Companhia Ligna de Investimentos which has significant operations in the retail and input distribution market for civil construction and joinery, also operating in the construction and rental of real estate ventures.

It currently has twelve industrial units in Brazil and one in Argentina, with branches in the main Brazilian cities and commercial subsidiaries in the United States and Europe.

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

The Wood Division operates five industrial units in Brazil; responsible for the production of hardboard, medium density particle board (MDP), medium, high and super density fiberboard (MDF, HDF, SDF) Durafloor laminate flooring and components for the furniture industry.

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

On June 22, 2009 Itaúsa – Investimentos Itaú S.A. (Itaúsa) and Companhia Ligna de Investimentos (Ligna) signed an irrevocable contract of association between the companies Satipel Industrial S.A. and Duratex S.A., aiming at the unification of their operations, which resulted in the creation of:

- The largest Wood panel industry of the South hemisphere and one of the largest in the world;
- The second largest manufacturer of sanitary fittings in Brazil;
- The leader company in the manufacture of metal sanitary fittings of the Brazilian market.

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The Extraordinary General Meeting held on August 31, 2009, approved the merger of Duratex S.A. in the conditions and terms established in the Merger Protocol and in the Reports. Further, the Company capital increase was approved – due to the merger -, due to the transfer of Duratex S.A. net equity to the Company, which increased from R\$344,459 to R\$1,288,085, through the issue of 348,785,970 new common shares, with no par value, to be attributed to the former Duratex S.A. stockholders.

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

- (i) 3,053,604 shares issued by new Duratex S.A. (former Satipel Industrial S.A.) per common share of the former Duratex S.A. held by the controlling stockholders and
- (ii) 2,544,670 shares issued by new Duratex S.A. (former Satipel Industrial S.A.) per common and preferred share of the former Duratex S.A. held by the other stockholders.

## **NOTE 2 – PRESENTATION AND PREPARATION OF THE FINANCIAL STATEMENTS**

The financial statements of Duratex S.A. and the consolidated financial statements, which were approved by the Company's Board of Directors on February 23, 2010, have been prepared and are presented in accordance with accounting practices adopted in Brazil, based on the provisions of Brazilian Corporation Law and the rules established by the Brazilian Securities Commission (CVM).

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

Due to the corporate restructuring described above the accumulated result for the year ended December 31, 2009 is represented by 12 months of Satipel operation (January 1<sup>st</sup> to December 31) and six months of the new Duratex operation (July 1<sup>st</sup> to December 31 ).

The Balance Sheet of December, 31, 2008, as well as the Income Statement at the same date correspond to the figures of Satipel S.A. In relation to these previously published figures, reclassifications were done, which are not relevant to the Financial Statements and they do not change the result, the Shareholders' Equity, the Working Capital or the main indices of the Balance.

The main accounting practices adopted in the preparation of these financial statements correspond to the Standards and guidelines effective for the financial statements ended December 31, 2009, which will be different from the ones that will be used at December 31, 2010, as described in 3 (e) below.

## **NOTE 3 – SIGNIFICANT ACCOUNTING PRACTICES**

### **a) Current and non current assets**

#### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, bank deposits and short term investments with high liquidity and insignificant risk of change in value.

#### **Financial instruments**

The Company classifies its financial assets according to the following categories: calculated at market value through results, loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets when first recorded.

#### **Financial assets calculated at fair value through results**

These are financial assets held for active and frequent trading. Derivatives are also classified as held for trading, unless they have been designated as hedge instruments. These assets are classified as current assets. Gains or losses arising from the fair value variations of financial assets calculated at fair value through results are recorded in the statement of income in "Financial Result" in the period they occur, unless the instrument has been contracted in connection with another instrument. In that case, the variations are recognized in the same item of the statement of income affected by this other instrument.

### **Loans and receivables**

These comprise loans granted and receivables which are non-derivative financial assets with fixed or determinable payments, not quoted in an active market. Loans and receivables are included in current assets, except for those with maturity of more than 12 months after the balance sheet date (these are classified as non-current assets). The Company's loans and receivables comprise trade accounts receivable, other accounts receivable and cash and cash equivalents, excluding short-term investments. Loans and receivables are recorded at amortized cost, based on the effective interest rate method.

### **Assets held to maturity**

These are basically financial assets that cannot be classified as loans and receivables, because they are quoted in an active market. In this case, these financial assets are acquired with the purpose and financial ability of being held in the portfolio up to their maturity. They are evaluated at the acquisition cost, plus accrued earnings with a contra-entry to income for the year, based on the effective interest rate method.

### **Fair value**

For financial assets without an active market or public quotation, the Company determines fair value through valuation techniques, which consist of the use of recent transactions with third parties, reference to other substantially similar instruments, the analysis of discounted cash flows and option pricing models which make the greatest use possible of information from the market and the least use possible of information from Company management.

The Company evaluates, at the balance sheet date, if there is objective evidence that a financial asset or a group of financial assets is overstated (impaired) in relation to its recoverable value. If there is such evidence for available-for-sale financial assets, the cumulative loss – calculated as the difference between the acquisition cost and current market value minus any impairment loss of this financial asset previously recognized in results – is transferred from equity to the statement of income.

### **Derivative Instruments and hedge activities**

Initially, derivatives are recognized at fair value at the date when the derivative agreement is signed and subsequently recalculated at their fair value, with the fair value variations recorded to results, except when the derivative is recorded as a hedge of foreign subsidiaries investments.

### **Trade accounts receivables**

Trade accounts receivable refer to short term transactions and are adjusted to present value if this adjustment is significant. In the years presented, the adjustment to present value calculated in trade accounts receivable was not considered significant.

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

## **Inventories**

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

## **Other assets**

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

## **Investments**

The investments in subsidiaries are recorded and evaluated based on the equity accounting method, recognized in the result for the year as operating income (or expense), and the other investments at acquisition cost. The exchange rate variations on investments in foreign subsidiaries, with functional currency other than that of the parent company, are recognized directly in stockholders' equity in a specific account named "Cumulative translation adjustments".

The financial statements of the companies headquartered abroad were converted into reais through the following procedures:

- a) Assets and liabilities, converted using the exchange rate at the balance sheet date.
- b) Initial stockholders' equity, converted using the exchange rate at December 31, 2007.
- c) Income and expenses, converted by the average exchange rate of each month.

The goodwill calculated in the acquisition of companies, the basis of which is (i) expectation of future profitability (goodwill) and (ii) the market value of their fixed assets, that is being amortized through the realization, either through depreciation or sale of the related assets. In the consolidated, this goodwill was added to the assets that originated it.

## **Property, plant and equipment**

Property, plant and equipment are recorded at acquisition, formation or construction cost (including interest and other financial charges) plus the spontaneous revaluation and monetary restatement up to 1995. Depreciation is calculated on the straight line method at the rates disclosed in Note 11.

As set forth in the ICPC Technical Interpretation number 10 of the Accounting Pronouncements Committee, approved by CVM Deliberation No. 619/09, the Company concluded the first periodical analysis with the objective of reviewing and adjusting the estimated economic useful life for the depreciation calculation. For this analysis purposes the Company considered the operating planning for the coming years, internal antecedents, as the level of maintenance and use of the items, external comparison elements such as available technologies, recommendations and manufacturer manuals and estimated life rate of assets.

The depletion of Forest reserves is carried out due to the volume of wood extracted in the period.

### **Intangible assets**

Intangible assets comprise trademarks, patents, rights to use software, and in the consolidated balance, additionally, premium for expected future profitability.

### **Impairment of assets**

Property, plant and equipment and other non-current assets, including goodwill and intangible assets, are reviewed to identify evidence of unrecoverable losses annually, and also whenever events or alterations in the circumstances indicate that the book value may not be recoverable. In this case, the recoverable value is calculated to verify if there is any loss. In the event of loss, it is recognized at the amount by which the book value of the asset exceeds its recoverable value, which is the higher between the net sales price and the value in use of the asset. For evaluation purposes, assets are grouped at the lowest level for which there are separately identifiable cash flows.

### **b) Current and long term liabilities**

#### **Provisions**

Provisions are recognized when the Company has a legal or informal present obligation as a result of past events, it is probable that a cash outflow is necessary to settle the obligation, and a reliable estimate of the amount can be made.

