



annual report 2008





A tribute to Olavo Setúbal.

August 27, 2008 was marked by the inestimable loss of Dr. Olavo Egydio Setúbal, the president of Duratex's Board, as well as other companies in Grupo Itaúsa, and who was one of the company's originators and founders. Entrepreneur, businessman and a person of notable public success, Dr. Olavo left a legacy of a vast array of ethical principles and standards of conduct that he sought to implement throughout his life, and which contributed to the development of the companies in Grupo Itaúsa.

Dr. Olavo was already putting into practice the concepts of sustainability well before the current discussions about the issue began. One example was the decision to preserve the native vegetation on the Rio Claro farm in the interior of São Paulo state, since its acquisition in 1970, even with the possibility of it being used for economically profitable purposes. This area officially became a Private State Natural Heritage Reserve in 2008. In the business field, together with Renato Refinetti, Dr. Olavo founded Deca in 1947, which was later incorporated into Duratex, currently the largest manufacturer of industrialized wood panels in Brazil. In the 1950s, he went to work for Banco Federal de Crédito and, along with Dr. Eudoro Villela, restructured that institution turning it into the base that was used to set up Banco Itaú Holding Financeira, which has since become one of the largest financial conglomerates in the world. Itaútec was founded in 1979, and has been a pioneer in the automation of the banking sector in Brazil. During the 1990s, Grupo Itaúsa took over the management of Elekeiroz, making it one of largest producers of oxy-alcohols and plastificants in Latin America.

In his public life, Dr. Olavo Setúbal was a member of the National Monetary Council in 1974; led the local council of the city of São Paulo between 1975 and 1979; and was chancellor at the Ministry of Foreign Affairs between 1985 and 1986. His teachings are now found embedded in our culture, and inspire us to overcome the challenges we face.

HIGHLIGHTS

2008

Gross revenue totaled R\$2,554.8 million, **up 14.8%** compared with the previous year.

Innovation: 63 products were launched at different levels at the Wood Division, as well as the launch of the Duratex Moulding line with 9 products, and 19 new lines at the Deca Division.

Two manufacturers of vitreous chinaware were acquired: Cerâmica Monte Carlo, in Cabo de Santo Agostinho (PE), and Ideal Standard, with plants in Jundiaí (SP) and Queimados (RJ).

The **construction work at the new MDF panel unit** in Agudos (SP) was finalized and the equipment assembling works started up.

The **setting up of the new low-pressure coating line** and the new building construction works to expand the Metais Planidil plant in Jundiaí (SP) were both concluded.

Duratex preferred shares were included in the **Bovespa's Sustainability Index (ISE)**.

The **Olavo Egydio Setúbal Nature Reserve was officially** sanctioned by the government of São Paulo, as a Private State Natural Heritage Reserve.

An investment of R\$12.3 million was made in direct environmental actions, of particular note being the treatment of effluents, waste collection, and the maintenance of forest areas.

MAIN INDICATORS (GRI 2.8)

	2004	2005	2006	2007	2008	2008	CAGR(1)	igual
	Law 6,404	Law 6,404	Law 6,404	Law 6,404	Law 6,404	Law 11,638	Based on Law 6,404	Based on Law 11,638
						(3)		
Shipments								
Wood (in '000 m³)	1,050.8	1,040.4	1,218.5	1,275.9	1,292.3	=	5.3%	-
Deca (in '000 pieces)	13,747	12,825	13,981	15,041	17,563	=	6.3%	-
Results (R\$ million)								
Net Revenues	1,188.2	1,270.6	1,489.2	1,670.6	1,943.2	1,913.6	13.1%	12.7%
Domestic Market	950.6	1,065.7	1,265.6	1478.0	1,732.6	1,733.7	16.2%	-
Export Market	237.6	204.9	223.6	192.6	210.6	179.9	-	-
EBITDA (2)	320.6	362.6	458.1	558.1	560.4	559.4	15.0%	14.9%
Net Income	125.3	137.1	226.0	318.9	333.9	313.8	27.8%	25.8%
Earnings per Share (R\$)	1.06	1.16	1.78	2.46	2.57	2.42	24.8%	22.9%
Added Value	761.1	865.3	1,001.5	1,136.6	1,285.6	=	14.0%	-
Profitability								
Gross Margin	39.1%	41.5%	43.2%	45.0%	39.8%	40.2%	-	-
EBITDA Margin	27.0%	28.5%	30.8%	33.4%	28.8%	29.2%	-	-
Net Margin	10.5%	10.8%	15.2%	19.1%	17.2%	16.4%	-	-
Return on Equity (ROE)	13.1%	13.5%	18.3%	21.5%	20.4%	19.2%	-	-
Return on Invested Capital (ROIC)	10.6%	12.3%	15.9%	18.6%	14.3%	14.5%	-	-
Financial (R\$ million)								
Total Assets	1,806.9	1,941.7	2,375.2	2,750.5	3,372.9	3,373.4	16.9%	=
Equity Capital	990.4	1,050.9	1,395.8	1,557.1	1,733.1	1,732.2	15.0%	=
Total bank debt	517.7	591.0	618.2	670.7	1,084.4	1,084.4	20.3%	=
Net Debt / Equity Capital (%)	40.9%	33.6%	3.1%	-5.3%	28.5%	28.1%	-	-
Net Debt / EBITDA (x)	1.28	0.98	0.10	-0.15	0.87	0.87	-	-
Capital Expenditures	136.8	108.4	105.4	222.3	673.4	=	-	-
Dividends (R\$ million)								
Gross Dividends (Accrual method)	58.1	46.4	76.9	154.6	110.0	=	17.3%	=
Gross Dividends (cash)	29.1	52.7	51.8	149.1	107.3	=	38.6%	=
Dividend by accrual / net income (pay-out)	46.4%	33.8%	34.0%	48.5%	35.0%	=	-	-
Dividend-yield (4) (cash)	4.6%	3.6%	2.8%	3.5%	1.9%	=	-	-
Capital Markets								
Number of outstanding shares (in thousands)	117,827.2	117,827.2	128,125.8	129,695.4	129,695.4	=	-	-
Average trading volume of the most liquid share (PN in R\$ million)	1.5	1.3	8.2	27.2	18.3	=	86.9%	=
Price of the most liquid share at the end of the period (PN in R\$)	12.40	14.85	33.20	43.50	14.39	=	3.8%	=
Market value (capitalization) at the price of the most liquid share (PN in R\$ million)	1,461.0	1,749.7	4,253.2	5,641.7	1,866.3	=	6.3%	=
Book Value per share at the end of the period (R\$)	8.41	8.95	10.9	11.90	13.36	13.35	12.3%	12.2%
Operational								
Number of direct employees	5,951	5,890	6,076	6,785	7,886	=	-	-
Number of outsourced parties	132	149	161	114	149	=	-	-
Net revenue per employee (R\$ '000)	199.7	215.7	245.1	246.2	246.4	242.7	5.4%	5.0%
EBITDA per employee (R\$ '000)	53.9	61.6	75.4	82.3	71.1	70.9	7.2%	7.1%
Social								
Social Investment (R\$ million)	1.4	1.8	2.0	2.6	0.9	=	-	-
Employees trained	42,945	33,894	44,356	61,121	65,568	=	-	-
Environmental								
Environmental Investment	6.1	9.4	10.2	13.6	12.3	=	-	-
Consumption of water – Wood (m³/m³)	3.6	3.6	3.0	3.2	3.2	=	-	-
Consumption of water – Deca (l/piece)	13.9	14.7	15.7	15.7	11.9	=	-	-

(1) CAGR (Compounded Annual Growth Rate).

(2) EBITDA (earnings before interest, taxes, depreciation and amortization): an indicator of operating cash generation.

(3) Law nº 11,638 was passed in December 2007, defining changes in accounting standards for some events, as part of the process to migrate Brazilian to international practices.

For this reason, and with the aim of providing more transparency in the analysis, the main indicators are also available according to the previous standard (Law nº 6,404), and are thus comparable with previous financial periods, and the values based on the new Law. From now on, all the analysis contained in this report will be based on Law nº 11,638 for the results related to 2008, unless otherwise stated.

(4) Dividend yield: indicator of the cash dividend received during the year divided by the share price at the beginning of the period.

(GRI 4.8)

To maintain its business model focused on adding value in a sustainable manner in all areas of its operations, Duratex works according to principles that are available on its website: www.duratex.com.br and which are widely published on its Intranet and bulletin boards at all its plants and offices.

VISION

To be a world-class leader, operating with social and environmental responsibility in the reconstituted wood product and the bathroom fixtures and fittings 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 and partnerships with clients, suppliers, communities and employees, thus generating value throughout its production chain.

VALUES

Integrity – to behave in an ethical, fair, consistent and transparent manner, in all that the company thinks, says and does. **Human appreciation** – to promote conditions for the development of individual and collective skills and the training of successors. **Participation** – sharing values, experiences and ideas, encouraging cooperation, working as a team and respecting diversity. **Commitment** – to act with constant enthusiasm, reflecting the feeling of pride for the brand-name and in everything the company does. **Social and Environmental Responsibility** – to interact with the community and the environment in a balanced and supportive manner, stimulating and promoting social programs, reuse of resources and sustainable development.

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PROFILE

Brazil's market leader in the production of reconstituted wood panels, laminated floors and bathroom fixtures and fittings, Duratex S.A. has also been gaining in terms of its presence in the vitreous china segment. A private listed company, its shares have been traded on the São Paulo Stock Exchange since 1951. The company is also included in the Ibovespa, the index that reflects the performance of the most-traded shares on BM&FBovespa, and the IBRX50, comprising a portfolio of the 50 most-traded shares in the market. Duratex has also been included in the Bovespa's Level 1 corporate governance classification since 2005, and, in 2008, became a member of its Business Sustainability Index (ISE). (GRI 2.1; 2.6)

Soundness, innovation and leadership are concepts strongly associated with the company's way of doing business, along with the sophistication and beauty of its products, and their wide acceptance with its main consumers: the furniture industry and building sector. The company's products are sold nationwide as well as to various other countries, mainly in Europe, the U.S. and Central America. Duratex is controlled by Grupo Itaúsa – Investimento Itaú S.A., which also controls Banco Itaú Holding Financeira and the Elekeiroz companies, Itautec and Itaúsa Empreendimentos. (GRI 2.7)

Duratex operates in two business areas, the Wood and Deca divisions. The Wood Division produces reconstituted wood panels, such as hardboard, particle board (MDP), high, medium and super-density fiberboards (MDF, HDF and SDF), as well as laminated floors sold under the Durafloor brand name. The company has four industrial units in the State of São Paulo, in the cities of Agudos, Botucatu, Itapetininga and Jundiaí. All the wood used as a raw material for its production is supplied by its own forests, which total approximately 120,000 hectares. The company was the first to receive the Green Seal certification from the

Forest Stewardship Council (FSC) in 1995, which attests to the sustainability of its forest management practices, as well as being one of the first hundred to be awarded ISO 14001 certification for its system of environmental management. The company's Deca Division, by the end of 2008, had been operating for 61 years, manufacturing and selling products with the Hydra and Deca brand names, in metal and vitreous china, and their respective accessories. Along with Deca Piazza, in Argentina, Deca also has seven industrial units in Brazil: Metais São Paulo, in the state capital; Metais Planidil and Cerâmica II, located in Jundiaí, in the State of São Paulo; Cerâmica III, in São Leopoldo, Rio Grande do Sul; as well as new and strategic acquisitions made in the second semester of 2008. To better serve the markets in the north and northeast, Deca acquired Cerâmica Monte Carlo, a producer of vitreous china in the municipality of Cabo de Santo Agostinho (PE), and Ideal Standard, to expand its presence in the southeast, with plants in Jundiaí (SP) and Queimados (RJ). (GRI 2.2, 2.9)

Duratex's administrative main office is in the capital of São Paulo state, and the company has sales offices in most main Brazilian cities as well as abroad, in the U.S., Belgium and Argentina, through its subsidiaries Duratex North America, Duratex Europe and Deca Piazza. Vitreous china and metal bathroom fixtures and fittings are exported to approximately 35 countries, where they are sold in around 1.4 million points of sale. (GRI 2.3, 2.4, 2.5)

On December 31, 2008, Duratex had an active client portfolio of approximately 21,000 and 7,886 employees. The company's gross revenue totaled R\$1,913.6 million, net earnings of R\$313.8 million, and EBITDA R\$559.4 million, equivalent to an EBTIDA margin of 29.2%. The company's market value (capitalization) was R\$1.8 billion, obtained by multiplying the price of the most liquid share at the end of the year (PN) by the number of shares in circulation. (GRI 2.8)

MESSAGE FROM THE PRESIDENT

(GRI 1.1)

The year 2008 will be remembered as the last in a cycle of global economic expansion, fed by the wide availability of credit, which contributed to driving growth in the economies of several countries, including Brazil.

The reversal of this scenario was triggered by the real-estate subprime crisis in the U.S., which damaged the financial health of several global financial institutions, provoking a strong aversion to risk and a consequent generalized restriction in credit. These circumstances led to a deterioration in the main economic and consumer confidence indicators in several different countries, which required the governments of the same countries to adopt effective measures to contain the effects of the crisis. Various bail-out packages were introduced, of particular note being those directed at stabilizing the financial system and stimulating consumption. The practical effects of these measures have not been enough, so far, to reestablish normality in the markets, and the outlook, in the eyes of many analysts, is for a relatively long period of marked economic slowdown.

As a direct result of this scenario, there was a general flight by investors to safer assets, such as U.S. government bonds, leading to the devaluation of several currencies against the dollar. In Brazil, in particular, this movement caused significant volatility in the FX market, leading to a year-end US\$/R\$ in 2008 of R\$2.337 compared to R\$1.7713 at the end of 2007, which is equivalent to a depreciation of approximately 32% in the period. Despite the abrupt change in the scenario, our performance last year was satisfactory, mainly due to the robust level of demand, linked to the large number of real-estate projects previously launched; and the high level of employment, which led to an expansion in disposable consumer incomes, coupled with the availability of credit.

This scenario, together with our operational and financial discipline, allowed for the expansion of some activities, and we reported record gross revenue of R\$2,554.8 million, equivalent to an increase of 14.8% in relation to 2007. The operating result, as measured by EBITDA, was slightly better last year than in 2007, totaling R\$559.4 million. This performance was affected by the increase in important input costs, particularly those linked to the panel production process – such as electricity and resins.

With regard to our Capital Expenditures Plan (PAR), of note was the project to expand production capacity of MDF panels, which remained on schedule and which we estimate will be completed in April 2009. At the same site, the introduction of a new low-pressure coating line was successfully concluded, which operated at close to full capacity during the second semester and contributed to enriching our mix of panel shipments. Another significant factor was the acquisition of two competitors in the vitreous china segment: Ideal Standard do Brasil and Cerâmica Monte Carlo. These acquisitions led to a significant expansion in capacity at an extremely favorable moment.

However, the schedule for the second phase of expansion, announced in the first half of 2008, was delayed due to uncertainties about the economy over the next few years. As such, we opted to preserve our capital structure by reducing planned investment by approximately R\$1.0 billion, of which R\$450 million will be spent by the end of 2009.

We expanded our presence in increasingly competitive markets, mainly by introducing an innovative sales mix, with the launch of 63 products and different standards at the Wood Division. We also launched the Duratex Moulding line, which will contribute to increase sales and market share in the construction sector, and 19 new product lines at the Deca Division.

Corporate governance practices continue to be strengthened. All employees received training about the Code of Ethics and Conduct, which disseminated the importance of ethical behavior and transparent relationships with our strategic public audiences: employees, clients, shareholders, suppliers, partners, the capital market, competitors, public entities and society in general.

As well as being part of a select group of companies that adhere to the differentiated levels of Corporate Governance in the São Paulo Stock Exchange, our shares were also included in the Bovespa's Business Sustainability Index (ISE) in 2008. This index is made up of companies that are noted for their adoption of differentiated management practices based on the sustainability of operations, from the standpoint of the existing practices of corporate governance, the nature

The year 2008 was characterized as being the last in a cycle of global economic expansion, largely due to the wide availability of credit, which contributed to driving growth in several economies, including Brazil.



Paulo Setúbal
President

of the product and their economic, social and environmental performance.

We therefore consider our inclusion in the ISE as public recognition of the existence and effective application of the best practices directed towards business sustainability and creating additional value.

As examples of our differentiated approach, of particular note in the social area was our participation in the Na Mão Certa program (In the Right Road), an initiative taken by the World Childhood Foundation (WCF) to end the sexual exploitation of children and adolescents on Brazilian highways, as well as our support for several other projects for the purposes of education, social inclusion, stimulating preventive health and encouraging sport.

In the environmental arena, we reinforced our image by designating an area of 600 hectares of native vegetation for permanent preservation. Called the Olavo Egydio Setúbal Nature Reserve, it has been officially classified as a Private State Natural Heritage Reserve (RPPN). As such, we reinforced our commitment in both the eyes of the public authorities and society in general to preserving this area, rich in biodiversity, permanently as a nature reserve.