#### **Loans and financing**

Borrowings are initially recognized at fair value, upon the receipt of funds, net of transaction costs. Subsequently, the borrowings are presented at amortized cost, i.e., plus charges and interest in proportion to the period incurred (*pro rata temporis*).

The financing with Banco de Desenvolvimento de Minas Gerais – BDMG – working capital is stated at present value at the balance sheet date, considering the long term payment discounted at TJLP rate.

#### **Deferred income tax and social contribution**

Deferred taxes and contributions are recognized to the extent that it is probable sufficient future taxable profit will be available to be offset by temporary differences and/or tax losses, and the revaluation reserve in the extent that its realization is probable.

#### **Revaluation reserve**

As permitted by Law No. 11638/07 the Company and its subsidiaries Satipel Florestal Ltda., Duraflora S.A. and Jacarandá Mimoso Participações Ltda., decided for the maintenance of the balances of existing assets revaluations at December 31, 2007.



**Costs with operating leasing of land (rural leasing)**

The leasing contracts whose portion of significant risks and ownership rights is maintained by the lessor are classified as operating lease. The costs incurred in the operating lease contracts are recorded in investment and in the result for the year on a straight line basis during the effectiveness of these contracts.

**Net income per share**

Calculated based on the number of outstanding shares at the balance sheet dates.

**Transitional Tax Regime**

The Company and its direct subsidiaries elected the Transitional Tax Regime (RTT) according to the Provisional Measure No. 449/08, converted in the Law No. 11.941/09 and manifested their election in the Corporate Annual Income Tax Return for 2009. Income Tax and Social Contribution on Net Income for the year were calculated in this assumption.

**c) Benefits to employees****Private pension plan**

The Company offers to all employees a defined contribution plan managed by Fundação Itaúsa Industrial. The effective plan regulation establishes the sponsors contributions between 50% and 100% of the amount provided by the employees.

For the employees from former Satipel, present Duratex S.A., a PGBL (Free Benefit Generating Plan) plan was provided which has been discontinued as from September 2009, being provided a defined contribution plan managed by Fundação Itaúsa Industrial.

**Profit sharing**

The Company remunerates its coworkers through profit sharing if the performance targets established are attained.

**Share-based remuneration**

The Company offers to the executives, duly approved by the Board of Directors, a stock option plan according to which it receives their services in return for the options to purchase shares. The premium, calculated at the grant date, is recognized as expense with a contra-entry to stockholders' equity during the vesting period.

**Determination of results of operations**

Income and expenses are recognized on the accrual basis of accounting. Revenue from sales and cost of sales are taken to income when the related risks and benefits related to the products are transferred to the buyer.

### **Accounting pronouncements and interpretations of standards that are not yet effective**

The accounting pronouncements and interpretations of standards listed below were published and are mandatory for years beginning on or after January 1<sup>st</sup>, 2010. In addition, other pronouncements and interpretations were also published, which alter the accounting practices adopted in Brazil, within the process of convergence with international standards. The standards below are only those that could (or should) more significantly affect the Company's financial statements. Under the terms of these new standards, the figures for 2009, presented herein, should be restated for comparison purposes when the 2010 financial statements are prepared. The Company did not elect early adoption of these standards for the year ended December 31, 2009.

#### **Pronouncements**

- CPC 15 – Business Combinations
- CPC 22 – Segment Information
- CPC 23 – Accounting Policies, Changes in Accounting Estimates and Error Correction
- CPC 27 – Property, Plant and Equipment
- CPC 29 – Biological Assets and Agricultural Products
- CPC 31 – Non-current Assets Held for Sale and Discontinued Operations
- CPC 33 – Employee Benefits
- CPC 37 – First-time Adoption of International Financial Reporting Standards
- CPC 38 – Financial Instruments: Recognition and Measurement
- CPC 39 – Financial Instruments: Presentation
- CPC 40 – Financial Instruments: Disclosure

#### **Interpretations**

- ICPC 08 – Accounting for Proposed Dividends
- ICPC 10 – Clarifications of CPC 27

### **NOTE 4 – CONSOLIDATED FINANCIAL STATEMENTS**

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The consolidated financial statements were prepared in conformity with the accounting practices adopted in Brazil and the rules issued by the Brazilian Securities Commission (CVM) and comprise the financial statements of the Company and those subsidiaries where it has direct or indirect control.

The consolidated financial statements include the companies: Duratex S.A. and its direct subsidiaries: Duraflora S.A., Satipel Florestal Ltda., Duratex Empreendimentos Ltda., Duratex Comercial Exportadora S.A., Deca Indústria e Comércio de Materiais Sanitários Ltda., Cerâmica Monte Carlo S.A. and DRI – Resinas Industriais S.A.; and its indirect subsidiaries Duratex Overseas, Duratex North America Inc., Duratex Europe N.V., TCI Trading S.A. and Deca Piazza S.A.

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

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

	Net Income		Stockholders' Equity	
	2009	2008	2009	2008
Parent Company	97,904	75,095	2,371,934	521,084
Unrealized result on inventories net of tax effects	31	-	-	-
<b>CONSOLIDATED</b>	<b>97,935</b>	<b>75,095</b>	<b>2,371,934</b>	<b>521,084</b>

#### NOTE 5 – CASH AND CASH EQUIVALENTS/FINANCIAL INVESTMENTS

	Parent Company		Consolidated	
	2009	2008	2009	2008
Cash and banks	11,399	5,667	20,604	5,872
Fixed Income funds	78	-	19,224	-
Bank deposit certificates	4,621	107,261	261,096	112,775
<b>TOTAL</b>	<b>16,098</b>	<b>112,928</b>	<b>300,924</b>	<b>118,647</b>

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

The Bank Deposit Certificates, although maturing in the long term, may be redeemed at any time without affecting the remuneration.

#### NOTE 6 – CLIENTS

	Parent Company		Consolidated	
	2009	2008	2009	2008
Local	464,284	52,734	484,957	55,005
Foreign	2,697	1,404	12,429	1,404
Discounted Drafts	-	-	(12,372)	-
Allowance for doubtful accounts	(34,871)	(8,660)	(37,542)	(8,814)
<b>TOTAL</b>	<b>432,110</b>	<b>45,478</b>	<b>447,472</b>	<b>47,595</b>

#### Trade accounts receivable by age maturity :

	Parent Company		Consolidated	
	2009	2008	2009	2008
Falling Due	411,451	45,156	430,123	47,272
Due up to 30 days	18,076	1,429	20,071	1,429
From 31 to 60 days	884	234	1,126	234
From 61 to 90 days	183	180	6,928	180
From 91 to 180 days	2,637	247	3,018	247
More than 180 days	33,750	6,892	36,120	7,047
<b>TOTAL</b>	<b>466,981</b>	<b>54,138</b>	<b>497,386</b>	<b>56,409</b>

## NOTE 7 – INVENTORIES

	PARENT COMPANY		CONSOLIDATED	
	2009	2008	2009	2008
Finished products	73,642	26,278	98,486	26,278
Raw materials	57,493	17,310	60,078	17,705
Products under process	43,652	-	44,464	-
General warehouse	41,960	5,898	45,664	6,995
Advance to suppliers	4,334	-	4,343	-
Other	8,902	2,991	9,019	2,994
<b>TOTAL</b>	<b>229,983</b>	<b>52,477</b>	<b>262,054</b>	<b>53,972</b>

## NOTE 8 – TAX CREDITS

	PARENT COMPANY		CONSOLIDATED	
	2009	2008	2009	2008
<b>Current</b>				
Deferred income tax and social contribution <sup>(*)</sup>	55,627	3,237	61,583	3,237
Income tax and social contribution recoverable	5,045	5,588	7,477	5,588
ICMS/PIS/COFINS on acquisition of property, plant and equipment <sup>(**)</sup>	73,885	15,581	79,371	15,581
PIS and COFINS to be offset	584	-	6,015	-
ICMS and IPI to be recovered	11,556	1,701	17,634	1,701
Other	220	847	220	857
<b>Total</b>	<b>146,917</b>	<b>26,954</b>	<b>172,300</b>	<b>26,964</b>
<b>Non Current</b>				
Deferred income tax and social contribution <sup>(*)</sup>	32,054	13,639	39,864	13,369
ICMS/PIS/COFINS on acquisition of property, plant and equipment <sup>(**)</sup>	51,604	17,369	64,076	17,369
PIS to be offset	872	-	3,693	-
<b>Total</b>	<b>84,530</b>	<b>31,008</b>	<b>107,633</b>	<b>31,008</b>

(\*) see Note 14 b.