All these initiatives were put into practice in our business model, which combines profitability with ethical behavior, respect for the environment and social responsibility.

To finalize, I remember with a heavy heart the passing-on of the President of our Board of Directors, and my father, Olavo Egydio Setúbal. I would like to pay homage to this great leader, on behalf of all the employees at Duratex, with the certainty that his values and teachings will always inspire and guide our actions.

I would also like to give special thanks to the support received from our shareholders, the dedication and commitment of our employees, the partnership with suppliers and the trust extended to us by both clients and consumers.

PRESENTATION OF OUR REPORT

Continually seeking more transparency in the relationship with our strategic public, Duratex presents its 2008 Annual Report for Sustainable Growth, which has incorporated the G3 of the directives of Global Reporting Initiative (GRI) since 2007, which is a version of a series of principles, protocols and indicators capable of communicating the organization's performance in social, environmental and economic terms in a standardized and internationally accepted form.

The information available in this Report refers to the financial period from January 1 through December 31, 2008, and includes the economic-financial results of all Duratex's units in Brazil and abroad (Argentina, the U.S. and Belgium).

The economic indicators already include the new operations of the units acquired by Deca in 2008. The inclusion of these data, however, has not had a significant impact in terms of the comparability of results with previous years.

The accounting statements follow the norms adopted in Brazil (BRGaap) and were audited by PricewaterhouseCoopers. The accounting data for the financial period ending on 31/12/2008 are based on the alterations to Law 11,638 of December 2007. The values related to the other years were based on Law 6,404. The data for social and environmental activities are related exclusively to the company's operations in Brazil – which account for 98% of all the company's employees and 99% of its production capacity – and that were not submitted for external verification, although they were rigorously monitored by the Management. (GRI 3.1, 3.6, 3.7, 3.8, 3.10, 3.11, 3.13)

Duratex releases its operating and sustainability results annually, and the last Report was made available in printed form and electronically in May 2007, both in Portuguese and English. (GRI 3.2; 3.3)

The relevance of the themes and the entire definition of the Report content were decided internally, based on the criteria suggested in the model provided by the Brazilian Association of Listed Companies (Abrasca), with an emphasis on clarity, transparency, quality and the quantity of information, as well as the GRI indicators. In this way, Duratex has sought to extend the reach of its corporate information and solidify its relationship with all its strategic public: shareholders, employees, clients, local communities, suppliers, the government and society. This Report also includes all the information required in the social balance sheet model recommended by Ibase, as yet another strategic instrument for the company to evaluate and expand its practices of social corporative responsibility.

The process of gathering the data, conducting interviews with the main executives involved, and the preparation of the Report, lasted approximately four months, involving professionals from all areas of the company, and was coordinated by the Investor Relations department. (GRI 3.5, 3.9)

Any clarifications, criticisms or suggestions in relation to the content of this Report can be sent to the Investor Relations Department, by telephone: (55-11) 3179-7279, or to IR management, at: (55-11) 3179-7259 or using the following e-mail address: investidores@duratex.com.br. Criticisms or specific comments about the management model can be sent directly to: governanca.corporativa@duratex.com.br, the address of the Committee for Corporate Governance. (GRI 3.4)

Relationship with stakeholders (GRI 4.14, 4.15, 4.16)

Aligned with its corporate vision to be a leading world-class company, Duratex seeks to maintain a transparent and trustworthy relationship with its main stakeholders, made up of shareholders/investors, local communities near where the company has a presence, clients, employees, suppliers, the government and society in general. The company directs actions specifically to each of these target publics, using channels of communication, events, the publication of performance reports, sponsoring cultural initiatives, among other things, as detailed below.

Stakeholders	Specific Actions and Channels of Communication (GRI 4.4)
Shareholders/Investors	<ul style="list-style-type: none"> Code of Ethics and Conduct; Corporate Governance Committee; Options Committee; Committee for Public Releases and Trading in Shares; Policy for Trading in Shares; Policy for Releasing Acts or Relevant acts; Policy for Corporate Governance; A specific channel on the Investor Relations' site, with the means for direct communication (contact us); Publication, on the company's site, of economic-financial, social, environmental and cultural information; Quarterly teleconferences about the company's economic-financial results; Road shows in Brazil and abroad; Individual and group meetings and analyst visits to the company's plants; Public meetings with analysts in Brazil and abroad; Annual Sustainability Report; A quarterly report including a discussion of the economic-financial results and social and environmental performance; E-mail alerts regarding events of interest.
Communities	<ul style="list-style-type: none"> The promotion of Environmental Education in the Piatan Area for Environmental Living (Avap), in Agudos (SP); The Tide Setúbal school of carpentry; The Committee for Environmental, Social and Cultural sustainability; The Olavo Egydio Setúbal Nature Reserve, in Lençóis Paulista (SP); Sponsorship of cultural and social events; Annual and Sustainability reports; Legal standpoint; Website.
Clients	<ul style="list-style-type: none"> A Committee for Risks and Ethics; A Credit Committee; A Code for Ethics and Conduct; Services for customers and providing technical assistance; Free nationwide telephone service for customers – Customer Service Center (SAC) on: 0800 011 7073 (Deca), 0800 055 7474 (Wood Panels) and 0800 770 3872 (Durafloor); A website dedicated to the specific areas of corporate interest (www.duratex.com.br), Deca (www.deca.com.br) and wood (www.duratex-madeira.com.br); The Ciclo Saber and Vender training programs; Product advertising using ethical standards; The development of ecologically efficient products; The Duratex magazine and 'Duratex Informa' bulletins; Annual and Sustainability reports.

Employees

- Differentiated benefits;
- A Code of Ethics and Conduct;
- A Committee for Risks and Ethics
- Confidential channels for denouncements of discrimination at work, by means of electronic mail: disk.conduta@duratex.com.br, in correspondence directed to the Executive Management of Strategic Resources or by telephone (55-11) 3543-3543;
- Confidential channels to communicate conduct contrary to the company's environmental policies (at the e-mail: disk.meio-ambiente@duratex.com.br);
- RH Escuta (HR Listens);
- Annual and Sustainability reports;
- Corporate Communication by means of internal bulletin boards, via the Intranet, the Duratex magazine and 'Duratex Informa';
- Education and training programs;
- Corporate events such as: Secretaries' Day, Mother's Day, and an annual party, among others;
- Website;
- A gym.

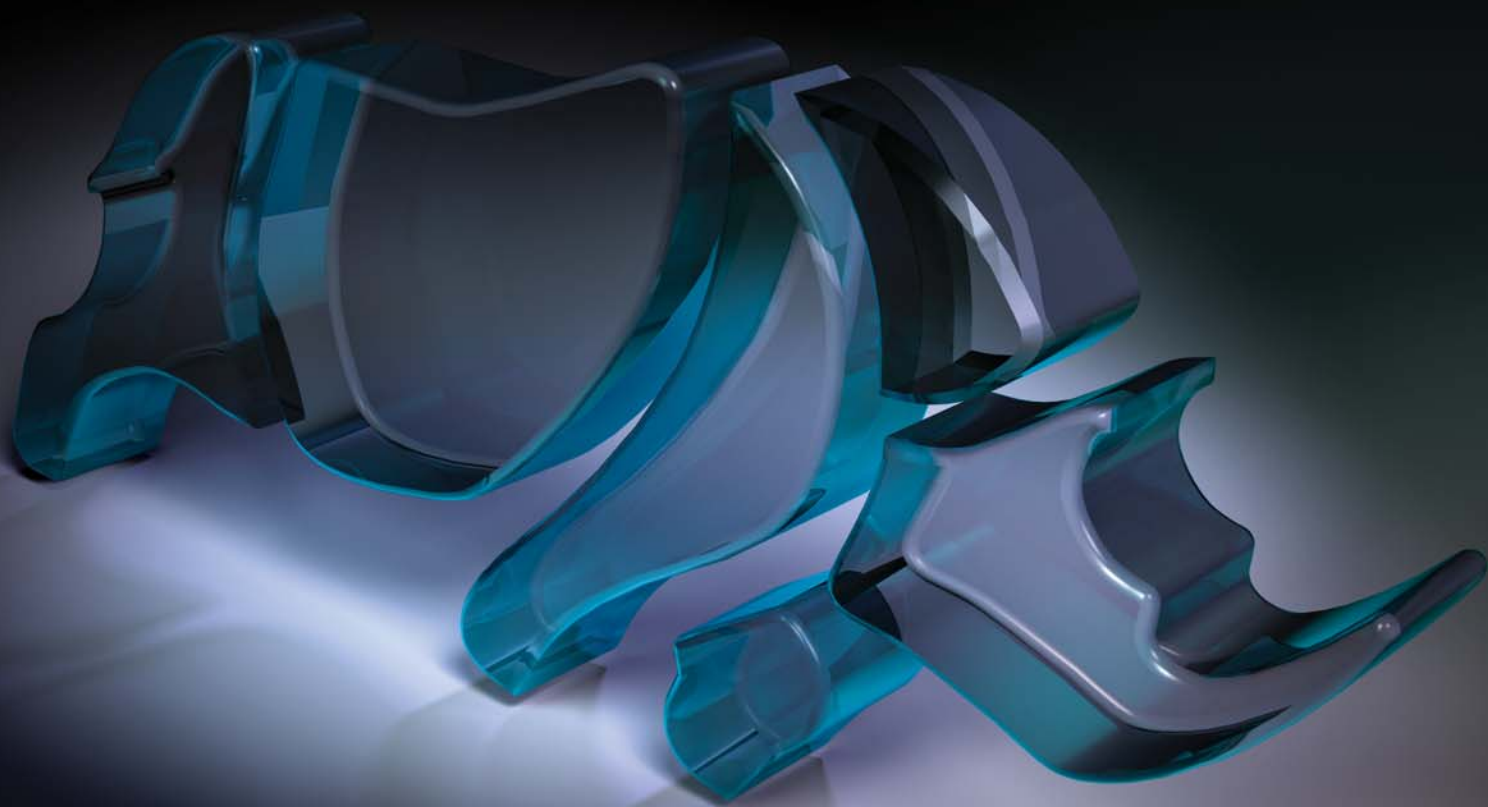
The Government and Society

- Legal standing;
- A Code of Ethics and Conduct;
- A policy for receiving and dealing with denouncements;
- Environmental policy;
- Adhesion to the UN Global Pact;
- Adhesion to Green Building Council – Brazil, as a founding member;
- Participation and contribution to sustainable associations, entities and initiatives, such as the Ethos Institute for Socially Responsible Companies, the Global Pact and Na Mão Certa program (combating child prostitution);
- Payment of taxes and contributions;
- ISO 14001 and FSC certifications, attesting to the fact that all the company's forestry activities are carried out in a sustainable, socially fair and environmentally correct manner;
- Annual and Sustainability reports;
- Website.

Fornecedores

- A Code of Ethics and Conduct;
- A policy for the supply of goods and services;
- Adhesion to the Na Mão Certa program, run by the World Childhood Fund (WCF);
- Annual and Sustainability reports;
- The Duratex magazine and the bulletin 'Duratex Informa';
- Website.

Duratex Stakeholders	2007	2008
Shareholders/Investors	11,025	11,948
Active Clients	10,927	21,307
Suppliers	5,461	5,364
Employees	6,785 direct	7,886 direct
	114 indirect	149 indirect



CORPORATE GOVERNANCE

The streamlining of reporting internal processes, commitment to rigorous norms of control and inclusion of another independent board member reinforced the corporate governance practices of the company, whose preferred shares were included in the Bovespa's Business Sustainability Index (ISE).

Strengthening

Duratex continued the process of strengthening its corporate governance practices, which in the previous year had advanced significantly with the setting up of two important committees, one for Social, Environmental and Cultural Sustainability, and the other for Trading in Shares and Publication of Acts and Material Events.



The company's adherence to the Abrasca Manual for the Control and Publication of Relevant Information, as drawn up by the Brazilian Association of Listed Companies, was aimed at guaranteeing security in the flow of privileged information. With streamlining in the reporting of its internal processes and complying with rigorous control standards, Duratex once again demonstrated the high level of its practices of corporate governance, and the responsibility assumed in its operations in all aspects of the business: economic, social and those concerning the environment. As recognition of the existence and effective implementation of actions to strengthen its practices of governance and sustainability, the company's preferred shares were included in the Bovespa's Business Sustainability Index (ISE) from December 1, 2008. The ISE is made up of the shares from a select group of companies that have demonstrated their degree of commitment to the sustainability of their businesses and the country. The evaluation methodology was developed by the School of Business Administration in São Paulo, and the Getúlio Vargas Foundation (FGV-EAESP).

As another way of showing its commitment to investors and market agents, Duratex adhered to the Bovespa's Level 1 of corporate governance in May of 2005. The company even goes beyond some of the requirements for listing in this segment, such as maintaining a free-float of approximately 50% of its shares, rather than the 25% minimum. Tag-along rights are extended to preferred shareholders, which guarantee that minority shareholders receive 80% of the share price value paid by controllers in the event of the company being sold. The company also adopts a policy for the minimum distribution of dividends of 30% of adjusted net earnings. There have not been any administrative or legal suits brought against the company in the last five years, its managers or the controlling shareholder, involving the unfair treatment of minority shareholders.

To further strengthen its relationship with investors, Duratex releases information about its economic-financial performance both clearly and in detail, holding conference calls, analyst meetings and road shows in Brazil and abroad.

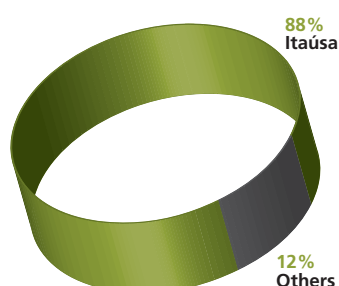
The 22nd presentation to members of the Association of Analysts and Capital Market Investment Professionals (Apimec), was given in November 2008, after the second annual presentation given to members of the New York Society of Securities Analysts (NYSSA), in October in New York (U.S.).

Through the efforts the company makes in its employee training, Duratex also invested heavily in the adoption of the Integrated Administrative System, SAP – System Analysis and Program Development, as used by Grupo Itaúsa Industrial, the main advantage of which principal is to provide better operational control, and which makes business management more efficient and secure, as well better at combating fraud and errors during the processes. The project involves the best market practices in the documentation of the systems and will contribute to the consolidation of a more flexible and efficient integrated management model. Initiated in November 2007, it is estimated that the implementation of SAP will be finalized during 2009.

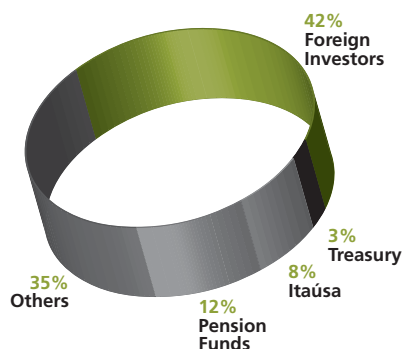
SHAREHOLDER STRUCTURE

The company's paid-up capital on December 31, 2008, amounted to R\$943.6 million, represented by 129,695,415 nominal shares, of which 53,555,963 being common shares and 76,139,452 preferred shares.

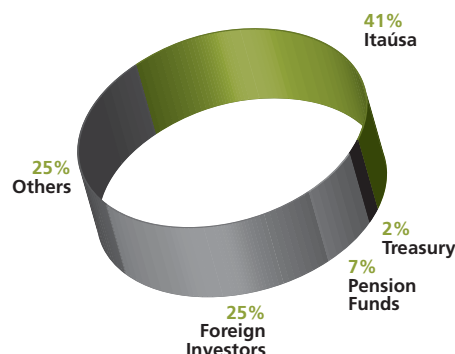
Common Stock



Preferred Stock



Total Capital





ENTITIES SUPPORTING GOVERNANCE

The organizational structure of Duratex was set up to stimulate communication and decision-making in the various different areas and hierarchical levels, and includes independent board members (33% of the Board), with no ties to the controlling shareholder. This actively contributes to and clearly defines the initiatives taken to guarantee the expansion of operations by creating additional value throughout the operating chain. All employees, from those involved directly in production to those at the highest levels of management, are subject and accountable to the main policies, corporate values and codes, as determined by the company's economic, social and environmental aspects. (GRI 4.9)

SHAREHOLDERS' MEETING

The mission of the company's Shareholders' Meeting is to deliberate and verify the legality of all actions taken by other management entities, and is responsible for electing both members to the Board and Fiscal Council (statutory audit committee). Both an ordinary and an extraordinary session were held in 2008.

BOARD OF DIRECTORS

Responsible for the definition and implementation of general business policies, the Board of Directors also supervises the management of executives and is considered the highest body of governance.