(\*\*) ICMS, PIS and COFINS to be offset, were mainly generated upon the acquisition of property, plant and equipment for the industrial plants.

To comply with the legislation effective at the time, Management recorded based on tax documents the amounts to offset, and such offset will be in 12, 24 and 48 months for PIS and COFINS and 48 months for ICMS.

## NOTE 9 – RELATED PARTIES

### a) Transactions with subsidiaries

Transactions between subsidiaries, mainly purchases and sales of products, were carried out at prices and under terms and conditions compatible with those of the market. These transactions are carried out between the parent company and its subsidiaries, and the balances are eliminated upon consolidation.

DESCRIPTION	Parent Company		Subsidiary								Total	
	Duratex Coml. Exportador	Duraflora	Satipel Florestal		TCI Trading	Duratex empreend.	Deca Ind. Comércio	Cerâmica Monte Carlo	DRI – Resinas Industriais	2009	2008	
	2009	2009	2009	2008	2009	2009	2009	2009	2009	2009	2008	
<b>Assets</b>												
Clients	6,042	138	-	-	-	-	756	2,605	11	9,552	-	
Dividends receivable	-	14,389	-	-	-	-	-	276	-	14,665	-	
Accounts receivable	-	1,671	2	-	198	-	-	17	-	1,888	-	
Subsidiaries	177	20,695	101	23,132	-	67	-	-	-	21,039	23,132	
<b>Liabilities</b>												
Suppliers	-	17,593	-	1,468	-	-	13,728	30	-	31,351	1,468	
Accounts payable	-	-	-	-	7,251	-	6	--	-	7,257	-	
<b>Result</b>												
Sales	28,705	64	-	-	-	-	-	4,345	-	33,114	-	
Purchases	-	103,784	24,433	12,381	31,778	-	24,605	1,333	-	185,993	12,381	
Financial	1,208	(540)	-	-	(18)	2	-	-	-	652	-	

## b) Other Related Parties

DESCRIPTION	Leo Madeiras Maqs. & Fer. Ltda		Leroy Merlin Cia Bras. Bricolagem		Ligna Florestal Ltda.		Cia. Ligna de Investimentos		Elekeiroz S.A.		Itautec S.A.	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	<b>Assets</b>											
Clients	11,289	2,423	14,238	236	-	-	-	-	-	-	70	-
Property, plant and equipment	-	-	-	-	-	-	-	-	-	-	446	-
<b>Liabilities</b>												
Suppliers	-	-	-	-	-	-	-	999	-	-	34	-
<b>Result</b>												
Sales	37,235	15,922	26,951	526	-	-	-	-	-	-	476	-
Purchases	27	-	-	-	-	-	-	-	-	8,787	-	-
Leasing costs (*)	-	-	-	-	9,809	-	-	10,980	-	-	-	-

(\*) Refer to costs with rural leasing entered into its Subsidiary Duraflora S.A. with Ligna Florestal Ltda. (subsidiary of Ligna de Investimentos) related to land that will be used for reforestation. The monthly charges related to this leasing amount to R\$1,156. Such contract falls due in July 2036, and may be automatically renewed for 15 years more, and will be annually restated by the variation of the average price practiced by the Company on sale of MDP panels.

## c) Management compensation

The compensation paid or to be paid to the main executives of the Company Management was R\$11,056 as fees (R\$4,590 in 2008), R\$4,300 as profit sharing and R\$1,290 related to the long-term remuneration represented by Stock Options.

## NOTE 10 – INVESTMENTS IN SUBSIDIARIES

	DIRECT					
	Duratex Coml. Exp.	Duraflora	Satipel Florestal	Duratex Empreend.	Deca Ind. Comércio	Cer. Monte Carlo
Shares/ quotas held (thousands)						
Common	231	140	-	-	-	5,239
Preferred	370	41	-	-	-	-
Quotas			12	2,874	96,569	
<b>Holding</b>	<b>99.94</b>	<b>100.00</b>	<b>99.99</b>	<b>100.00</b>	<b>65.88</b>	<b>100.00</b>
Capital	70,000	280,650	12	2,874	146,569	63,860
Stockholder´s equity	92,956	664,675	5,396	5,099	170,222	78,222
Net income/(loss) for the period	(708)	37,011	17,330	(684)	6,952	4,985
<b>Change in investments</b>						
<b>At December 31, 2007</b>	-	-	<b>81,925</b>	-	-	-
Equity in the results	-	-	10,202	-	-	-
Amortization of goodwill	-	-	(6)	-	-	-
Neg. Goodwill on acq. of subsid. <sup>(1)</sup>	-	-	-	-	-	-
<b>At December 31, 2008</b>	-	-	<b>92,121</b>	-	-	-
Merger of Duratex S.A.	<b>95,156</b>	<b>503,321</b>		<b>5,784</b>	<b>107,572</b>	<b>73,036</b>
Equity in the results	(761)	36,494	17,329	(685)	4,581	5,462
Transfer of assets	-	104,054	(104,054)	-	-	-
Advance for capital increase	-	32,318	-	-	-	-
Dividends	-	(14,389)	-	-	-	(276)
Supplementary dividends	(139)	(621)	-	-	-	-
Exchange variation on net equity	(2,612)	-	-	-	-	-
<b>At December 31, 2009</b>	<b>91,644</b>	<b>661,177</b>	<b>5,396</b>	<b>5,099</b>	<b>112,153</b>	<b>78,222</b>
Goodwill/ negative goodwill on acquisition of subsidiaries <sup>(ii)</sup>	-	-	-	-	-	-
<b>At December 31, 2009</b>	<b>91,644</b>	<b>661,177</b>	<b>5,396</b>	<b>5,099</b>	<b>112,153</b>	<b>78,222</b>

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

**INDIRECT (\*)**

<b>DRI – Res. Industriais</b>	<b>Total</b>	<b>Deca Piazza</b>	<b>North America</b>	<b>Duratex Overseas</b>	<b>Duratex Europe</b>	<b>Deca Ind. Comércio</b>	<b>TCI Trading</b>
49		10,446	500	50	3	-	1,230
49		-	-	-	-	-	1,230
		-	-	-	-	50,000	-
<b>99.98</b>		<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>34.12</b>	<b>82.00</b>
2,150		5,876	886	89	19,904	146,569	3,000
71,350		5,452	7,208	18,550	22,945	170,222	3,684
-		(998)	277	109	175	6,952	130
-	<b>81,925</b>	-	-	-	-	-	-
-	10,202	-	-	-	-	-	-
-	(6)	-	-	-	-	-	-
-	(15,151)	-	-	-	-	-	-
-	<b>76,970</b>	-	-	-	-	-	-
<b>11,039</b>	<b>795,908</b>	<b>7,174</b>	<b>12,665</b>	<b>38,231</b>	<b>28,046</b>	<b>55,697</b>	<b>9,939</b>
-	62,420	(998)	277	109	175	2,372	1,592
-	-	-	-	-	-	-	-
60,300	92,618	-	-	-	-	-	-
-	(14,665)	-	(4,353)	(15,896)	(2,507)	-	(8,510)
-	(760)	-	-	-	-	-	-
-	(2,612)	(724)	(1,381)	(3,894)	(2,769)	-	-
<b>71,339</b>	<b>1,009,879</b>	<b>5,452</b>	<b>7,208</b>	<b>18,550</b>	<b>22,945</b>	<b>58,069</b>	<b>3,021</b>
-	52,972	-	-	-	-	-	-
<b>71,339</b>	<b>1,062,851</b>	<b>5,452</b>	<b>7,208</b>	<b>18,550</b>	<b>22,945</b>	<b>58,069</b>	<b>3,021</b>

(I) Negative goodwill of (R\$15,151) upon the acquisition of Satipel Florestal quotas in March and April 2006.