At the General Ordinary meeting held in 2008, a one-year mandate was approved for the nine Board members, of which two are independent, and who also represent minority shareholders. Later in 2008, due to the passing away of Dr. Olavo Egydio Setúbal, the then chairman of the Board, there was a change in the members, with the inclusion of another independent member, to strengthen the practices of corporate governance, create additional value for shareholders and ensure the sustainable development of business operations. (GRI 4.1)

To ensure the independency status, board members must comply with the following criteria: not to have any family ties with the controlling family, a member of the controlling group, partner or relation (to the second degree) of the same, or linked to any organizations related to the controlling shareholder; not have been employed by or a director of the company or any of its subsidiaries; and not be the partner or a relation to the second degree of any director or manager. (GRI 4.3)

The Board meets at least once a quarter. During the year, it had met on 14 occasions during the year. Duratex does not apply any formal process to qualify its advisers; although all members indicated have years of successful professional experience and a solid educational background, thus being prepared to define the best strategies for the business, bearing profitability in mind as well as respect for the applicable socio-environmental criteria. (GRI 4.7) The supervision of management and the development of economic, social and environmental performance, including operating risks and opportunities for improvement, is the responsibility of the Board of Directors, the president of which does not play an executive role in the company. (GRI 4.2)

The mechanisms by which shareholders can make recommendations for members of the Board includes the Investor Relations department, which has a communication channel on the company's website, an e-mail address governanca.corporate@duratex.com.br, although not a single manifest was received via this channel during the year and excellence committees, as presented on page 20. (GRI 4.4)

Employees have specific communication channels that guarantee their anonymity. Criticisms and suggestions can be made through the intermediation of RH Escuta (HR Listens). Denouncements respecting conduct that is contrary to the policies and internal norms can be made by correspondence, telephone or e-mail (disk.denuncia@duratex.com.br). Other stakeholders have the 'Contact Us' channel on the company's website, with several e-mail addresses directed to different areas of interest. **(GRI 4.4)**

The remuneration of managers, directors and the main executives is linked to the company's performance targets, which include complying with the pertinent economic and socio-environmental criteria. **(GRI 4.5)**

There are effective instruments to ensure that conflicts of interest do not prejudice the ongoing nature of the business. Situations involving favoring based on blood ties, affinity or for financial reasons are considered a serious breach of the Code of Ethics and Conduct (and are defined within the same), as well as the Policies of Supplying Goods and Services and the Receiving and Treatment of Denouncements. Channels ensuring secrecy are available to preserve the anonymity of the person making the denouncement, as well as to stimulate the reporting of possible failures to comply with any of the company's codes. An Executive Audit Management Committee, directly subordinate to the company's presidency, has the independence to analyze conformity with policies and internal norms and to communicate possible failures in periodical reports. **(GRI 4.6)**

An Internal Rule concerning the Board was approved in August of 2008, including the need to carry out a formal annual evaluation of its performance, the model for which is now being developed. **(GRI 4.10)**

BOARD MEMBERS

President

Laerte Setúbal Filho – Elected on September 4, 2008, has been an adviser to Duratex S.A. since 1980, and is also a member of the Superior Council for Foreign Trade (Coscex). A civil engineer, he graduated from the Polytechnic School of the University of São Paulo (USP), in 1949. He has been administrator of the Brazilian Foreign Trade Association (AEB), the Brazilian Forestry Society (SBS), the Institute of Labor Rationalization (Idort), the Institute of Forestry Research and Studies (Ipef), the Industry Federation of São Paulo (Fiesp), Scânia do Brasil S.A., Vidraria Santa Marina, Siemens S.A., Lion Empreendimentos, Samba S.A., Caterpillar do Brasil and Eternit S.A.

Vice-presidency

Alfredo Egydio Arruda Villela Filho – Elected on September 4, 2008, and has been an adviser since 1996. He is also currently an administrator of the companies: Itaúsa – Investment Itaú S.A., Banco Itaú Holding Financeira S.A. and Itautec S.A. A mechanical engineer, graduated from the Mauá Institute of Technology, in 1992, with a postgraduate degree in Business Administration from the Getulio Vargas Foundation.

Paulo Setúbal Neto – Elected on April 27, 2001, and an adviser since 1990, he is also CEO of Duratex, Itautec and Elekeiroz; director-president of the Deliberative Council and director-president of the Itaúsa Industrial Foundation and administrator of Itaúsa. He is also vice-president of Fiesp and the Brazilian Association of Listed Companies (Abrasca), and is still an adviser to the World Childhood Foundation, the Engineering Institute and Museum of Modern Art (MAM). An electrical engineer, graduated from the Industrial Engineering Faculty in 1971, he also was awarded a postgraduate degree in finance from the Getulio Vargas foundation (FGV) in 1974.

At the end of the year, Duratex's Board included three independent members, or one third of its composition. These members actively contributed in the definition of initiatives to stimulate the company's growth and create additional value throughout the production chain.

Executive Board

Albrecht Curt Reuter Domenech – Elected on September 4, 2008, is currently the vice-president of the Board at Camargo Corrêa as well as other companies in the Camargo Corrêa group. A graduate in Civil Engineering from the University of Porto Rico, he also has a Master's in Business Administration from Wharton School at the University of Pennsylvania. Between 1979 and 1995, He was director-partner at McKinsey & Company, Inc., a company in which he actively participated in the development of activities in Latin America. He led business practices at Financial Institutions, as well as Finances and Corporate Strategies, working on projects such as: mergers, acquisitions and alliances, strategic and economic valuation and evaluation.

Fernando Marques Oliveira – Elected on November 5, 2008. Currently a director of Icatu Holding S.A., director vice-president and Board member of ABCDEFGHI Participações, a member of the Board at Mineração Caraíba, Conspiração Filmes and Conteúdo Expresso. A graduate in Business Administration from the Getúlio Vargas Foundation in 1998, he was director of Arapar, Orbis Trust Securitizadora de Créditos, Ponta do Curral, SPE Santa Helena Incorporadora, and a member of the Board at Sernambetiba Trust SPE and Real Estate Holdings between 2003 and 2008.

Jair Ribeiro da Silva Neto – Adviser since 2006. Entrepreneur, president of CPM Braxis and founder of Banco Patrimônio, as well as being involved in activities such as foreign trade, information technology, culture and education. A lawyer who graduated in law from the University of São Paulo, and in the economy from FAAP with a Master's law degree from the University of California – Berkeley. An entrepreneur, he was founder of Banco Patrimônio and was an executive at Banco Chase Manhattan, in Brazil and New York.

Jairo Cupertino – Adviser since 1980. He was the Chief Executive Officer of the following companies in the Itaúsa group: Itaútec and Elekeiroz. An engineer, he graduated from the Polytechnic School of São Paulo University (USP) and was director-president of Itaútec Philco until 1995.

Ricardo Egydio Setúbal – Elected on April 28, 2008, and is currently an administrator of Itaútec. A graduate in law from USP in 1988, and Business Administration from FGV in 1984, he specialized (PMD 69) at Harvard University in 1995.

Rodolfo Villela Marino – Adviser elected on April 28, 2008. A graduate in Business Management from the Getúlio Vargas Foundation, he is currently doing his doctorate in Public Administration and Government at the same institution. He was also awarded a Master's in Development Studies and Economics and Philosophy from the London School of Economics and Political Science – LSE. He served as an adviser to the World Bank; general coordinator of Studies and Evaluation in the Secretariat for Continued Education, Alphabetization and Diversity, linked to the Ministry of Education; project manager at the Secretariat for the Evaluation of Social Programs, attached to the Ministry of Social Welfare; supervisor of the controller's department at Banco Itaú; and sector and company analyst at Unibanco Asset Management.

Fiscal Council (statutory audit committee)

The body responsible for supervising the work of administrators and evaluating the truth and accuracy of information given at the company's General Meeting. As well as the president, two members and their respective replacements were elected in 2008, to represent minority shareholders.

MEMBERS OF THE FISCAL COUNCIL

Paulo Ricardo Moraes Amaral – President of the Fiscal Board and member since 1998. Mr. Amaral has an Engineering degree from Faculdade de Engenharia Industrial – FEI (1965), a post graduation degree in Business Administration from Fundação Getúlio Vargas (1970) and a post graduation degree in Business Administration from Stanford, California USA – Stanford Executive Program (1974). He is currently the General Director of PMV Participações Ltda. and effective member of the Itaúsa – Investimentos Itaú S.A. Fiscal Board.



Iran Siqueira Lima – Member since 2002, graduated with a degree in Economics from the State University of Rio de Janeiro (UERJ) in 1969. A member of the Fiscal council at Banco Itaú and a lecturer at the universities: AEUDF, UNB and USP, in disciplines linked to the areas of accounting and finances, as well as MBA courses at Fipecafi. He worked in the management of Banco Itaú in 2001; the Central Bank of Brazil between 1984 and 1985; Banco Cidade de São Paulo in 1986. He was also the Budget Control Secretary for State-Owned Companies (Sest) between 1987 and 1990; Telebrás, between 1991 and 1992; and the BNDES in 1991.

Ricardo Guarany de Oliveira Castro – Member elected on April 28, 2008. A graduate in Corporate Business Administration from the Federal Fluminense University (UFF) in 1978, he also has a Master's in Corporate Finance and Law from the FGV. He was a titular member of the Board at Bombril and an assistant at Brasil Telecom Participações. He is currently a consultant for corporate governance at Baker Tilly Brasil.

Executive Directors

Responsible for the business management and administration of directives determined by the Board. The Executive Board was formed in 2008 with a president, three vice-presidents, two executive directors and six managing directors. Members are elected by the Board for a period of one year, and should be less than 65 (on the date of the election), in a manner established by Duratex to ensure the renewal of the company's leadership. The directors meet once a week and, extraordinarily, whenever necessary.

MEMBERS OF THE EXECUTIVE DIRECTORATE

President

Paulo Setúbal Neto – A graduate in Industrial Engineering from the University of Industrial Engineering (FEI) in 1971, with a Master's in Finance from the Getúlio Vargas Foundation in 1974. He is currently the vice-president of the Board and CEO of Duratex, Itaotec and Elekeiroz. He is also president of the Deliberative

Board, director-president of Fundação Itaúsa Industrial and administrator of Itaúsa. He is still the vice-president of Fiesp and the Brazilian Association of Listed Companies (Abrasca) and adviser to the World Childhood Foundation, the Institute of Engineering and the Museum of Modern Art (MAM).

Vice-presidency

Guilherme Archer de Castilho – A graduate in Business Administration from Mackenzie University in 1983, he is currently a director and executive vice-president of Duratex, having been an integral member of the administration since 1986. He also participates in the administration of Itaotec and Itaúsa Empreendimentos.


Plínio do Amaral Pinheiro – Currently the Financial and Corporate director vice-president and director of Investor Relations at Duratex, having been an integral member of the administration since 1980. He graduated in Business Administration from the Getúlio Vargas Foundation in 1975.

Raul Penteado – A graduate in law from Mackenzie University in 1983, he has been an integral member of the administration since 1985, and is currently the director vice-president of Duratex. He also participates in the administration of Itaotec and Elekeiroz.

Executive Directors

Enrique Judas Manubens – A graduate in Industrial Engineering from the University of Industrial Engineering (FEI) in 1972, he has been a director at Duratex since 1984 and is also responsible for the Commercial Area of the Deca Division.

Mário Colombelli Filho – An agricultural engineer who graduated from the Luiz de Queiroz (Esalq/USP) Superior School of Agriculture in 1972, and is currently an executive director at Duratex, having been an integral member of the administration since 1984. He is also responsible for the Industrial Area of the Wood Division.



Nine committees assist the Board in the tasks of executing and monitoring the policies agreed, as a means of ensuring strategic decisions are made based on the pertinent technical and multidisciplinary criteria, as well as serving as channels to make recommendations and help in supervision.

Directors

Alexandre Coelho Neto do Nascimento – Graduated in Accounting Sciences from Machado Sobrinho University in 1987. He is currently the managing director of Duratex, as well as responsible for the Commercial Area of the Wood Division. He is also a director of the Brazilian Association for the Wood Panel Industry (Abipa).

Antonio Joaquim de Oliveira – Forestry engineer, graduated from the University of Viçosa, in 1984, with a Masters' degree in economy and forestry planning from the same institution, in 1986. A specialist in strategic business management from the Getúlio Vargas Foundation, in 1994, he is currently a managing director of Duratex, and responsible for the Forestry Area, having been an integral member of the administration since 1988.

Antonio Massinelli – A graduate in law from the Catholic Pontifical University (PUC) in São Paulo, in 1982, before specializing in the Civil Process at the Center of University Extension Courses (CEU) in 1994. He is currently a managing director at Duratex, having worked in the company's administration since 1987, being responsible for the legal area. He is also an executive director of the Brazilian Association of Private Complementary Social Welfare Companies (Abrapp).

Elcidir Bernussi – As managing director, is responsible for the Industrial Area of the Deca Division, having been an integral member of Duratex's administration since 1986. A graduate in Mechanical Engineering from the Industrial Engineering School in São José dos Campos in 1977, He also has a post-graduate degree in Industrial Administration from the Vanzolini/USP Foundation in 1994.

Flávio Dias Soares – Graduated in Corporate Management from the Armando Álvares Penteado Foundation (FAAP) in 1985, and is currently the managing director at Duratex responsible for the Export Area, having been an integral member of the company's administration since 1985.

Marco Antônio Milleo – Managing Director responsible for the Development and Marketing Area at the Deca Division, he is an executive that has been an integral part of the company's administration since 1984. A graduate in Mechanical Engineering from the University of Industrial Engineering (FEI) in 1983, he was also awarded a post-graduate degree in Marketing Administration from the Getúlio Vargas Foundation in 1992.

Committees Supporting the Administration (GRI 4.4)

To implement the directives defined by the Board, Duratex is supported by nine committees that help execute and monitor the policies agreed on. These supporting bodies are comprised of representatives from the company's executive management and/or specialist technicians. As such, Duratex makes every effort to ensure that strategic decisions are taken based on technical and multidisciplinary criteria. The committees are also important channels in terms of making recommendations to the Board in relation to the stage of adoption and supervision of the established directives, suggesting revisions to policies and codes.

Two of these committees are statutory in nature, and their members chosen by the Board, the others are operational and support the senior administration.

■ **Committee for the Publication of Information and Trading in Shares** – Made up of the director of Investor Relations and between two and four members elected annually by the Board from among its members or those of the Executive Board. The group is responsible for creating, proposing improvements and guaranteeing the effective compliance with Policies of Trading Shares and Releasing Acts or Relevant Facts. Furthermore, the committee tries to guarantee the transparency, quality, fairness and security of the information provided to the market.

■ **The Options Committee** – Charged with evaluating and defining the variable remuneration of the executives, as established in the Plan for Granting Share options, which seeks to align the interests of shareholders and executives with the common goal of obtaining sustainable results. The committee is made up of up to five members elected annually by the Board, which is also responsible for the committee's work.

The Board implemented an Internal Rule and initiated development of a model for the formal evaluation of its performance, in yet another initiative to improve its practices of corporate governance.

Another seven committees are maintained along with other companies in Itaúsa Industrial, allowing for a better experience exchange between the professional staff in the diverse member companies, a reduction in costs, as well as contributing to more effectively disseminating the main agreements. They also act as entities that make recommendations to the Board, and during 2008 presented several different proposals to improve the company's relationship with its different publics, one example being an increase in the number of independent members:

- Commercial Excellence ■ Operational Excellence ■ Management of Talent
- Corporate Governance and Intelligence ■ Risks and Ethics and
- Environmental, Social and Cultural Sustainability.

The Code of Ethics and Conduct

The standard values of conduct for the companies in Itaúsa Industrial are combined in the Code of Ethics and Conduct, which was updated in 2007 and is available on the Intranet and the company's website. This Code should be adopted by all employees, independent of their position in the corporate hierarchy or job.

The premises underscore the importance of ethical behavior and a transparent relationship with the strategic public: employees, clients, shareholders, suppliers, partners, the capital market, competitors, the government and society in general. There are six general guiding principles in the document:

- Ethics ■ Legality ■ Respect for human beings ■ Repudiation of any form of discrimination ■ Stimulation of personal and professional development; and
- Social, environmental and cultural responsibility.

The management of this Code is carried out by the Committee for Risks and Ethics, set up in 2005 and made up of executives working at Duratex, Itautec and Elekeiroz. The sanctions in the event of failing to comply with these codes vary from warnings to suspension and firing of the employee, depending on the seriousness of the act. Denouncements can be sent anonymously to the e-mail disk.conduta@duratex.com.br or by telephone (55-11) 3543.3543 – Executive Management of Strategic Resources, and the facts are gathered in complete secrecy. A total of six calls and 14 e-mails were received in 2008, most of which were complaints, criticisms and requests for clarification, and all were dealt with swiftly and appropriately. **(GRI S04)**

To help the committees and provide guidance for employees, the following eight policies were established, and which are available on the website www.duratex.com.br: Policy for the Trading in Shares; Policy for the Release of an Act or Relevant Fact; Policy for Quality; Environmental Policy for Deca, Wood and Forestry, due to the particularities of these areas; Policy for Corporate Governance; Policy for the Supply of Goods or Services; Corporate Policy for the Prevention and Combat of Illicit Acts; and the Policy for Receiving and Dealing with Accusations/Denouncements. **(GRI 4.8)**

External Audit

Respecting the principle of independence required by the Brazilian Exchange Commission (CVM), Duratex and its subsidiaries do not contract other services than those of PricewaterhouseCoopers for external auditing, and which has been the case since 2004.