(II) The amount of R\$52,972 refers to:

- Goodwill of R\$30,549 related to the appreciation of assets generated on account of the acquisition of the companies, Ideal Standard do Brasil (presently Deca Indústria e Comércio de Materiais Sanitários Ltda) in April 2008 and Cerâmica Monte Carlo S.A. in August 2008;
- Goodwill of R\$269 related to the acquisition of the subsidiary Duraflores;
- Goodwill of R\$22,154 by expectation of future profitability upon the acquisition of the subsidiary Cerâmica Monte Carlo..

**The advances for future capital increase (AFAC's) are not remunerated.**

**NOTE 11 – PROPERTY, PLANT AND EQUIPMENT  
COMPOSITION OF PROPERTY, PLANT AND EQUIPMENT**

Description	Annual Depreciation Rate	PARENT COMPANY				CONSOLIDATED			
		2009		2008		2009		2008	
		Cost	Depreciation	Residual value	Residual value	Cost	Depreciation	Residual value	Residual value
Land	-	65,782	-	<b>65,782</b>	<b>8,684</b>	499,257	-	<b>499,257</b>	<b>8,684</b>
Construction and improvements	4%	529,363	(184,775)	<b>344,588</b>	<b>96,821</b>	579,288	(210,192)	<b>369,096</b>	<b>98,211</b>
Machinery, equip. and facilities	4.92% to 10%	2,196,930	(743,222)	<b>1,453,708</b>	<b>319,253</b>	2,288,680	(809,582)	<b>1,479,098</b>	<b>319,671</b>
Construction in progress	-	77,646	-	<b>77,646</b>	<b>243,771</b>	161,778	-	<b>161,778</b>	<b>265,695</b>
Furniture and fixtures	10%	22,397	(15,532)	<b>6,865</b>	<b>862</b>	31,237	(23,119)	<b>8,118</b>	<b>1,081</b>
IT equipment	20%	28,562	(21,347)	<b>7,215</b>	<b>1,727</b>	29,940	(22,179)	<b>7,761</b>	<b>1,799</b>
Vehicles	20% and 25%	15,405	(10,114)	<b>5,291</b>	<b>1,909</b>	31,747	(20,039)	<b>11,708</b>	<b>2,329</b>
Other assets	10% to 20%	40,364	(24,695)	<b>15,669</b>	<b>1</b>	48,721	(30,106)	<b>18,615</b>	<b>2</b>
<b>SUM</b>		<b>2,976,449</b>	<b>(999,685)</b>	<b>1,976,764</b>	<b>673,028</b>	<b>3,670,648</b>	<b>(1,115,217)</b>	<b>2,555,431</b>	<b>697,472</b>
Forest reserves		-	-	-	<b>4,222</b>	360,247		<b>360,247</b>	<b>131,259</b>
<b>TOTAL</b>		<b>2,976,449</b>	<b>(999,685)</b>	<b>1,976,764</b>	<b>677,250</b>	<b>4,030,895</b>	<b>(1,115,217)</b>	<b>2,915,678</b>	<b>828,731</b>

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

The Company has contracts signed for the acquisition of several equipment and services that amount approximately to R\$16.4 million of commitments assumed at December 31, 2009.

**NOTE 12 – INTANGIBLE ASSETS**

Description	PARENT COMPANY				CONSOLIDATED			
	2009		2008		2009		2008	
	Cost	Amortization	Residual Value	Residual Value	Cost	Amortization	Residual Value	Residual Value
Softwares	34,703	(16,101)	<b>18,602</b>	<b>1,497</b>	35,030	(16,316)	<b>18,714</b>	<b>1,558</b>
Trademarks, patents and others	2,178	-	<b>2,178</b>	<b>65</b>	2,182	-	<b>2,182</b>	<b>87</b>
Goodwill on Future Profitability (*)	-	-	-	-	22,154	-	<b>22,154</b>	-
<b>TOTAL</b>	<b>36,881</b>	<b>(16,101)</b>	<b>20,780</b>	<b>1,562</b>	<b>59,366</b>	<b>(16,316)</b>	<b>43,050</b>	<b>1,645</b>

(\*) Goodwill by expectation of future profitability upon the acquisition of the subsidiary Cerâmica Monte Carlo.



## NOTE 13 – LOANS AND FINANCING

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

Loans and financing have the following characteristics:

Type	Charges	Amortization	Guarantees	2009		2008	
				Current	Non-Current	Current	Non-Current
BNDES	TJLP + 2,4% p.a.	Monthly and quarterly	Surety – Itaúsa	43.064	285.832	-	-
BNDES	TJLP + 2,6%	Monthly and quarterly	Guarantee – Ligna	26.584	142.416	2.653	124.716
FINAME	TJLP + 2,1% p.a.	Monthly	Statutory Lien and PN	664	1.306	-	-
Industrial Credit	10,3% p.a.	December 2010	Surety – Duratex Coml. Exp. S.A.	130.105	-	-	-
Industrial Credit	95,4 % of CDI	April 2010		47.574	-	-	-
Industrial Credit	CDI + 0,80 p.a./selic + 2% p.a	Up to December 2011	Surety – Ligna	7.933	12.389	1.369	1.472
Bank Credit/Export.	107,7 % of CDI	Up to October 2012		12.628	13.920	11.034	22.351
FUNDIEST	30 % of IGP-M p.m.	Up to December 2019	Guarantee – Ligna		108.793		95.951
PROIM/PROINVEST/ PRO FLOR.	IGP-M + 4% p.a./PCA + 6% p.a	Up to January 2018	Guarantee – Ligna and Mortgage	6.675	50.917	5.231	56.572
Discount NPR	6,75% p.a	Up to April 2010	Guarantee	10.000		-	-
Financial Leasing	CDI + 1,6% p.a	Up to September 2011	Promissory Note	376	287	14.746	371
<b>LOCAL CURRENCY</b>				<b>285.603</b>	<b>615.860</b>	<b>35.033</b>	<b>301.433</b>
BNDES	Currency Basket + 2,2% p.a.	Monthly and quarterly	Surety – Itaúsa	4.738	31.859	-	-
BNDES	Currency Basket + 2,4% p.a.	Monthly and quarterly	Guarantee – Ligna	2.720	16.536	290	20.578
		Up to September 2012					
Resolution 2770	US\$ + 6,4% p.a			106.938	27.859	-	-
Resolution 2770	Libor + 2% p.a	Up to March 2014	Surety – Ligna Mortgage and Lien	21.453	10.627	16.694	35.436
Resolution 2770	JPY + 1,6 % p.a.	August 2010		129.276		-	-
Import financing	<b>Libor + 1,1% p.a/Euribor + 0,6% p.a</b>	Up to March 2012	Surety – Ligna and Notes	1.892	4.346	5.981	4.848
<b>FOREIGN CURRENCY</b>				<b>267.017</b>	<b>91.227</b>	<b>22.965</b>	<b>60.862</b>
<b>TOTAL PARENT COMPANY DURATEX SA</b>				<b>552.620</b>	<b>707.087</b>	<b>57.998</b>	<b>362.295</b>
Rural Credit Notes	10% p.a	October 2011	Surety – Duratex	1.898	100.000	-	-
FINAME	TJLP + 4,0% p.a.	Monthly	Statutory Lien and PN	66		-	-
FUNDAP	1% p.a	Monthly	Surety – Duratex Coml. Exp. SA	3.235		-	-
<b>MOEDA NACIONAL</b>				<b>5.199</b>	<b>100.000</b>	<b>-</b>	<b>-</b>
A.C.C.	US\$ + 4,7% p.a.	Up to December 2010	-	24.806		-	-
Import Financing	US\$ + 3,1% p.a.	Up to May 2010	Surety – Duratex S.A	19.171		-	-
<b>FOREIGN CURRENCY</b>				<b>43.977</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL SUBSIDIARIES</b>				<b>49.176</b>	<b>100.000</b>	<b>-</b>	<b>-</b>
<b>TOTAL CONSOLIDATED</b>				<b>601.796</b>	<b>807.087</b>	<b>57.998</b>	<b>362.295</b>

Sureties for Duratex S.A. loans were provided by Itaúsa S.A. in the amount of R\$365,493 , by Companhia Ligna de Investimentos in the amount of R\$413,281 and by Duratex Comercial Exportadora S.A. in the amount of R\$130,105. In the case of loans and financing raised by the subsidiaries, the sureties were granted by Duratex S.A. in the amount of R\$121,069 and by Duratex Comercial Exportadora S.A. in the amount of R\$3,235.