Investor Relations

This area is responsible for communicating with the capital market and shareholders, and releases precise information about Duratex, together with analysis of the company's economic-financial and operating performances. Four teleconferences to discuss results were held in 2008, in Portuguese and English, road shows and taking part in events organized by brokers in Brazil and abroad, as well as individual and group meetings and visits to the plants that involved approximately 1,500 analysts and investors. The company's site, which has an area designed specifically to improve investor relations, and which is also available in English, includes the minutes of shareholder meetings and Board meetings, relevant corporate releases, quarterly results, among other information of interest, and was accessed 227,400 times in 2008. A total of 227 e-mails were received at the address: investidores@duratex.com.br, and which were answered within an average of 1.68 days per e-mail.

E-mails received (IR)

Criticism related to the stock performance	24.9%
Thanks and congratulations	0.9%
Requests for material and information	50.2%
Other matters	24.0%

PARTICIPATION IN ASSOCIATIONS (GRI 4.13)

Duratex associated itself with the Ethos Institute for Socially Responsible Companies in 2008, with the intention of stimulating, together with the other affiliated Brazilian companies, discussions and involvement in actions to promote sustainable development in Brazil. The company also sought to adopt the guidelines of the U.S. Green Building Council, being a founder member of this organization in Brazil, developing products of proven environmental sustainability.

The company also actively participates in associations, sector bodies and other entities in activities relevant to contributing to sustainable development in Brazil and the drawing up of public policies. Among those of particular relevance are:

- The Brazilian Association of Listed Companies (Abrasca);
- The Brazilian Association of Unlisted Private Social Welfare Entities (Abrapp);
- The Brazilian Furniture Industry Association (Abimóvel);
- The Brazilian Association of Wood Panels (Abipa);
- The Brazilian Association of High-Resistance Laminate Flooring Industries (Abiplar);
- The Brazilian Pulp & Paper Association (Abipla); Federation and Center of Industries in the State of São Paulo (Fiesp/Ciesp);
- The Brazilian Institute of Investor Relations (Ibri);
- The Ethos Institute for Socially Responsible Companies;
- The Institute for Forestry Research and Studies (Ipef);
- The Institute for Industrial Studies and Development (Iedi);
- Scientific Certification Systems; and
- The Society for Forestry Investigations (SIF).



STRATEGIC MANAGEMENT

The **organizational model** and way of doing business at Duratex are intrinsically based on its commitment to create value, in order to guarantee financial strength, discipline in the use of capital and to respect the pertinent ethical, legal and socio-environmental criteria.

Diversification

Included in this commitment, the company's strategic management increasingly invests in the quality and diversification of its products, mainly of higher aggregate value, as well as continuously improving the efficiency of its production processes.

To achieve these objectives, the company has adopted the following differentials:



CAPITAL EXPENDITURES

The capex made in 2008, and as scheduled in the plan announced at the end of 2007, totaled R\$673.4 million, equivalent to approximately three times the amount invested in the previous year (R\$222.3 million). Part of the scheduled Plan for the Application of Resources (PAR) was realigned due to the worsening in the international crisis and related uncertainties. As a result, the intention is to preserve the company's financial health in the event of a deceleration in the economy. As such, approximately R\$450 million of the originally planned investment was postponed until the end of 2009, from the total capital expenditure program of R\$1.0 billion.

A total of R\$523.5 million was invested in the Wood Division, with the expansion of the Agudos (SP) plant of particular note with the:

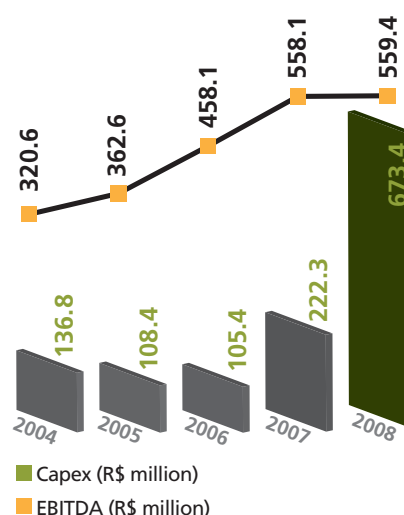
- Construction of a building to house the new manufacturing line for MDF panels and the acquisition and start-up of the equipment assembling works, which should lead to an increase in capacity to 800,000 cubic meters per year in the first half of 2009;
- Acquisition of land and forestry to provide the raw materials for existing plants and meet the demands related to the expansion in MDF capacity;
- Finalization of the setting up and start up of the new low-pressure coating line (BP);
- Order of equipment for the resin plant to be built in Agudos.

Investment in the Deca Division, which totaled R\$143.8 million, was spent on:

- The acquisition of the vitreous china operations of Cerâmica Monte Carlo and Ideal Standard do Brasil;
- Expansion in metal bathroom fittings in the industrial district of Jundiaí (SP).

The difference in volume refers to investment in the corporate area, mainly in an integrated management system (SAP). This project was divided into two stages, the first of which was successfully implemented on January 5, 2009, and the second is scheduled to be operational in July 2009.

Capex in fixed assets





The investment made over the past few years, and the ongoing capital expenditure, is designed to increase Duratex's leadership in segments that appear to offer significant growth potential. In the last five years, the company has directed R\$1.3 billion to projects to increase its capacity and competitiveness.

Technology: Constant investment in the modernization of equipment and the manufacturing park to increase the efficiency and profitability of their scales of production. At the plants, the company has introduced sophisticated robotic cells and other modern components to improve the flexibility of its production lines, increase productivity and guarantee high standards of product quality. To achieve this, the company offers employee training with the new technology, valuing the individual. In the administrative area, the process of adopting an Integrated Management System (SAP) was maintained in 2008, with the aim of providing more security in the execution of all operating stages and more dynamic decision making.

Cost management: The verticalization of the production process is one of Duratex's main differentials in guaranteeing high levels of productivity with low operating costs. The highlights are related to the wood supply from the company's own land and renewable plantations. The investment to expand capacity was accompanied by an increase in the forestry area, in order to preserve this important competitive advantage. Finishing lines provide a higher added value to the sales mix of panels and, therefore, its increased profitability. During the third quarter of 2009, the company will take another important step in the direction of integrating further its operations aiming cost reduction possibilities, by implementing a resin plant that will fulfill the entire needs for such raw material used in the production process of MDF panels. The usage of biomass as an energy source is another example of cost reduction measures taken by the company. In 2008, the usage of such energy source represented 57% of the company's energy matrix.

Innovation: The market leader in the wood panels and metal bathroom fittings segments, Duratex has a qualified and experienced team of employees to research, plan, produce and sell its vanguard products, aligned with international market trends. A total of 63 products and different standards in the wood division were launched in 2008, as well as the Duratex Moulding line, with 9 products, and 19 new lines of products at the Deca Division. The continuous launch of new product lines allows the company to constantly renew its lines, keeping them updated and, as a result, making them a market benchmark.

Quality: Duratex offers its consumers products of an extremely high quality; a sales force of well-prepared professionals ready to provide advice regarding the best items to be acquired; a nationwide network of technical assistance; and a quick and efficient customer service channel, reinforcing the credibility of its brands.

Eco-efficiency: The corporate directive is to invest in technologies and equipment that optimizes the use of natural resources and reduces the impact on the environment, particularly in terms of the consumption of energy and water. Duratex constantly tries to use recyclable materials, such as sawdust, trimmings, metallic residues and plastic, among others. The forestry operation invests in genetic technology as a means to improve its productivity indicators. All planted trees are cloned, which translates in less pesticide and hydric needs. The industrialized panels itself are environment friendly, since the wood used in its industrial process comes from reforestation activities, from certified areas, and compete with natural wood from extractivism activity. Within the metal and ceramic ware segment, there are a series of water saving products and devices, which are also specified to be used in constructions that follows sustainability standards.

INTANGIBLE ASSETS

Research and Development

Dedicated teams follow market trends and develop products aimed at meeting consumer needs. In 2008 alone, a total of R\$11.0 million was paid to these professionals, and 19 differentiated Deca product lines were launched during the year along with another 63 standards and products in the wood segment.

At the end of 2008, Duratex held 163 patents with the National Institute of Industrial Ownership (INPI). Other brands of more notoriety were also filed abroad in more than 20 countries: Deca, Hydra, Durafloor, Duratree, Duratex Moulding, Duraplac, MaDeFibra, Madepan and Madeplac, as well as the figure of a Rhinoceros (the company's symbol), among others.

Quality

The use of robots in several production processes, a modernized industrial park with ISO 9001 certifications, and the application of tests throughout the processes guarantee the quality of the company's products, which also have a nationwide network of technical assistance services. This service can be consulted via a free 0800 number, or by e-mail (statistics are available on page 76).

Brand

Contemporary design and a wide range of products for the diverse consumer segments, spearheaded by a significant investment in marketing, have contributed to the Duratex brands being remembered by consumers (top of mind) and considered desirable objects.

First Mover

Duratex was the pioneer in Brazil in the manufacture of reconstituted wood panels (in the beginning of the 1950s), and medium-density panels (MDF) and laminate floors, both at the end of the 1990s. The company inaugurated a production line of panels with a unique differential and protected by a contract of confidentiality with the equipment supplier in 2003. This condition guarantees the company an important competitive differential, thus giving it an advantage in an increasingly competitive market.

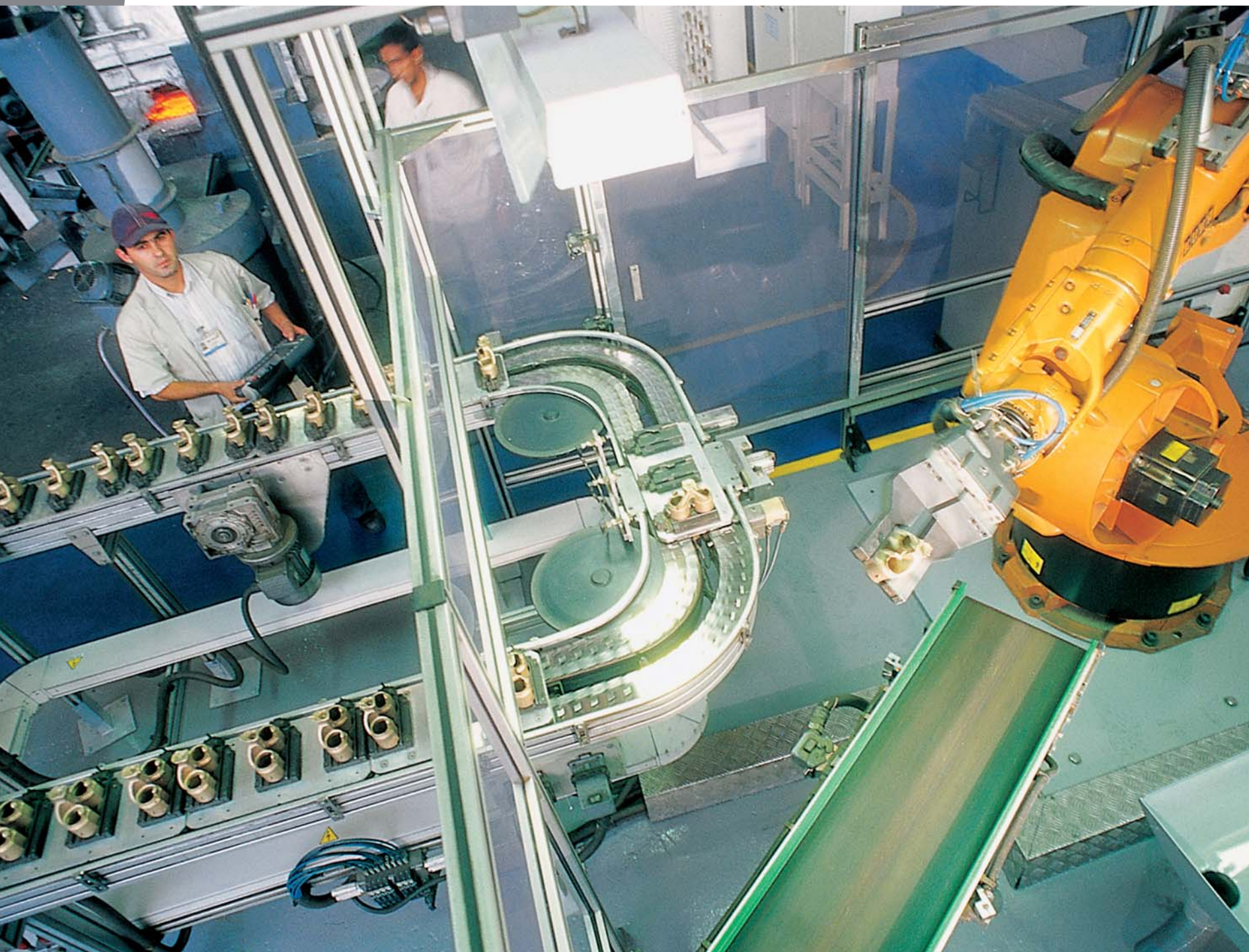
Personnel

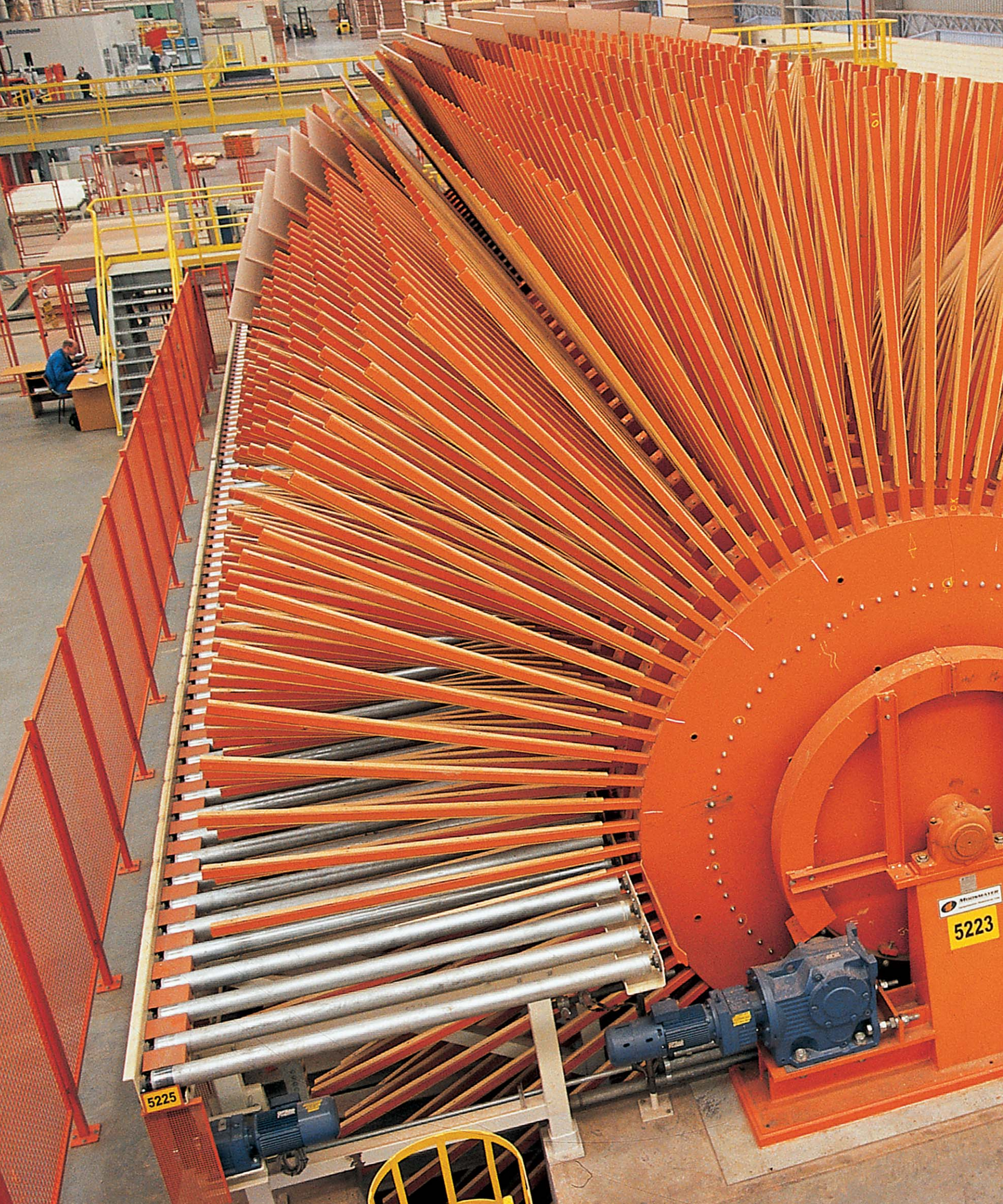
The experience and qualification of its professionals have been essential in the building of the positive image Duratex enjoys in the markets it operates in. To achieve and maintain this, the company seeks to guarantee a work environment that caters to the well-being of its employees, free from any form of discrimination. Anonymous communication channels are available to make criticisms and suggestions. Ideas are rewarded if they lead to additional benefits for the company. A constant investment in training is made to make the most of individual abilities.

Information Technology

The company is in the process of implementing an ERP system, of the SAP brand, which should be fully operational in 2009. With this, it will be possible to integrate all the systems included in Duratex's operations, providing more integrity and security for data processing. The company also has modern management software to help in decisions to halt equipment for maintenance, thus reducing the interruptions in the programmed runs and resulting losses.

Competitive advantages allow Duratex to reinforce its central objective of creating value, while differentiating itself in the market due to factors such as technology, innovation, cost management, quality and eco-efficiency, which make the company's operations more competitive.





THE WOOD DIVISION

The Wood Division four industrial units in the State of São Paulo, in the following municipalities: Agudos, Botucatu, Itapetininga and Jundiaí.

Leadership in the sector

The total annual installed capacity of the Wood Division is 1.5 million cubic meters, corresponding to approximately one-third of Brazil's total output, which guarantees the company leadership in a sector with seven direct competitors.



An important differential in this business area is Duraflora S.A., a wholly-owned subsidiary, which owns the land where the forests are planted that supply the wood panel production lines, thus reducing the risk of any shortage in wood supply. There are approximately 120,000 hectares of land located in the State of São Paulo, with an average logging distance of 55 kilometers from the plants. This condition ensures that the cost of Duratex's wood is the lowest among its competitors. The high levels of productivity are a result of the planting of genetically-selected saplings grown in its own plant nurseries. As a result of the expansions underway, the annual production capacity of saplings reached 18.9 million, a growth of 50% in relation to 2007.

PERFORMANCE

Duratex, the largest manufacturer of reconstituted wood panels in Brazil, reported positive results last year. The company's plants operated at almost full capacity during the period, with shipments reaching 1,292,300 cubic meters of panels, 1.3% higher than the volume shipped in the previous financial period. This marginal growth was due to the limitations related to existing capacity during the year. The participation of the furniture manufacturing sector, which in the past has accounted for approximately 60% of shipments, fell to 52%, mainly as a result of the efforts aimed at diversifying sales. As such, new products were developed, such as a line of skirting boards called Duratex Moulding, and the launch of material for the manufacture of doors is planned in 2009.

The start up of a new low-pressure coating line in Agudos (SP), boosted the increase in sales of products with a higher aggregate value, driving the Division's performance. With an investment of R\$24 million, this undertaking allowed for a greater degree of diversification in the company's product mix, and a 50% increase in the production of low-pressure coated wood.

Net revenue in 2008 rose 10.0% to R\$1,215.0 million. Of total sales, approximately 11% were made abroad, mainly in the North-American and European markets. EBITDA totaled R\$366.3 million, equivalent to an EBITDA margin of 30.1%. The result was affected by an increase seen in two important raw material costs: electricity and resin. Together, these inputs represent approximately 30% of the total production cost. At the end of 2008, as a result of the worsening in the international crisis, the prices of these inputs fell due to the deceleration in demand, which may well improve margins this year if volumes are maintained.



The level of industrial operating capacity reached 86% during the year. Together with the improvement in the sales mix, this performance contributed to increasing the net revenue at the Wood Division to R\$1.2 billion in 2008, a new record for this operation.

Shipment

(in cubic meters)

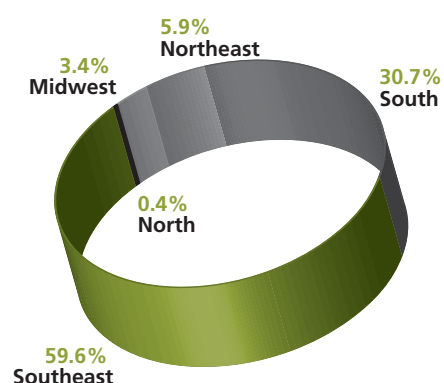
	2004	2005	2006	2007	2008
Standard	698,514	695,997	855,855	866,191	833,197
Coated	352,239	344,366	362,659	409,704	459,060
Total	1,050,753	1,040,363	1,218,514	1,275,895	1,292,257

Net Revenues

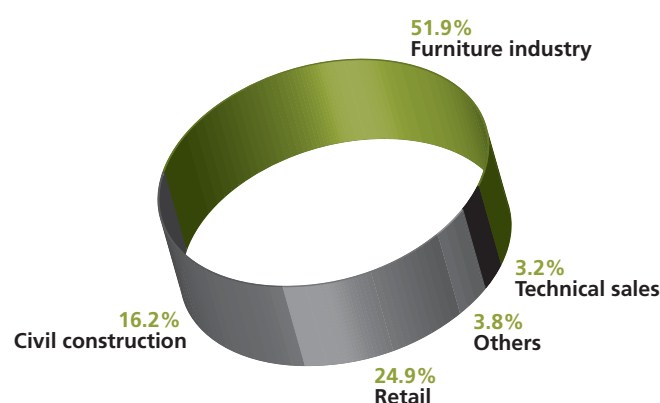
(R\$ million)

	2004	2005	2006	2007	2008
Domestic market	609.3	687.3	825.6	951.9	1,077.5
International market	197.9	172.7	178.8	152.6	137.5
Total	807.2	860.0	1,004.4	1,104.5	1,215.0

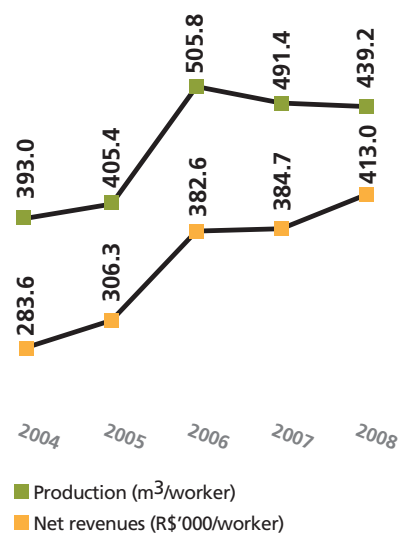
Wood Sales – region
(Domestic market)



Wood Sales – segment
(Domestic market)



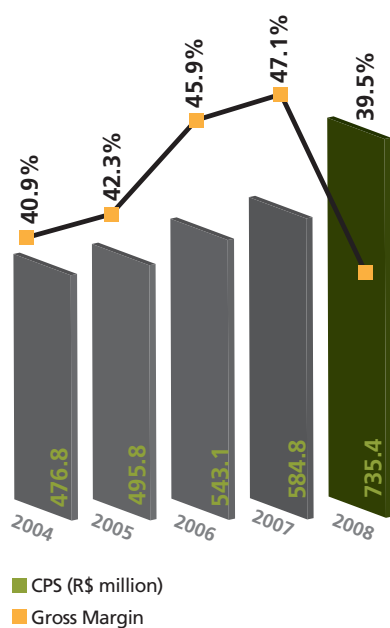
Productivity Wood Division



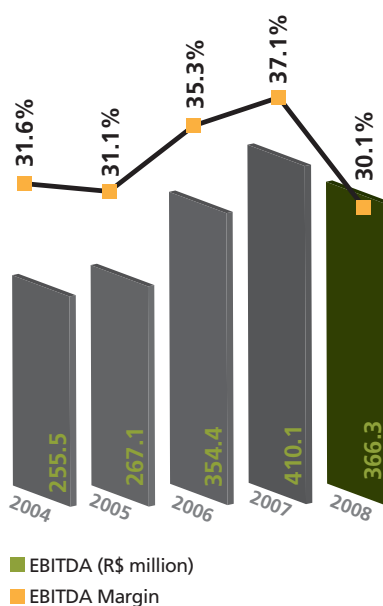
Breakdown of Wood Division Costs (%)

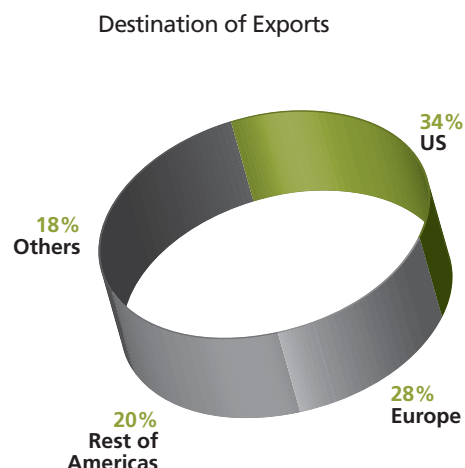
	Hardboard	MDP	MDF/ HDF/SDF
Labor	22.0	9.8	7.8
Wood	25.7	24.1	19.8
Raw material and other materials	23.8	52.6	52.5
Electrical energy	16.7	5.1	12.4
Fuel	9.4	3.9	2.6
Depreciation	2.4	4.5	4.9

Cost (R\$ million) Gross Margin %



EBITDA (R\$ million) EBITDA Margin %





THE EXPORT MARKET

Exports, mainly of hardboard, totaled US\$58.3 million, 4.4% higher than in 2007, with the North American and European markets being the main destinations. Foreign trade was affected by the effects of the unfavorable exchange rate in the first semester of 2008, and later the significant retraction in the markets affected the volume of shipments in the second half of the year. The Wood Division is expected to post a lower volume of exports in 2009, mainly due to the lack of consumer confidence and credit in external markets.

PRODUCT LAUNCHES

Duratex seeks to offer an increasingly wide-ranging portfolio to an increasingly diverse public. The quality of its products is already proven and accepted by clients, who recognize the symbol of the Rhinoceros as synonymous with reliability and guarantee. The company launched 55 new low-pressure wood panel standards and ecological laminate (LE) in 2008, as well as 8 Durafloor laminate floor standards and 9 models in the Duratex Moulding line, totaling 72 new products, standards and accessories.

Durafloor, laminated flooring: There are seven product lines and accessories: Nature, Vintage, Design, Studio, Home, Life and Premium. The year was characterized by a wide-ranging offer of options in natural-tone wood, as well as with ethnic options. There are 48 standards of wood laminated flooring, which also offer various patterns and designs – some with faithful reproductions of wood veins and tones, and finishing, all of which add value to the products. Among the finishing that emphasize the natural look of the product, is the Design Line, which provides a wood texture. Another new product introduced in 2008, and which is included in the Durafloor accessories line, is the Escada Pronta (Ready-to-Assemble Ladder), the components of which come ready to be assembled quickly and cleanly.

Duratex Moulding: Two product lines, with a contemporary look (Casual and Essential) and with nine models available. This line of products offers more options to be used in the finishing momentum of the civil-construction.

Wood Panel Low-Pressure (BP) line: MaDePlac BP/MaDeFibra BP: five product lines, with 52 standards.

Of particular note among the new product panels is the ecological sheet (LE), which inaugurates a generation of coating technology based on imaginary standards of wood printed on paper, but that remain faithful to the natural wood. These panels are mainly made from replanted Eucalyptus wood, as well as Pine from Duratex's own forests, the first in Brazil to receive the FSC certificate for good forestry management.

One of Duratex's exclusive differentials in 2008, its low-pressure reconstituted wood panels, were manufactured using Microban technology, which provides an effective protection against fungus and bacteria for the useful life of the product, making it easy to clean, more hygienic and thus contributing to human health. This antimicrobial protection was introduced exclusively in the Brazilian market by Duratex throughout its Durafloor flooring lines, which also use Click technology, an interlocking system for laying the floor that dispenses with the need for glue.

PRODUTOS SUSTENTÁVEIS

By only using certified wood from replanted forests as raw material and the rational use of natural resources in the production of Durafloor laminate floors, the company was awarded the Sustentax Green Seal. The products comply with the requirements stipulated in the North-American norm LEED (Leadership in Energy and Environmental Design) and are ideal for use in projects designed to meet sustainability requirements.



COMMERCIAL INNOVATION

The marketing strategy for the products focuses on the importance of having a differentiated attitude, and which emphasizes quality, diversity and natural beauty, always prioritizing the aggregate value and the strength of the Duratex and Durafloor brands. The company increased its commercial team in 2008, investing heavily in hiring, training and developing its personnel. It also restructured its sales management into four segments: Industry, Retail, Construction and Exports, with the aim of strengthening the relationship with the diverse client groups, as well as developing specific communication campaigns and approaches for each target public.

The concept of the strength of sales changed from the “model of the product” to the “model for management”, which will allow for: a more focused approach on this segmentation; exchange of experiences between the retail areas at Durafloor and wood panels; and a more in-depth knowledge of the operating channels in the search for new opportunities. The challenge in 2009 is to strengthen the company’s communication with clients with less purchasing power and maintain the search for and winning of still unexplored markets.

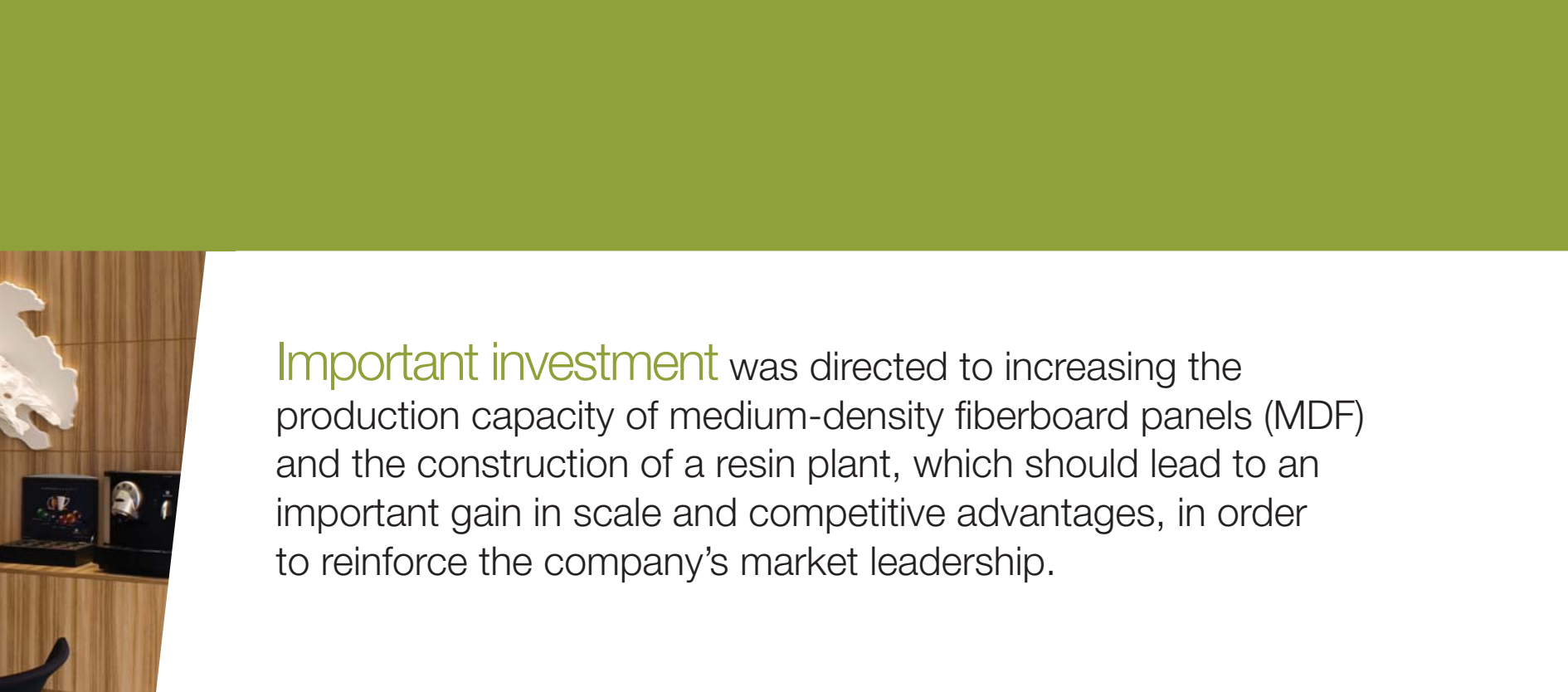
INVESTMENT

The work at the Agudos plant continued in 2008, to introduce a second MDF line at the unit, which is scheduled to begin operations in the first semester of 2009. The installed capacity will be increased by 2,400 cubic meters a day of MDF panels, which represents a growth of 125% in relation to the existing installed capacity of this product, providing considerable gains in scale. In the coating area, the increase in production was 36%, with the inauguration of a low-pressure coating line in the second half of the year. This line contributed to enriching the sales mix and the consequent increase in unitary net revenue by approximately 17% in relation to 2007.

A resin manufacturing unit is also being installed at the Agudos industrial site, which is scheduled to start up in 2010. This unit will produce formaldehydes and resins, which are raw materials for the production of MDF panels. As a result of the verticalization of this process, the company should increase its competitiveness, improve its logistics chain and lower its production costs to create value.