In addition, at December 31, 2009, the sureties granted by the Company to the financial institutions amounted to R\$2,386 (R\$24,471 at December 31, 2008) related to Sales financing operations – “vendedor”, and the sureties granted to Companhia Ligna de Investimentos amounted to R\$18,858 at December 31, 2008, related to long-term working capital operation.

**To obtain loans and financing the following commitments were assumed:**

- a) The financing contracts with BNDES related to the MDF plants of Uberaba and MDP of Taquari are subject to covenants in accordance with the usual market practices, that establish, further to certain usual obligations, among them of presenting operation licenses, to adopt measure and actions to avoid or correct damages to the environment, measures for the security and labor medicine, that the maintenance of the coverage limit of net debt through the relation of net bank debt/EBITDA is not above 3.5, and the relation of gross debt/gross debt plus net equity is not above 0.75 in the financing contract of MDF plant. In the financing contract of Taquari MDP plant the maintenance of covenants is based on the consolidated balance sheet of the company Ligna de Investimentos.
- b) The financing contracts with BNDES related to the HDF plants of Botucatu, MDFII of Agudos, Resina Industriais de Agudos, Louças de Jundiaí, Deca Metais de São Paulo e de Jundiaí and Forest area, are subject to covenants in accordance with the usual market practices, that establish, further to certain usual obligations, to maintain, during the contract effectiveness, the indices of the audited balance sheet (i) Current liquidity: equal or higher than 1.50 (ii) EBITDA/Net Operating Revenue: equal or higher than 0.20; and (iii) Net Equity/Total Assets: equal or higher than 0.45.

**LONG-TERM MATURITIES**

2009

Year	PARENT COMPANY			CONSOLIDATED		
	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total
2011	102,393	15,638	118,031	202,393	15,638	218,031
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	8,716	107,608	98,892	8,716	107,608
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
<b>Total</b>	<b>615,860</b>	<b>91,227</b>	<b>707,087</b>	<b>715,860</b>	<b>91,227</b>	<b>807,087</b>

## 2008

Year	PARENT COMPANY			CONSOLIDATED		
	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total
2010	38,661	15,484	54,145	38,661	15,484	54,145
2011	40,661	20,726	61,387	40,661	20,726	61,387
2012	49,201	7,855	57,056	49,201	7,855	57,056
2013	33,859	6,885	40,744	33,859	6,885	40,744
2014	43,323	6,423	49,746	43,323	6,423	49,746
2015	41,411	3,391	44,802	41,411	3,391	44,802
2016	16,509	98	16,607	16,509	98	16,607
2017	17,472	-	17,472	17,472	-	17,472
2018	20,336	-	20,336	20,336	-	20,336
Other	-	-	-	-	-	-
<b>Total</b>	<b>301,433</b>	<b>60,862</b>	<b>362,295</b>	<b>301,433</b>	<b>60,862</b>	<b>362,295</b>

**NOTE 14 – INCOME TAX AND SOCIAL CONTRIBUTION****(a) Reconciliation of income tax and social contribution**

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

	PARENT COMPANY		CONSOLIDATED	
	2009	2008	2009	2008
<b>Income before income tax, social contribution and profit sharing</b>	<b>106,886</b>	<b>100,229</b>	<b>114,096</b>	<b>99,434</b>
<b>Income Tax and Social Contribution on net income at rates of 25% and 9% respectively</b>	(36,341)	(34,078)	(38,793)	(33,808)
Income tax and social contribution on additions and exclusions to the result:				
Foreign investments	-	-	(1,574)	-
Interest on own capital – paid	22,482	8,292	22,482	8,292
Equity in the results	21,223	3,469	-	-
Other additions and exclusions, net	(403)	1,522	18,936	5,725
<b>Income Tax and Social Contribution on net income for the period</b>	<b>6,961</b>	<b>(20,795)</b>	<b>1,051</b>	<b>(19,791)</b>

**(b) Tax credits arising from temporary differences**

	PARENT COMPANY		CONSOLIDATED	
	2009	2008	2009	2008
<b>Income tax and social contribution losses</b>	<b>3,127</b>	<b>-</b>	<b>3,892</b>	<b>-</b>
<b>Temporarily non deductible provisions</b>	<b>55,642</b>	<b>7,754</b>	<b>68,643</b>	<b>7,754</b>
Provisions for sundry labor charges	10,534	968	11,850	968
Tax Provisions	23,817	-	31,008	-
Provisions for losses on inventories	1,758	1,012	2,142	1,012
Allowance for doubtful accounts	2,629	2,944	2,849	2,944
Provision for losses on investments	916	492	916	492
Provision for adjustment of assets to the market	7,449	-	7,454	-
Provision for commissions payable	1,117	-	1,292	-
Sundry provisions	7,422	2,338	11,132	2,338
<b>Unsettled Exchange variations – cash basis</b>	<b>-</b>	<b>7,403</b>	<b>-</b>	<b>7,403</b>
<b>SWAP result (cash x accrual basis)</b>	<b>28,912</b>	<b>-</b>	<b>28,912</b>	<b>-</b>
<b>Amortized goodwill</b>	<b>-</b>	<b>1,719</b>	<b>-</b>	<b>1,719</b>
<b>Total tax credits (*)</b>	<b>87,681</b>	<b>16,876</b>	<b>101,447</b>	<b>16,876</b>
<b>Tax Liabilities (**)</b>	<b>(54,263)</b>	<b>(35,108)</b>	<b>(67,748)</b>	<b>(48,644)</b>
Income tax and social contribution on revaluation reserve	(30,025)	(25,048)	(39,204)	(38,584)
Income tax and social contribution on adjustment to present value of financing	(12,345)	(10,060)	(12,345)	(10,060)
Income tax and social contribution on SWAP result (cash x accrual basis)	-	-	(85)	-
Income tax and social contribution on depreciation (25% credit of Social contribution)	(4,565)	-	(8,786)	-
Income tax and social contribution on unsettled exchange rate variations – cash basis	(7,328)	-	(7,328)	-

(\*) These amounts are recorded as short- and long-term tax credits, in "deferred income tax and social contributions", in Note 8.

(\*\*) These amounts are recorded as Other long term accounts payable.

**NOTE 15 – CONTINGENCIES**

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

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

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

## a. Analysis

Lawsuits	PARENT COMPANY		CONSOLIDATED	
	2009	2008	2009	2008
Tax	97,431	5,176	152,613	5,176
Labor	6,555	-	8,666	107
Civil	3,807	84	3,807	84
<b>Total</b>	<b>107,793</b>	<b>5,260</b>	<b>165,086</b>	<b>5,367</b>

## b. Changes

### PARENT COMPANY

Description	Tax		Labor		Civil		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
<b>Opening balance at January, 1<sup>st</sup></b>	<b>5,763</b>	<b>5,354</b>	<b>461</b>	<b>420</b>	<b>84</b>	<b>126</b>	<b>6,308</b>	<b>5,900</b>
Merger of Duratex	<b>84,856</b>	-	<b>6,477</b>	-	<b>5,151</b>	-	<b>96,484</b>	-
Monetary restatement and interest	2,334	409	1,721	-	366	-	4,421	409
Appropriation	54,135	-	1,316	168	-	12	55,451	180
Reversal	(24,664)	-	(456)	-	(13)	-	(25,133)	-
Payments	(13,709)	-	(2,190)	(127)	(31)	(54)	(15,930)	(181)
<b>Closing balance at December 31</b>	<b>108,715</b>	<b>5,763</b>	<b>7,329</b>	<b>461</b>	<b>5,557</b>	<b>84</b>	<b>121,601</b>	<b>6,308</b>
Judicial deposits	(11,284)	(587)	(774)	(461)	(1,750)	-	(13,808)	(1,048)
<b>Closing balance at December 31</b>	<b>97,431</b>	<b>5,176</b>	<b>6,555</b>	<b>-</b>	<b>3,807</b>	<b>84</b>	<b>107,793</b>	<b>5,260</b>

### CONSOLIDATED

Description	Tax		Labor		Civil		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
<b>Opening balance at January, 1<sup>st</sup></b>	<b>5,763</b>	<b>5,354</b>	<b>784</b>	<b>588</b>	<b>84</b>	<b>126</b>	<b>6,631</b>	<b>6,068</b>
Merger of Duratex	<b>137,020</b>	-	<b>8,073</b>	-	<b>5,151</b>	-	<b>150,244</b>	-
Monetary restatement and interest	3,609	409	2,291	-	366	-	6,266	409
Appropriation	63,733	-	1,488	355	-	12	65,221	367
Reversal	(25,530)	-	(456)	-	(13)	-	(25,999)	-
Payments	(17,406)	-	(2,353)	(159)	(31)	(54)	(19,790)	(213)
<b>Closing balance at December 31</b>	<b>167,189</b>	<b>5,763</b>	<b>9,827</b>	<b>784</b>	<b>5,557</b>	<b>84</b>	<b>182,573</b>	<b>6,631</b>
Judicial deposits	(14,576)	(587)	(1,161)	(677)	(1,750)	-	(17,487)	(1,264)
<b>Closing balance at December 31</b>	<b>152,613</b>	<b>5,176</b>	<b>8,666</b>	<b>107</b>	<b>3,807</b>	<b>84</b>	<b>165,086</b>	<b>5,367</b>

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

### **Summer Plan (“Plano Verão”)**

Refers to a legal measure aimed at obtaining the recognition of the right to monetarily restate the balance sheet for 1989 through the full application of the Consumer Price Index (IPC) (gross rate) of 70.28%, thus avoiding the distortions caused by the non-recognition of inflation on the Company’s balance sheet and, consequently, on taxation of results. The Company obtained an injunction recognizing its right to restate the balance sheet at the rate of 42.72%. Although the Company is still awaiting the decision of the Federal Regional Court (TRF), after the injunction was obtained, it started to offset these tax credits within the limits established by the decision of the first instance court. At December 31, 2009, the Company maintained a provision of R\$45,733 for the offsets made against income tax and social contribution on net income.

### **PIS – Semi-annual basis**

Refers to a declaratory action aimed at recognizing the right to pay PIS under the terms of Supplementary Law No. 7/70. Such action was deemed valid and was finally ruled in 1997, which is the reason that led the Company to offset the amounts related to the credits estimated in accordance with an internal procedure. However, the Company has been discussing, at the judicial level, the suspension of the time limit for the offset of credits, which is also subject to approval by the tax authorities. In view of this discussion, the Company is provisioning the income tax, social contribution, IPI, PIS and COFINS amounts already offset, which total R\$54,963.

Furthermore, the Company and its subsidiaries are parties to other tax, labor and civil lawsuits, amounting to R\$21,497 and, since an unfavorable outcome is regarded only possible by the legal advisors, no provisions are being recorded for them.

### **Program for the Payment or Payment in Installments of Federal Taxes – Law No. 11941/09**

The Company and its subsidiaries applied for the Program for the Payment or Payment in Installments of Federal Taxes, enacted by Law No. 11941/09. The program includes debts managed by the Brazilian Federal Revenue and by the General Attorney of the National Treasury overdue up to November 30, 2008. The main thesis inserted into the program are:

- Labor Accident Insurance (SAT) in which is discussed the classification by establishment and not by the Company, with the salaries of headquarter management taxed at the rate of 1%; and
- Use of IPI credit upon the acquisition of inputs and packaging with zero rate or not taxed.

The net effect on the result corresponded to an expense of R\$487 recorded in Other operating results. Based on this Law, the Company Management decided for the payment at sight for the Labor Accident Insurance (SAT) and in 12 installments of IPI Credit on the acquisition of inputs and packaging not taxed.

As a consequence of the enrollment in REFIS, the Company must pay the installments without any delay, as well as waive its legal claims and any plea of rights on which these lawsuits are based, subject to immediate rescission of the installment program and, consequently, loss of the aforementioned benefits.

### c. Contingent assets

The Company and its subsidiaries are discussing, at the judicial level, the reimbursement of taxes and contributions, and a favorable outcome is regarded as probable in the opinion of legal advisors, as follows:

IPI credit premium from 1980 to 1985	81,903
Reimbursement of Income tax on net income (ILL) paid on 89-92	6,600
Labor accident insurance (SAT) from 1975 to 1978 and of Oct 1989	2,959
PIS calculation basis	8,002
PIS and COFINS – Manaus Free Trade Zone	1,271
PIS and COFINS – Remittance of commissions on foreign sales	1,205
Other	1,802
<b>Total</b>	<b>103,742</b>

The Company and its subsidiaries do not record such contingent assets, according to the accounting practices adopted in Brazil.

### NOTE 16 – RURAL LEASING

Rural leasing contract signed by its subsidiary Duraflora S.A. with Ligna Florestal Ltda. (subsidiary of Ligna de Investimentos), related to the plots of land, in Minas Gerais and Rio Grande do Sul, in which forests are located. The monthly charges related to this leasing amount to R\$1,156. Said contract falls due in July 2036, and may be automatically renewed for 15 years more, and will be annually readjusted by the variation of the average price practiced by the Company in the sale of MDP panels.

The minimum future payments are as follows:

<b>2010</b>	<b>13,876</b>
<b>2011 to 2015</b>	<b>69,379</b>
<b>2016 onwards</b>	<b>284,455</b>
<b>Total</b>	<b>367,710</b>

Furthermore, in compliance with CPC 06 – Leasing Operations requirements, the subsidiary Duraflora S.A. records the effects arising from the standardization of costs in its rural leasing contracts.

### NOTE 17 – SHAREHOLDERS' EQUITY

#### a. Capital

Duratex S.A.'s authorized capital comprises 920,000,000 (nine hundred and twenty million) shares. Fully paid up capital amounts to R\$1,288,085 comprising 458,362,776 common, nominative shares with no par value.

## b. Treasury shares

The Company has common shares in treasury as follows:

	NUMBER		PRICE			
	2009	2008	Minimum	Maximum	Weighted Average	Last Quotation
Common	463,200	463,200	3.43	9.70	4.70	16.20

Based on the most recent market quotation on December 31, 2009, the value of treasury shares is R\$7,504 (R\$1,737 at December 31, 2008).

## c. Shareholders' equity reserves

Shareholders' equity reserves are as follows:

	PARENT COMPANY		CONSOLIDATED	
	2009	2008	2009	2008
<b>Capital Reserves</b>	<b>295,753</b>	<b>50,347</b>	<b>295,753</b>	<b>50,347</b>
Premium on subscription of shares	218,720	50,234	218,720	50,234
Fiscal Incentives	13,705	113	13,705	113
Prior to Law No. 6.404	18,426	-	18,426	-
Options Granted	52,966	-	52,966	-
Options Granted to be appropriated	(8,064)	-	(8,064)	-
<b>Revaluation reserves</b>	<b>153,747</b>	<b>57,293</b>	<b>153,747</b>	<b>57,293</b>
<b>Revenue Reserves</b>	<b>650,089</b>	<b>78,985</b>	<b>650,089</b>	<b>78,985</b>
Reserve for investments	-	72,769	-	72,769
Legal	61,114	6,216	61,114	6,216
Special Statutory	588,975	-	588,975	-
<b>Treasury Shares</b>	<b>(2,177)</b>	<b>(2,177)</b>	<b>(2,177)</b>	<b>(2,177)</b>
<b>Cumulative Translation Adjustments</b>	<b>(5,740)</b>	<b>-</b>	<b>(5,740)</b>	<b>-</b>

According to the Company By-Laws the balance for Statutory Reserve will be used for: (i) Dividends Equalization Reserve, (ii) Reserve for Increase of Working Capital and (iii) Reserve for Capital Increase of Investees.

The amounts related to Options Granted, in Capital Reserves, refer to the recognition of the fair value of the options at the date of granting.

The cumulative translation adjustments refer to the effects arising from exchange variation on the investments in foreign indirect subsidiaries and the exchange variation of debts in foreign currency used as hedges of these investments.