Duratex also plans to expand the capacity of its MDP unit. Due to the worsening in the economic scenario, the scheduled investment of approximately R\$1 billion was postponed. This capital was earmarked for the installation of a new unit with an annual capacity of 1 million cubic meters, a low-pressure coating line and a resin plant, as well as land and plantations. However, all the feasibility and engineering studies have been maintained, which should accelerate the process when the scenario is more favorable.



A green horizontal bar at the top of the page. On the left side, there is a vertical strip showing a wooden wall, a white abstract sculpture, and a small black box with a white logo.

Important investment was directed to increasing the production capacity of medium-density fiberboard panels (MDF) and the construction of a resin plant, which should lead to an important gain in scale and competitive advantages, in order to reinforce the company's market leadership.





Deca

THE DECA DIVISION

The acquisition of the vitreous china operations of Ideal Standard and Cerâmica Monte Carlo led to an important geographical diversification, reinforcing the company's presence in the southeast region and establishing a base in the northeast.

60 years of operations

After celebrating 60 years of operations in 2007, with various product launches and a record shipment of pieces, Deca made significant advances with the acquisition of two companies in 2008.



The incorporation of Cerâmica Monte Carlo, a producer of vitreous china located in the municipality of Cabo de Santo Agostinho (PE), was an integral part of Duratex's strategy to improve its service in the North and Northeast regions, facilitating its production logistics and product distribution in these markets, which account for approximately 30% of the consumption of ceramic ware in Brazil, and which has been growing strongly in the last few years. The purchase of Ideal Standard, with plants in Jundiaí (SP) and Queimados (RJ), expanded the company's business in the Southeast.

With the exception of the Queimados unit, in the last quarter of 2008, the companies owned by Duratex were operating at a high level of installed capacity. After these acquisitions, Deca became the only producer of vitreous china with industrial installations in all the main geographical regions of Brazil that have seen a significant expansion in the civil construction segment. As a result, significant gains are expected related to cost savings in terms of freight as well as an improved service in these markets.

With the recently-acquired units, the Deca Division now has seven industrial plants in Brazil: Metais São Paulo, in the capital, Metais and Cerâmica Jundiaí, both in the State of São Paulo; and Cerâmica São Leopoldo, in Rio Grande do Sul. The company also has Deca Piazza in Argentina. To increase its production capacity, expansion work is to be carried out at the Metais Planidil unit (in Jundiaí), which will increase the existing installed capacity by 35%.

This sizeable industrial complex guarantees Deca's leadership in the domestic market for metal bathroom fittings, and a top-ranked position in the vitreous china segment. The installed production capacity in 2008 reached 23.8 million pieces, which are sold under the Hydra brand, for flushing valve systems, and Deca, for metal and vitreous china; and their respective accessories.

PERFORMANCE

The economic-financial results posted in 2008 rose significantly due to the acceptance of products launched and the growth in Deca's business with construction companies. The volume shipped in 2008 was up by 16.8% compared with the same period in 2007, of particular note being the 30% increase in shipments of finishing products. This result was reflected in the 23% expansion in net revenue, which totaled R\$698.6 million. The gross margin totaled 41.5%, slightly higher than in the previous year.

The increase in net revenue was well above the average growth reported in the industry for finishing material for construction, of 15.8% compared with 2007, according to data released by the Brazilian Association for the Industry of Construction Materials (Abramat).

This performance was bolstered by the number of real estate projects launched, which resulted in a significant demand for Deca products, both basic and for finishing, widely used in these types of constructions. The construction companies also contributed to the performance presented in other consumer segments, such as hospitals, commercial centers, manufacturing plants and modernization projects.

In this scenario, the Division registered an EBITDA of R\$193.1 million, 30.3% higher than the result posted in 2007, corresponding to a margin of 27.6%, approximately 1.5 percentage points up on 2007.



A combination of factors — including the improvement in the regulatory framework, the reduction in interest rates and expansion of real-estate credit – led to a growth in activity in the building industry, which Deca benefited from directly, increasing its presence in the market during the year.

Shipments

(in '000 of pieces)

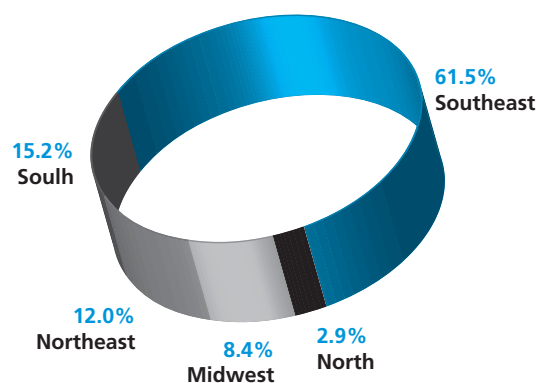
	2004	2005	2006	2007	2008
Basic	6,649	6,484	7,178	7,001	7,141
Finishing Product	7,098	6,341	6,803	8,040	10,422
Total	13,747	12,825	13,981	15,041	17,563

Net Revenue

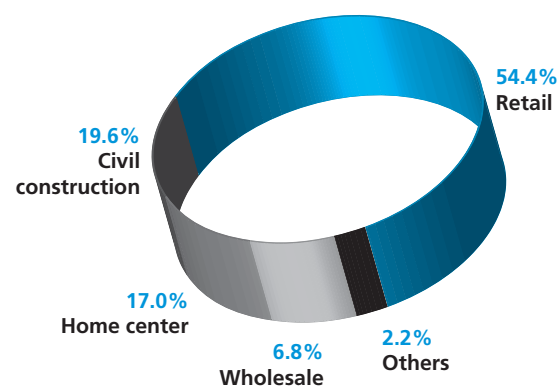
(R\$ million)

	2004	2005	2006	2007	2008
Domestic market	352.4	378.4	440.0	526.1	656.2
International market	28.6	32.2	44.7	40.0	42.4
Total	381.0	410.6	484.7	566.1	698.6

Sales distribution by region
(Domestic market)

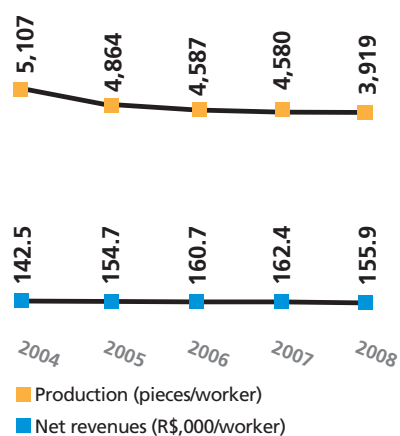


Sales distribution by segment
(Domestic market)

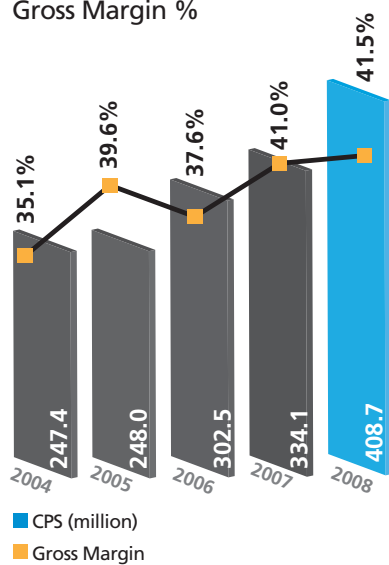




Productivity Deca Division



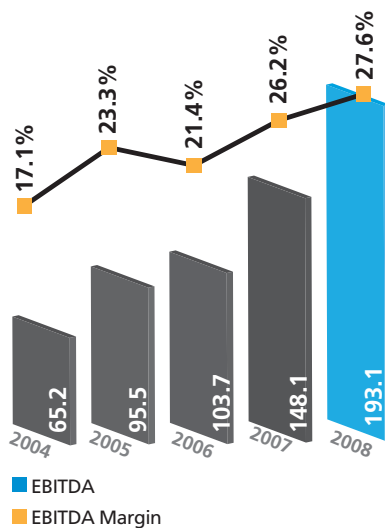
Cost (R\$ million) Gross Margin %



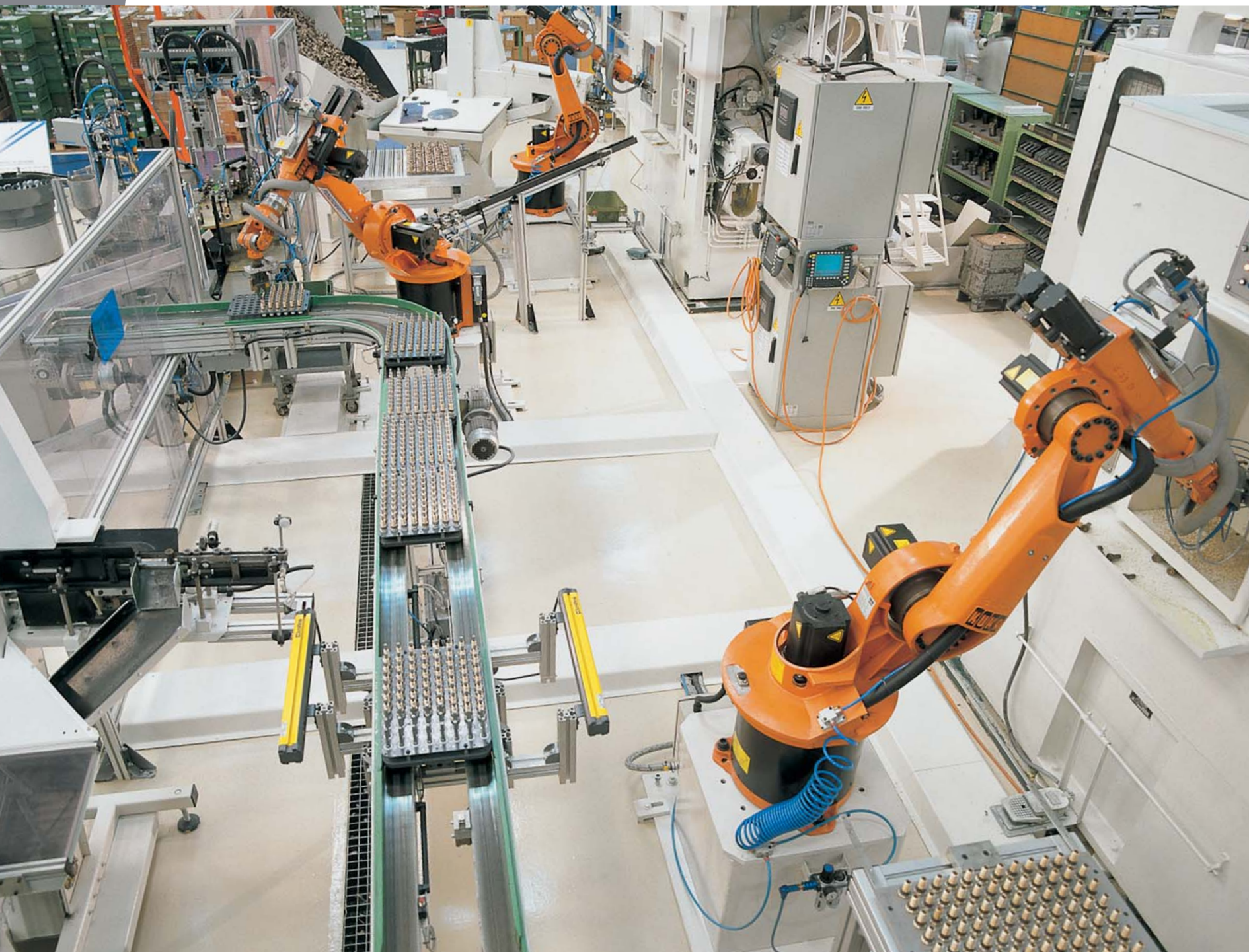
Breakdown of costs (%)

	Metal Fittings	Vitreous China
Labor	32.9	45.2
Raw materials and other material	57.1	31.8
Electrical energy	3.2	3.5
Fuel	0.5	10.3
Depreciation	6.3	9.2

EBITDA (R\$ million) EBITDA Margin %



The volume shipped during 2008 rose by 16.8% compared with 2007, with the 30% increase in the sale of finishing products of particular note. This result was reflected in the 23% expansion in net revenue, which reached R\$698.6 million.





The Deca brand is associated with high-quality products, and has product lines designed specifically for the premium, mid-range and economic segments. Due to this variety of segments attended, Deca adopts distinct strategies in terms of marketing and sales.

The Boutique project, which includes establishments specializing in providing differentiated services, is aimed at architects, decorators and consumers with considerable purchasing power, and is already on offer in 61 stores, compared with 46 in 2007, in 37 cities. Only premium products are sold through this channel, which include five lines of metal bathroom fittings and two lines of vitreous china.

The sales strategy for the other segments includes a wider range of retailers and wholesalers, focused on defining selections of products tailored to regional needs and tastes and the training of the sales force.

The relationship with customers with less purchasing power was also intensified, and these outlets now receive promotional material (pamphlets and product displays) and training for their sales force, focusing on improving sales.

The company also finalized the hiring of all its 240 sales staff last year, which was previously an outsourced service. In this way it was possible to offer more direct training and differentiated benefits, which reinforce Deca's image with the customer at the sales outlet.

INNOVATION

Deca launched 12 new lines in the metal bathroom fittings segment on the market in 2008 and seven new vitreous china lines.

Hydra, a brand name for flushing valves, had its market position reinforced in terms of combining the aesthetic beauty and sustainability of its products, which offer water saving in discharges as a major differential. In this way, products are designed for the rational use of water, such as the Decamatic Eco Line, an option with a temperature-controlled tap – activated for a programmed period of time –, the Decalux electric tap and Hydra Duo and Hydra Eco flushing valves all received the seal of sustainability with quality from the Sustenax Group in 2008. In practice, these products gain visibility in construction projects designed to meet sustainability requirements.

The process of publicizing launches, with differentials in terms of design and quality, was mainly seen at the 2008 edition of Casa Cor, an important event in the segments of landscaping and decoration held in 13 different cities in various states, and which attracted a public of approximately 440,000 visitors. This process also included the third edition of Kitchen and Bath, an International Fair of Products and Accessories for Kitchens and Bathrooms, held in São Paulo, which attracted more than 13,000 visitors from nearly 50 countries.

The highlight in the vitreous china division was the Studio Line, which offers a lavatory seat equipped with the exclusive Slow-Close technology, capable of closing the lid smoothly, gradually and quietly. In Metals, Deca launched new products for its Sky, Max, Link, Aspen and Izy lines – with the last of these, for example, now offering a version of a normal tap in the shape of a lever, making it easier to use.

With 12 new lines in the metal bathroom fittings segment and seven in vitreous china, Deca reinforced its market position, with products designed for the rational use of water receiving the Seal of Sustainability with Quality, thus gaining visibility in construction projects based on ecological concepts.

EXPORTS

In order to maximize results and reduce the effects of the company's exposure to the fluctuating exchange rate in its export operations, the focus of export expansion was defined as the sale of products to the superior consumer segments, with higher purchasing power. As such, the composition of external sales was, to a large extent, made up of vitreous china for the Life Style segment. The company exported to around 40 countries in 2008, and sold its products through 1,400 sales outlets, reporting revenue of US\$10.4 million.

As a means of boosting sales to the North-American market, an English version of the Deca website is now available at: <http://www.deca-us.com>. As well as the institutional profile and presenting the product lines on offer in the North-American market, the communication channel provides information about the rational use of water, in a manner similar to the campaign for the efficient use of natural resources already being presented in Brazil. As part of its marketing strategy to increase the brand's visibility, Deca attended three international trade fairs, all in the U.S.

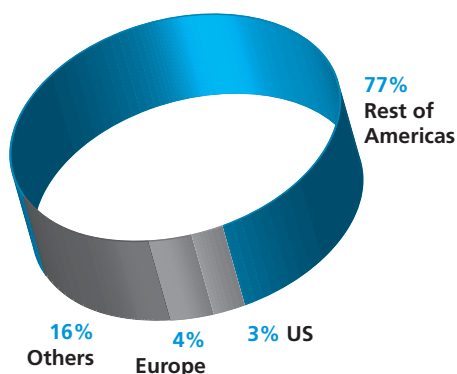
The target for 2009 will continue to be to reduce the sales of products to markets with lower profitability and to intensify the trade in premium products to the U.S., Europe and Central America. With the expansion of the Metals unit and the acquisition of two companies manufacturing vitreous china, Duratex now has the additional capacity to serve the export market. The plans for 2009 include investments in marketing and trips to promote the 15 product launches scheduled in the first semester.

INVESTMENT

The acquisition of companies in the vitreous china segment gave the company the opportunity to capture the benefits linked to the sector growth in the construction sector. In total, the company earmarked R\$143.7 million for acquisitions and expansions in the areas of Vitreous China and Metals. Capital expenditure in 2009 is expected to total approximately R\$80 million.

The expansion of the metals plant will lead to an increase of approximately 35% in output, totaling 18 million pieces by the end of 2010. Of particular note in terms of investment are the two robotized cells for the sanding of taps, water outlets and accessories, which will increase the hourly production of pieces by approximately three times. The installed capacity for vitreous china has already been increased by 3.2 million pieces per year, an increase of 84%, with the acquisitions mentioned above.