#### d. Dividends

The Company's by-laws assure stockholders of a minimum mandatory dividend corresponding to 30% of adjusted net income. According to the meeting held on December 18, 2009 the Board of Directors decided to credit, to stockholders, interest on own capital, attributed as dividends, in the amount of R\$0.076440 per share totaling R\$35,001. In addition, Management has provided interest on own capital attributed as dividends the amount of R\$1,063 totaling R\$36,065 in the year. Both payments shall be done from March 5, 2010.

The dividends at December 31, 2009 were calculated as follows:

Net income for the year	97,904
(-) Legal Reserve	(4,895)
(+) Realization of revaluation reserve	9,176
Adjusted net income	102,185
Mandatory minimum dividend (30%)	30,655
<b>Dividends declared for the year</b>	
Interest on own capital	36,065
(-) Income tax	(5,410)
<b>Net Remuneration</b>	<b>30,655</b>

#### NOTE 18 – INSURANCE COVERAGE

At December 31, 2009, the Company and its subsidiaries had insurance coverage against fire and sundry risks for property, plant and equipment and inventories in the amount of R\$2,209 million.

#### NOTE 19 – FINANCIAL INSTRUMENTS

The Company and its subsidiaries are exposed to market risks related to oscillation of interest rates, exchange rates and credit variations. The Company has policies and procedures to manage these situations and may use hedge instruments to decrease the impacts of these risks. Such policies and procedures include the monitoring of the exposure level to each market risk, besides establishing limits for the related decision taking. All the hedge instruments utilized by the Company aim at protecting its debts and investments.

##### a. Identification and valuation of financial instruments

The Company utilizes several financial instruments, especially cash and cash equivalents, financial investments, trade notes receivable, accounts payable to suppliers and loans and financing. In addition, the Company also utilizes derivative financial instruments, especially swap transactions.

##### b. Liquidity risk

This is the risk of the Company not having sufficient net resources to honor its financial commitments, due to the mismatching of term or volume between the receipts and payments.

To manage the liquidity in local and foreign currency, disbursement assumptions and future receipts are established monitored daily by Treasury.

### c. Credit risks

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

As regards its financial investments and other investments, the Company policy is to work with first-rate institutions and not have investments concentrated in a single economic group.

### d. Interest rate risk

This is the risk of the Company having economic losses due to adverse changes in these rates. This risk is continuously monitored with the objective of evaluating the possible need to contract derivative transactions to protect against their volatility.

### e. Exchange rate risk

This risk corresponds to the reduction in the value of the Company's assets or the increase in its liabilities due to changes in the exchange rate. The Company maintains a risk policy that establishes the amount in foreign currency to which it may be exposed to variations in relation to the local currency, with the objective that the exchange rate variations do not significantly affect the Company results.

As part of the policy for risk management, the Company periodically monitors its net exposure in foreign currency ("natural hedge") and contracts hedge instruments to protect a substantial part of its currency exposure.

**TABLE OF TRANSACTIONS IN FOREIGN CURRENCY SUBJECT TO EXCHANGE RATE VARIATION**

Amounts in thousands of R\$

<b>ASSETS IN FOREIGN CURRENCY</b>		<b>LIABILITIES IN FOREIGN CURRENCY</b>	
Imports in transit	17,069	BNDES	55,853
Foreign trade accounts receivable	19,520	Resolution 2770	218,574
Duratex Overseas	16,009	Import financing	25,409
SWAP/NDF/YEN/US\$/EUR x CDI	242,957	Advance on exchange contracts	24,806
		Suppliers	16,529
<b>TOTAL ASSETS + FINANCIAL INSTRUMENTS</b>	<b>295,555</b>	<b>TOTAL LIABILITIES</b>	<b>341,171</b>
<b>FOREIGN EXCHANGE COVERAGE (EXPOSURE)</b>	<b>(45,616)</b>		

## I – TRANSACTIONS WITH DERIVATIVES

In the transactions with derivatives there are no verifications, monthly settlements or margin calls, and the contract is settled upon maturity, being recorded at fair value, considering the market conditions, as regards terms and interest rates.

At December 31, 2009 the outstanding contracts are as follows:

#### 1 – SWAP US\$ vs CDI Contracts

The Company has ten contracts of this modality, the added notional value of which is US\$67,196,000 with different maturities up to April 10, 2014, with an asset position (call) in US dollar and liability position (put) in CDI.

The Company contracted these transactions with the objective of changing debts in US dollars to debts indexed to CDI.

#### 2 – Swap contract YEN vs CDI

The Company has one contract of this modality, the notional value of which is R\$100,000 falling due on August 13, 2010, with an asset position (call) in Japanese yen and liability position (put) in CDI.

The Company contracted this transaction with the objective of changing a debt in Japanese yen to a debt indexed to CDI.

#### 3 – Swap CDI contract vs CDI

The Company has one contract of this modality, the notional value of which is R\$3,000 falling due on April 14, 2010, not presenting any risks of interest rates.

#### 4 – Fixed Swap contract vs CDI

The Company has one contract of this modality the added notional value of which is R\$230,000 with last maturity at November 10, 2011 with a pre fixed asset position (call) and liability position (put) in CDI.

The Company contracted this transaction with the objective of changing a debt in pre fixed interest rate to a debt indexed to CDI.

## II – CALCULATION OF FAIR VALUE OF THE POSITIONS

The fair value of the financial instruments was calculated using the pricing made through the present value estimated in an independent manner for both the asset and liability positions, such that the difference between them represents the market value of the swap.

TABLE OF CONSOLIDATED POSITION OF DERIVATIVE FINANCIAL INSTRUMENTS  
Amounts In Thousands R\$

Description	Reference Value (notional)		Fair Value		Amount receivable/received	Amount payable/paid
	2009	2008	2009	2008		
<b>I. Swap Contract</b>						
<b>Call Position</b>						
Rates (TR)	-	-	-	-	-	-
Index (CDI)	3,010	-	3,010	-	5	-
Foreign Currency	244,896	31,336	243,574	(12,578)	-	-
Fixed	230,000	-	229,140	-	-	-
<b>Put Position</b>						
Index (CDI)	(477,906)	(31,336)	(560,540)	(13,973)	-	(84,822)

The losses on the instruments listed in the table were offset against gains in interest and foreign currency positions, assets and liabilities, the effects of which are already expressed in the financial statements.

The balance of derivatives is recorded in assets and liabilities (short and long term accounts payable and receivable) with a contra-entry to financial result.

### Sensitivity Analysis

The table below presents the sensitivity analysis of the financial instruments, which describes the risks that may generate significant losses for the Company, with one Probable Scenario (Base Scenario) and two more scenarios in accordance with CVM Instruction No. 475/08, to describe the 25% and 50% deterioration of the risk variable.

For the rates of risk variables used in the Probable Scenario, the BMF&BOVESPA/Bloomberg quotations were used for the related maturity dates.

**TABLE OF SENSIVITY ANALYSIS**  
**AMOUNTS IN THOUSANDS R\$**

<b>Risk</b>	<b>Instrument/Operation</b>	<b>Description</b>	<b>Probable Scenario</b>	<b>Probable Scenario</b>	<b>Remote Scenario</b>
<b>Interest Rate</b>	SWAP – PRÉ/CDI (Banco Brasil)	CDI Increase	(888)	(9,166)	(17,530)
	Net Effect		(888)	(9,166)	(17,530)
<b>Exchange Rate</b>	SWAP – US\$ / CDI (Res.2770I)	Decrease US\$	(5,207)	(29,364)	(61,357)
	Object hedged by foreign currency loan (US\$)	(Increase US\$)	5,207	29,364	61,357
	Net Effect		0	0	0
<b>Exchange Rate</b>	SWAP – JPY/CDI (Res.2770)	Decrease Yen	6,090	(25,601)	(57,292)
	Object hedged by foreign currency loan (Yen)	(Increase Yen)	(6,090)	25,601	57,292
	Net Effect		0	0	0
<b>Exchange Rate</b>	SWAP – US\$/R\$ (FININP)	Decrease US\$	(662)	(6,372)	(12,081)
	Object hedged by foreign currency loan (US\$)	(Increase US\$)	1,427	6,938	12,448
	Net Effect		765	566	367
<b>TOTAL</b>			<b>(123)</b>	<b>(8,600)</b>	<b>(17,163)</b>

The sensitivity analysis presented above considers changes relating to the variances of risks assumed, maintaining unchanged all other variables.

### NOTE 20 – PRIVATE PENSION PLAN

The Company and its subsidiaries are the sponsors of Fundação Itaúsa Industrial, a not-for-profit entity whose by-laws were approved by Ordinance No. 144/2004 of the Social Security Ministry (MPAS), and the purpose of which is to manage private pension plans for the concession of bonus benefits or supplementary income or benefits similar to those of Social Security. Fundação Itaúsa manages a Defined Benefit Plan and a Defined Contribution Plan.

#### a. Defined benefit plan

The main purpose of this plan is to provide a lifetime monthly income, in order to supplement benefits paid by the government social security system, in accordance with its by-laws. This plan is being phased out and accepts no new participants.

The plan comprises the following benefits: supplementation of the retirement pension, based on years of service, special situations, old age, disability, lifetime monthly income, retirement premium and death benefit.

As required by CVM Resolution No. 371, following the combination of the plans, the independent actuary, Towers Watson, calculated that Fundação Itaúsa Industrial had an overall actuarial surplus of R\$62,273 at December 31, 2009 (December 2008 – R\$42,389), under the projected unit credit method.

The defined benefit plan funding status is as follows, after combination of the plans:

		dec/09	dec/08
<b>Retirement Plan</b>	Current value of the actuarial liability	56,203	62,705
	Fair value of the plan assets	118,476	105,094
	<b>Surplus coverage</b>	<b>62,273</b>	<b>42,389</b>
		<b>2010</b>	<b>2009</b>
<b>Annual estimated actuarial gains</b>	Net cost of current service	(78)	(118)
	Interest on actuarial liability	(5,700)	(5,523)
	Earnings expected on the plan assets	13,451	11,288
	<b>Actuarial gain</b>	<b>7,673</b>	<b>5,647</b>
		<b>2009</b>	<b>2008</b>
<b>Economic assumptions</b>	Discount rate	10.66% <sup>a.a.</sup>	9.20% <sup>a.a.</sup>
	Investment return rate	11.62% <sup>a.a.</sup>	11.02% <sup>a.a.</sup>
	Salary increase	7.12% <sup>a.a.</sup>	7.12% <sup>a.a.</sup>
	Benefits adjustment	4.00% <sup>a.a.</sup>	4.00% <sup>a.a.</sup>
	Inflation	4.00% <sup>a.a.</sup>	4.00% <sup>a.a.</sup>
	Capacity factor		
	- Salaries	100.00%	100.00%
- Benefits	100.00%	100.00%	
		<b>dec/09</b>	<b>dec/08</b>
<b>Demographic assumptions</b>	Mortality table	AT-2000	AT-2000
	Mortality table of disabled persons	RRB-1983	RRB-983
	Inception of disability table	RRB-1944	RRB-944

#### Actuarial surplus

The actuarial surplus of the Defined Benefit Plan is primarily attributable to the appreciation of assets above the actuarial target, as well as the employee turnover of the sponsors. Such surplus is being used to offset the sponsors' contributions.

The present value of the Plan's future costs, calculated on the projected unit credit (PUC) methods, totals R\$755 (December 2008 – R\$1,135) for all Duratex companies in December 31, 2009.

**b. Defined Contribution Plan – CD-PAI**

This plan is offered to all employees and had 5,161 participants at December 31, 2009 (December 31, 2008 – 5,139).

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

**Pension Plan Fund (“Fundo Programa Previdencial”)**

The contributions of the sponsors which remained in the plan as a result of redemption or early retirement of participants were used to form the “Fundo Programa Previdencial”. In accordance with its rules, these resources are used to offset the sponsors' contributions.

The present value of regular future contributions to the Plan calculated on the PUC method totals R\$24,522 at December 31, 2009 (December 2008 – R\$26,444).

**NOTE 21 – STOCK OPTION PLAN**

As provided for in the by-laws, the Company has established a plan to grant stock options with the purpose of integrating executives into the Company's medium and long-term development process, and providing to such officers an opportunity to partake in the value that their work and dedication has added to the Company's stock.

The options will grant to their owners the right to, bearing in mind the conditions established in the Plan, subscribe common shares of Duratex authorized capital.

The operating regulations and procedures related to the Plan will be proposed by a committee to be designated by the Company Board of Directors, Personnel Committee. This committee will periodically submit to the Board of Directors approval proposals related to the Plan application.

Stock options may be granted only in years with sufficient profit so as to permit the distribution of the mandatory dividend to the stockholders and in an amount that does not exceed the limit of 0.5% of total shares owned by the stockholders at the balance sheet date.

The option price, to be paid to Duratex, will be determined by the Personnel Committee upon the option grant. The option price is calculated taking as a basis a minimum of five and a maximum of 90 trading sessions prior to the date of the options issue, with a 30% upward or downward adjustment.

This price is readjusted up to the month prior to the option exercise by the IGP-M or, if not available, by another index determined by the Personnel Committee.

## Assumptions and calculation of fair value of the options granted

The amounts related to Options granted were calculated in Duratex before Satipel merger.

### Assumptions

	2006	2007	2008	2009
Total stock options granted	2,659,180	2,787,050	2,678,901	2,517,951
Exercise price at the grant date	11.16	11.82	15.34	9.86
Fair value at the grant date	9.79	8.88	7.26	3.98
Deadline for the exercise	10 years	10 years	10 years	8 years
Vesting period	1.5 years	1.5 years	1.5 years	3 years

The Company recognizes, in the result, during the period of services rendering (vesting period), the cost of the remuneration to the executives based on the fair value of the options at the grant date, using the binomial model for pricing the options at fair value.

To determine this amount the following assumptions were used:

	2006	2007	2008	2009
Volatility of the stock price	34.80%	36.60%	36.60%	46.20%
Dividend Yield	2.00%	2.00%	2.00%	2.00%
Risk-free return rate <sup>(1)</sup> – %	8.90%	7.60%	7.20%	6.20%
Effective exercise rate – %	96.63%	96.63%	96.63%	96.63%

(1) IGP-M

The Company makes the settlement of this benefit plan by delivering shares of its own emission, which are kept in treasury until the effective option exercise by the executives.

### Statement of value and appropriation of granted options

Grant Date	Number Granted	Maturity	Deadline for Exercise	Grant Price	Balance to be exercised		Option Price	Total Value	Period of Accrual			Other Periods
					dec/08	dec/09			2007	2008	2009	
03/30/2006	2,659,180	07/01/2007	to 12/31/2016	11.16	59,799	59,799	9.79	586	586	-	-	
01/31/2007	2,787,050	07/01/2008	to 12/31/2017	11.82	2,787,050	2,755,226	8.88	24,758	16,020	8,738		
02/13/2008	2,678,901	07/01/2009	to 12/31/2018	15.34	2,678,901	2,647,079	7.26	19,456		12,160	7,296 <sup>(3)</sup>	
06/30/2009	2,517,951	06/30/2012	to 12/31/2017	9.86		2,501,397	3.98	10,014			1,669 <sup>(4)</sup>	8,345
<b>Sum</b>	<b>10,643,082</b>				<b>5,525,750</b>	<b>7,963,501</b>		54,814	16,606	20,898	8,965	8,345
Effectiveness of the exercise								96.63%	96.63%	96.63%	96.63%	96.63%
Amount Accrued								52,966	16,046 <sup>(1)</sup>	20,193 <sup>(2)</sup>	8,663	8,064 <sup>(5)</sup>

(1) Amount recorded in retained earnings in transition balance sheet

(2) Amount recorded in results for 2008

(3) Amount recorded in results for 2009, in former Duratex S.A.

(4) Amount recorded in results for 2<sup>nd</sup> half of 2009.

(5) Amount to be recorded in the results up to 1<sup>st</sup> half of 2012.

At December 31, 2009 the Company had 463,200 shares, in Treasury, that may be used to meet the possible exercise of options.

**NOTE 22 – OTHER OPERATING RESULTS – CONSOLIDATED**

	<b>2009</b>	<b>2008</b>
Tax Contingencies	(40,783)	-
Provision for assets not in use	(14,762)	1,290
Rural Leasing and Standardization	(8,289)	(9,059)
Adjustment of financing to present value	7,458	7,697
<b>Total</b>	<b>(56,376)</b>	<b>(72)</b>





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