Destination of Exports



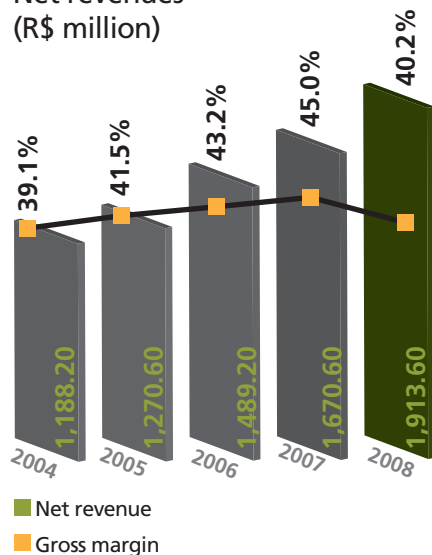
ANALYSIS OF RESULTS

Increases in the volumes shipped and an improvement in the sales mix – with more coated and finished products – led to a 14.8% growth in revenue to R\$2,554.8 million.

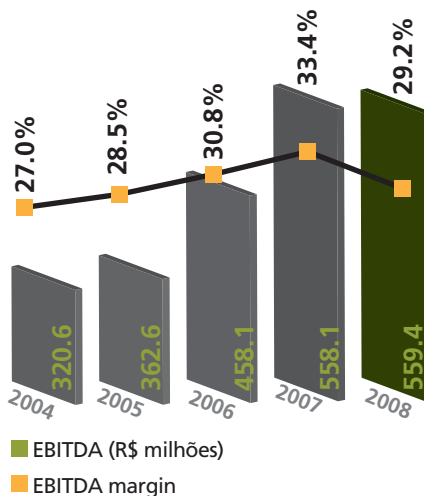
Macroeconomic Scenario

After a long cycle of global economic expansion, with stable prices and a growth in credit and income, 2008 saw a reversal in this trend, and a deterioration in macroeconomic conditions in international markets, particularly from September onwards.

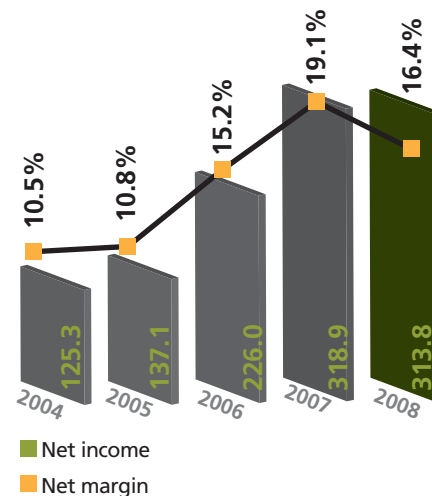
Net revenues
(R\$ million)



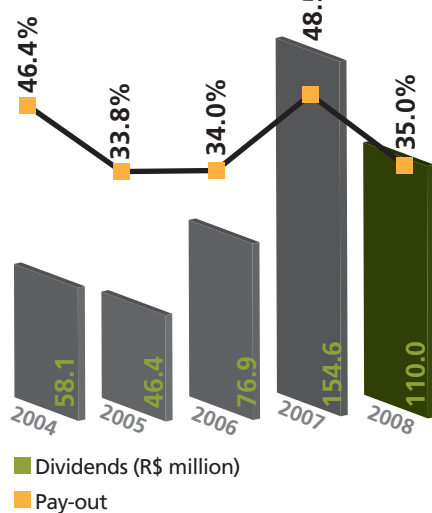
EBITDA
(R\$ million)



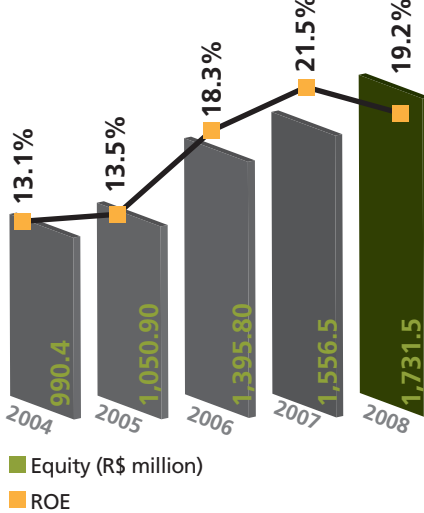
Net income
(R\$ million)



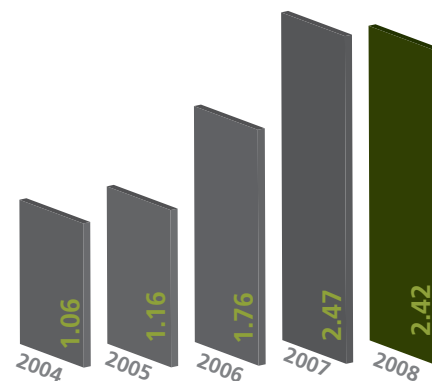
Dividends and pay-out
(R\$ million)



Equity
(R\$ million)



EPS
(R\$)





The crisis which initiated in 2007 in the subprime real estate segment in the U.S., assumed larger proportions, affecting large financial institutions with global reach, becoming a systemic crisis driven by a generalized lack in confidence, which resulted in a wide-ranging crisis in terms of financial liquidity.

In Brazil, the increased aversion to risk led to a significant flight by investors to assets considered safer, provoking a great deal of volatility in the exchange rate market. At the end of 2008, the U.S dollar was quoted at R\$2.332, corresponding to an appreciation in the Brazilian Real of 31.7% compared with the same year-ago period, when the U.S. Dollar closed the year at R\$1.7713.

The slowing of the pace in economic activity, as a result of increased credit restrictions, forced a revision in expectations as to the level of future global economic growth.

At the end of 2008 the main areas in which Duratex operates – the building and furniture sectors -which account for approximately 80% of the company's direct and indirect sales, continued to perform well, boosted by the large number of real-estate projects launched previously, and the increase in total economic payroll, together with widely available credit.

RESULTS

Revenue

Gross revenue totaled R\$2,554.8 million, which was 14.8% higher than the sales reported in the previous year. This increase was due to the growth in volumes shipped and the improvement in sales mix; with more coated and finished products. Exports totaled US\$68.7 million. Although the nominal value remained stable, there was a drop in the volume exported from the fourth quarter onwards, following the deteriorating global scenario. As such, net earnings totaled R\$1,913.6 million, following the growth in gross sales.

Cost of Goods Sold (COGS)

The COGS increased 24.5% in the year to R\$1,144.1 million, largely as a result of the increase seen in two production inputs in the Wood Division: electricity and resins. As a result, the gross profit totaled R\$769.5 million, 2.3% higher than in 2007. The gross margin of 40.2%, however, reflects this pressure on costs, as the share of these inputs in the total production cost at the Division reaches approximately 30%.

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

The generation of working cash flow, as measured by the EBITDA concept, totaled R\$559.4 million, slightly higher than in 2007 and equivalent to an EBITDA margin of 29.2%. The increases in costs, in turn, also affected the operating result reported.

Net Earnings

The adjusted net earnings, according to Law ° 11,638, of December 2007, was R\$313.8 million, corresponding to a Return on Net Equity (ROE) of 19% and earnings per share of R\$2.42. Excluding the abovementioned adjustment, net earnings totaled R\$333.9 million, equivalent to R\$2.57 per share, representing a ROE of 20%, higher than the net earnings of R\$318.8 million posted in 2007.

Generation and distribution of wealth (EC1)

The value added, represented by the difference between the revenue obtained, of R\$2,604.5 million, and costs related to the acquisition of raw materials, services, depreciation, amortization, other operating results and the value added received in transfers (financial revenue), of R\$1,318.9 million, totaled R\$1,285.6 million in 2008, was 13.1% higher than accounted for in 2007. Of this total, R\$447.2 million, equivalent to 17.2% of the revenue obtained and 34.8% of the total added value, were destined for the federal, state and municipal governments in the form of taxes and contributions.

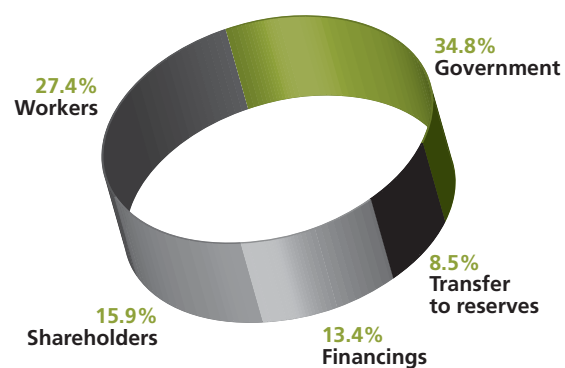


Simplified statement of consolidated added value (R\$ million)

(R\$ million)

	2004	2005	2006	2007	2008
Added Value to be Distributed	761.1	865.4	1,001.5	1,136.6	1,285.6
Employees	218.0	240.3	261.1	287.7	351.6
Government	326.1	361.6	415.0	467.4	447.2
Shareholders	58.1	46.4	76.9	154.2	109.6
Financial Charges on Borrowings	91.1	126.0	99.4	62.2	172.5
Transfer to Reserves	67.8	91.1	149.1	165.0	204.7

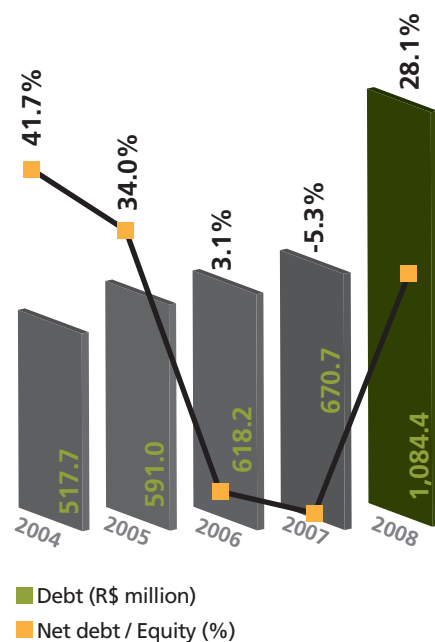
Added value distribution



Indebtedness

The industrial and forestry investments made in at the Agudos unit along with the acquisitions of the three vitreous china plants, originally owned by Ideal Standard and Cerâmica Monte Carlo, raised the company's level of indebtedness to R\$1,084.4 million, of which 52.8% was denominated in foreign currency, totally protected by traditional hedge instruments. Net debt totaled R\$486.3 million by year end compared with a net cash position of R\$81.9 million at the end of 2007. In terms of Net Equity, the net debt represented approximately a multiple of 0.29 times at the end of 2008, and 0.87 times in relation to EBITDA.

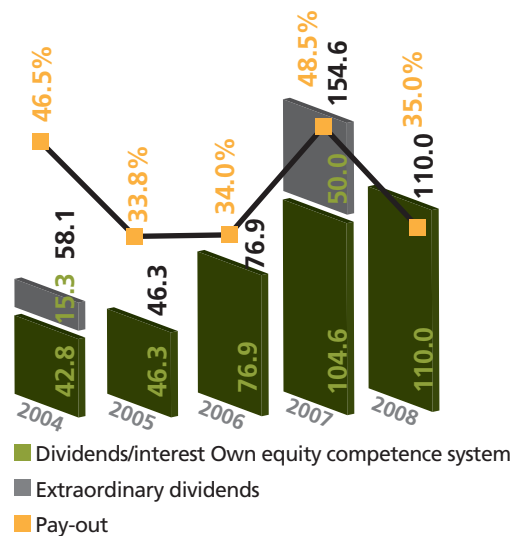
Debt



SHAREHOLDER REMUNERATION

Duratex adopts a differentiated policy for its minimum dividend, corresponding to 30% of adjusted net income in the period, while the law related to listed companies establishes a minimum of 25%. The Board proposed a gross distribution of R\$55 million, of which R\$32 million was paid in the form of interest-on-equity and R\$23 million as dividends paid in March 2009. These figures make up the advance distribution made in August 2008, paid as interest-on-equity, of R\$55 million, making a total gross remuneration to shareholders of R\$110.0 million in the year, equivalent to a unit value of R\$0.84 per share and 35% of the net earnings reported in the period.

Dividends (R\$ million)



The level of indebtedness reflects acquisitions and more investment in industries and forestry, although considered adequate for the moment, with a multiple of 0.89 times the company's EBITDA. The installment linked to foreign currency is totally protected by traditional hedge operations.





SHARES AS AN INVESTMENT

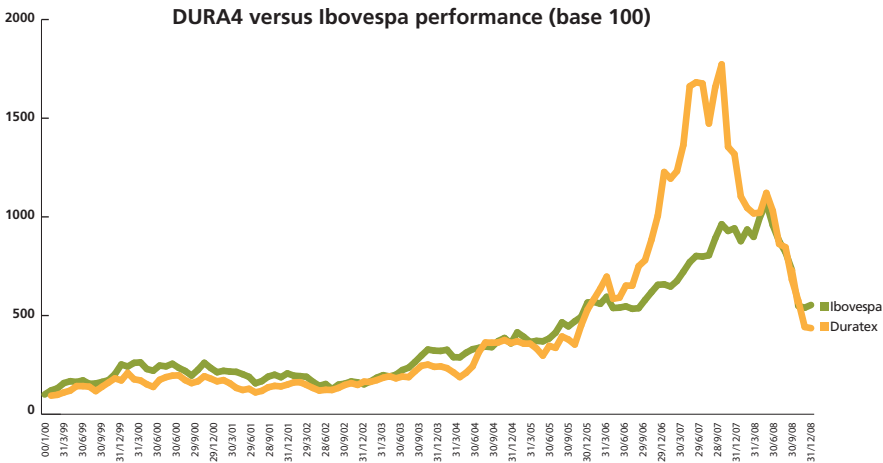
The price of assets in the stock market were extremely volatile during 2008, due mainly to the perceived scenario of insecurity as a result of the deterioration in economic indicators.

As a direct result, there was a flight by investors from the equity market, mainly foreigners that reduced their stake in the São Paulo stock exchange by R\$24.6 billion.

In this scenario, preference shares in Duratex, traded on the São Paulo stock exchange (BM&FBovespa) with the ticker DURA4, ended the year quoted at R\$14.39 per share, which represents a depreciation of 67% in the period. The share price performance followed the sharp depreciation seen in companies related to the building sector and was demonstrated by the 69% drop in the Bovespa's Real Estate Index (IMOB), which includes the 14 main companies in the sector. The IBovespa index depreciated 41% in the year. Duratex's market capitalization at the end of December was approximately R\$1.9 billion.

The liquidity of preference shares in Duratex improved during the year when compared to 2007. A total of 255,493 trades were made on the spot market – compared with 152,405 in 2007, involving more than 157.8 million preferred shares (138.1 million in 2007), equivalent to a financial volume of R\$4.6 billion. The average daily trading volume was R\$18.3 million, and this level of liquidity ensured that the preferred shares in Duratex remained part of the main market indices.

Duratex shares were included in the Bovespa's Business Sustainability Index (ISE) in 2008. This index is made up of the shares of companies that are outstanding in applying the international concept of sustainability that evaluates, in an integrated manner, social, environmental and economic-financial aspects – put into in practice in terms of corporate governance, business characteristics and the nature of the product. The evaluation methodology, developed by the Center for Studies in Sustainability at the School for Business Administration in São Paulo, which is attached to the Getúlio Vargas Foundation (FGV-EAESP), was applied to 51 companies, the shares in which are among the most traded on the BOVESPA. The ISE Council, which evaluated and defined the composition of the index, is made up of representatives of important associations and union entities, such as Abrapp, Apimec, Anbid, IBGC, the Ethos Institute, IFC, PNUMA (UN), as well as the BM&FBovespa and the Ministry of the Environment, and is valid for a period of one year starting December 1, 2008.



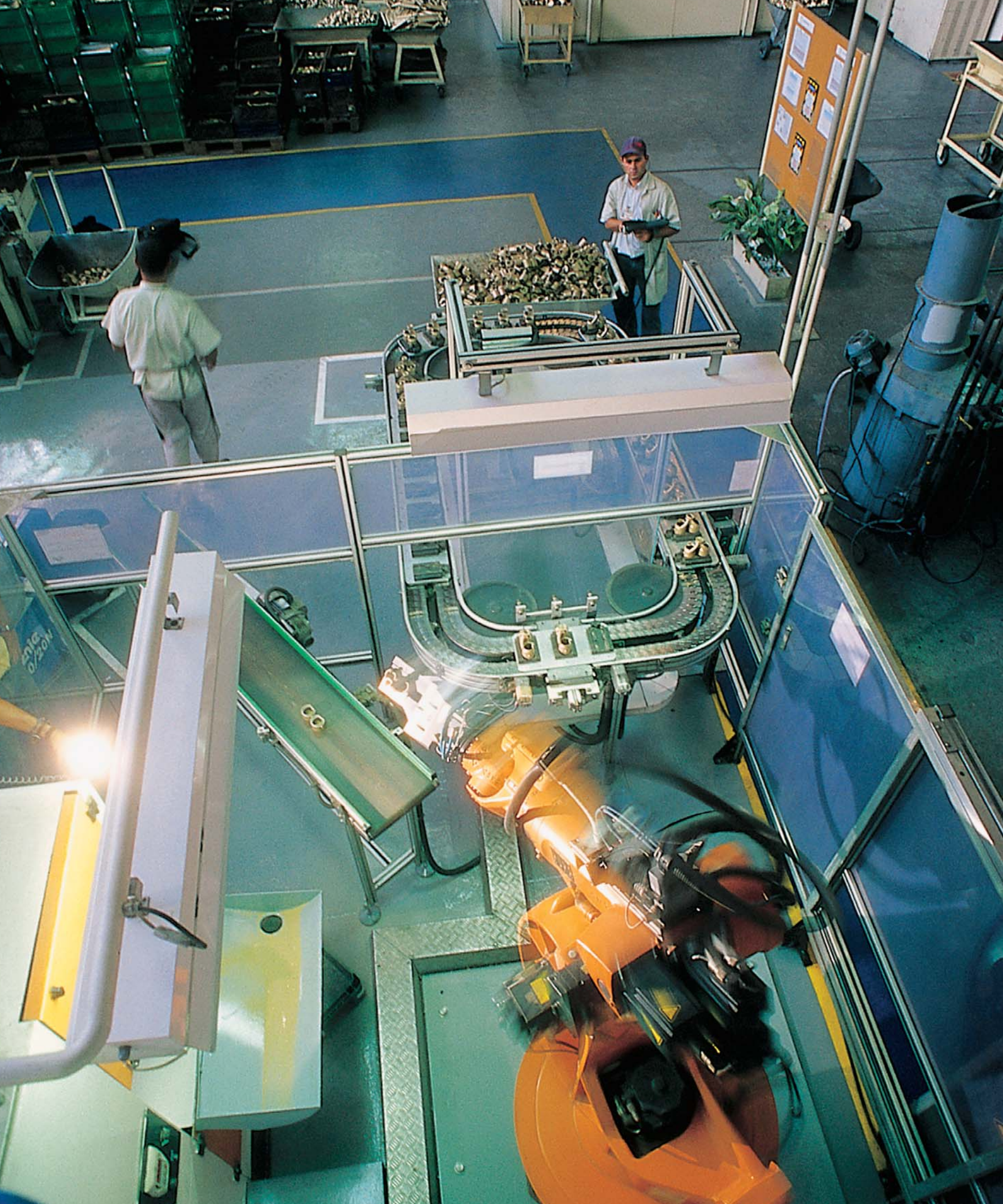


Trading on the Bovespa – DURA4

	Financial Volume (R\$ million)	Volume of Shares Traded (million)	Average Daily Traded Volume (R\$ million)
1998	31.1	9.3	0.2
1999	67.7	15.9	0.3
2000	120.5	20.1	0.5
2001	87.5	17.9	0.3
2002	94.2	21.6	0.4
2003	274.0	43.1	1.1
2004	381.7	42.5	1.5
2005	340.3	10.3	1.3
2006	2,016.0	75.1	8.2
2007	6,599.0	138.1	27.2
2008	4,553.2	157.7	18.3

Trading in Preference Shares

	2006	2007	2008
Closing share price (R\$)	33.20	43.50	14.39
Average Daily Traded Volume (R\$ million)	8.2	26.2	18.3



RISK MANAGEMENT

The increase in competition and the unstable economic scenario reinforce the need for the existence of more efficient processes, rigid internal controls and transparent practices of corporate governance, contributing to guaranteeing levels of risk and quality adequate for the success and the continuity of the business.

Transparent Practices

Duratex tries to identify, quantify and reduce, whenever possible, the risks that may impact its operational performance; such as market, operational, financial, credit, technological, the cost of raw materials, image and reputation. (GRI 1.2)



The analysis of risks and opportunities at all stages of its operations take into consideration the Principle of Precaution, instituted during the United Nations Conference on the Environment and Development, in 1992, which deals with the risk management assumed by the organization in its operational planning and in the manufacture of new products. Based on this principle, efficient and economically feasible measures to prevent the threat of serious or irreversible damage to the environment or human health should not be postponed. In this sense, Duratex already invests in highly-efficient technologies with the lowest impact on the environment and in advanced practices of corporate governance, guaranteeing the success and continuity of its business. **(GRI 4.11)**

MARKET RISKS

The vitreous china, metal bathroom fittings and wood products markets depend directly on the dynamics that exist in sectors such as civil construction and furniture. At the end of 2008, both these sectors, which account for approximately 80% of Duratex's sales, continued to perform well, based on the favorable conditions resulting from the growth in disposable income and the level of employment, as well as the availability of short and long-term credit. The projections for 2009 indicate a deceleration in economic growth, with a probable drop in income due to rising unemployment, and an increase in GDP of less than 2% in the year, according to current expectations.

To counteract the effects of the crisis, Duratex is banking on the quality of its products and segmentation of sales, which should dilute the company's exposure to any specific industry and/or client. As the main investments to expand its production capacity and modernize its industrial park have already been made, the company can still count on the differential it has in terms of quality and efficiency to retain its market leadership against its competitors.

As well as continuing to invest in products of a higher aggregate value, the company is in a position to seek out other unexplored markets in Brazil and abroad, as it has managed to increase its production capacity, which was operating at maximum levels.

OPERATIONAL RISKS

The preventative maintenance of machinery and equipment, run by modern software and management practices based on the concepts of Total Productive Management (TPM) and 5s, increase the efficiency and productivity of the company's equipment and reduce the costs associated with unscheduled stoppages.

To protect its assets, the company has taken out diversified insurance policies with ample coverage, for, among other things, its installations and international transport (exports and imports). The forestry areas are cared for meticulously in terms of preventive measures, with its own fire brigade, observation towers and constant patrols.

FINANCIAL RISKS

The company's total level of indebtedness at the end of 2008 stood at R\$1,084.4 million, of which 52.9% was in foreign currencies. Financial management is based on hedge policies that contribute to minimizing the level of exposure to exchange rate risk. Although the existing policy limits the exposure to six months of exports, or US\$36 million, this exposure is currently totally protected. The company does not use, and has never used, leveraged derivative instruments.

Financial institutions that wish to administer Duratex's available cash are submitted to an analysis and have defined limits to exposure, as a way of diluting any financial risk. Financial applications are only made with sizeable traditional institutions.



CREDIT RISKS

The bad-debt rate as of December 31, 2008, as measured by the total volume of past-due invoicing, was 1.4%, lower than the 2.3% registered in 2007. To improve the management of unpaid debt, which is based on individual analysis to choose the most appropriate solution, Duratex has a Credit Committee, which meets periodically. This group also determines the credit limits for clients; and is currently involved in defining the procedures to help prevent the risks associated with these types of sales.

The company has sought to diversify its client base as much as possible throughout the country and abroad, thus reducing the dependence on any determined buyer or market sector. At the end of year, Deca had 17,290 active clients, and the Wood Division - 4,017. The share accounted for by the group of the ten largest clients in the Wood and Deca Divisions in terms of net revenue was 15.7% and 21.5%, respectively.

TECNOLOGICAL RISKS

The investment in the company's Program for the Application of Resources (PAR) has reached R\$2,066.3 million over the last ten years, which has allowed for the modernization of its industrial park and the development of individual technologies from the standpoint of production scale and rationalizing the consumption of raw materials.

The technological differential is also evident in the company's products. Continued and recurring investment in research and development has allowed for the constant updating of its product portfolio, which has made the company an important benchmark in terms of fashion and trends. A total of R\$11.0 million was invested in R&D in 2008.

RISKS ASSOCIATED WITH RAW MATERIALS

The costs of the main raw materials used by Duratex, such as resin, paper, paint and metal, vary according to the fluctuations in international markets. Although the company has no defense against the risk of rising costs, it will be affected in a similar way to others in its segment, which is unlikely to hurt its standing in relation to its competitors.

Wood, the main raw material for the manufacture of panels, is supplied almost exclusively from forests owned by its wholly-owned subsidiary, Duraflora S.A., which guarantees a reduction in costs in the production chain. The Constant investment in the acquisition of land and the genetic perfection of saplings, coupled with the adoption of modern practices for planting and harvesting contribute to the company being the most productive in its industry. A total of 15,500 hectares were planted in 2008, compared with 10,300 hectares in 2007.

Most of the electricity purchased is in the form of short and long-term contracts as well as directly from the free market, and thus subject to prevailing prices, which can be both advantageous and disadvantageous, depending on the existing conditions at the time these contracts are negotiated.

Although the prices of the main raw materials used in the manufacture of resins – urea and formol – are linked to oil, there is a possibility of capturing benefits arising from savings linked to the production and logistics process in the future, mainly from the verticalization of the productive process of this input, which would allow the company to increase its competitive advantage over its rivals.



RISKS ASSOCIATED WITH IMAGE AND REPUTATION

The process of updating and dissemination of the Code of Ethics of Conduct and the existence of a series of wide-ranging policies and norms are an integral part of Duratex's efforts to broaden its best practices of corporate governance and contribute to the image of credibility, solidity and trust it has built over more than 50 years. The principles adopted by all its employees deal with the importance of working with ethics, legality, respect for human beings, repudiating all forms of discrimination, and with a sense of socio-environmental responsibility, among other things. This stance has contributed to preference shares in Duratex being included in the 2009 version of the Bovespa's Business Sustainability Index (ISE). The company has been included in the Level 1 classification of the Bovespa's corporate governance rating since 2005.

Duratex rigorously complies with all the pertinent federal, state and municipal legislation in its operations, even going beyond just meeting the obligatory requirements whenever possible. Before being launched, all the company's products are tested individually and strictly follow the parameters of the bodies responsible for the definition of their characteristics.

Duratex also seeks certifications from independent organizations to legitimize the quality of its internal processes, such as the ISO 14001 standard (Environmental Management) and 9001 standard (Quality) - (see the complete table of certifications on page 95). In this sense, in the environmental area, the company was the first in Latin America to obtain certification from the Forest Stewardship Council (FSC) in 1995, which attests to the sustainable management of its forestry.

The company finalized the process of joining the Chicago Climate Exchange in 2008, a market where the carbon credits generated from its forests are traded, which absorb more greenhouse gases than its industrial operation generates, making the company effectively Carbon Free. In the same year, as a founding member, it joined the Brazilian Green Building Council - Brazil, an entity that seeks to motivate the development of real-estate projects that comply with the principles of sustainability. **(GRI EC2)**

Duratex's Forest base absorbs more greenhouse gases than the volumes generated by its industrial processes, which guarantees the company the status of being a Carbon Free business, or free from the emission of carbon dioxide. This condition allows it to be a member of the Chicago Climate Exchange, where it can sell its carbon credits.





THE MANAGEMENT OF PEOPLE

In its policy to create additional value, Duratex seeks to strategically improve and recognize the talent within its own human capital base, promoting a series of initiatives aimed at maintaining an ethical work environment, prioritizing safety at work, as well as one that stimulates both professional and personal development.

The Development of Personnel

All Duratex employees, statutory members and trainees received a copy of the Code of Ethics and Conduct in 2008, as a document that they adhere to and also took part in a training program to improve their understanding of the same, during which the importance of contributing to the maintenance of a healthy work place, free from any form of discrimination encourages both personal and professional development.



A letter concerning Sexual Harassment at work was also drawn up during 2008, which contributed to identifying and administrating any possible such occurrences. The document was distributed to the area heads, management and directors, totaling 467 professionals.

PROFILE OF EMPLOYEES

On December 31, 2008, Duratex had 8,051 employees (7,886 in Brazil and 165 abroad), 16.2% more than in the previous year. The increase in employees is related to the hiring of professionals who were previously outsourced, coupled with the need for specific staff to improve the company's level of installed capacity due to the expansions underway and the acquisitions of competitors by Deca.

Employees according to their labor contract (LA1)

	2006	2007	2008
Brazil			
Employees	5,890	6,076	6,785
Statutory	12	11	12
Trainees	69	63	98
Outsourced	149	161	114
Foreign			
Employees	73	171	184
Statutory	-	-	-
Trainees	-	5	-

Schooling by gender	Male	Female	Total
Incomplete Elementary School	1,308	30	1,338
Completed Elementary School	1,180	31	1,211
Incomplete High School	604	20	624
Completed High School	3,143	251	3,394
Incomplete University Degree	276	104	380
Completed University Degree	529	236	765
Incomplete Post-Graduation	16	4	20
Completed Post-Graduation	122	23	145
Complete Masters	0	1	1
Incomplete Masters	7	0	7
Total	7,185	701	7,886

Marital Status

	Number of Employees			Number of dependents
	Male	Female	Total	
Married	3,758	249	4,007	8,738
Single	2,506	376	2,882	963
Other	921	76	997	2,067
Total Employees	7,185	701	7,886	11,768

(*) Data from Brazil

Distribution of employees by region (LA1)

	2007	2008
Brazil	6,785	7,886
South	474	483
Southeast	6,311	6,905
Northeast	0	498
Abroad	198	165
Argentina	188	156
North America	7	6
Europe	3	3
Total	6,993	8,051



In the recruitment and selection process of personnel, the company analyzes curriculums based on the technical levels of competence and personal skills required for the job, avoiding any kind of discrimination. As and when a job position opens up, the Human Resources department first prioritizes selection from its existing staff, prior to publishing the opportunity in the market, thus promoting an increase in mobility between the business areas.

Whenever possible, the company also hires professionals that live close to their units, largely to support social development in the regions where it has a presence. This is done by means of hiring recruitment and selection agencies in the region, thus giving the local population access to the job offered. In December of 2008, 65% of the company's employees lived in the same municipality as they worked in.

This percentage rises to 97% when considering the origin of the employee in relation to the state in which they carry out their professional activity. **(EC 7)**

DIVERSITY

Among the 7,886 employees in Brazil, 701 are women, which corresponds to 8.9% of the total. The predominance of men employed is due to the characteristics of the work segments. However, there are proportionately more women than men in the areas of management and senior positions.

Indicators of Diversity **(GRI LA13)**

	2006	2007	2008
N° of women	495	601	701
N° of black and dark-skinned women	42	53	74
N° of women in management positions	2	2	3
N° of women directors	0	0	0
N° of black and dark-skinned employees	1,083	1,211	1,622
N° of black and dark-skinned directors	0	0	0
N° of employees with disability or special needs	232	247	248
Employees over 45	800	993	1,295

Race **(GRI LA13)**

	Male	Female	Total
Yellow	14	10	24
White	5,619	617	6,236
Indigenous	4	0	4
Black	399	23	422
Dark-skinned	1,149	51	1,200
Not determined	0	0	0
Total	7,185	701	7,886

Job Positions (*)

	Male	Female	Total
Managers and senior staff	221	30	251
Supervisors	229	18	247
University-level technicians	1,003	337	1,340
Secretaries, assistants, receptionists and operators	282	180	462
Other employees	5,450	136	5,586
Total employees	7,185	701	7,886

(*) data from Brazil only

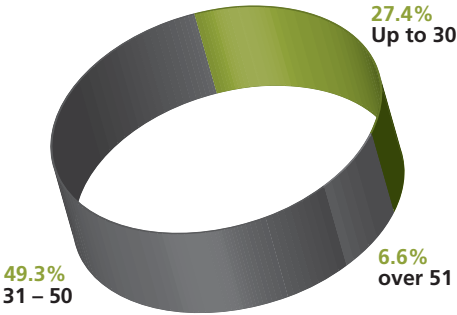
Duratex supports programs for the professional inclusion of people with special needs (PNE) as part of the company's policy to comply with the law of quotas established by the Labor Ministry. The Human Resources Department organizes internal cultural events at its units to receive people with special needs, and negotiates with the help of a consultant that maps the regions around the manufacturing units, with the aim of identifying and training professionals to be part of the work force. The main challenge is identifying people with special needs in the market that are prepared to assume the duties and responsibilities required in the production and administrative processes.

A work experience program was initiated in December 2008, together with the Association of Parents and Friends of those with Exceptional Needs (Apae) and the team responsible for growing the saplings at Duratex's own plant nurseries in Lençóis Paulista. The initiative was designed to stimulate the social inclusion of people with slight mental deficiencies in a work environment, as well as a means of restoring self esteem and dignity and making employees aware of their potential. The participants have to be part of Apae, and be 18 or older. The experience lasts three months, during which the youngsters have the opportunity to work directly in the area responsible for growing saplings, with the possibility of being employed at the end of the program.

JOB SATISFACTION SURVEY

With the aim of verifying the degree of satisfaction of each employee within their work environment, team, leadership and the company, a Work Environment survey was developed called 'Pode Falar'– Speak Out. First carried out in May 2008, the initiative involved 12,400 employees in Grupo Itaúsa Industrial, of whom 6,669 were Duratex employees – with 5,942 participating, equivalent to an adhesion index of 75.3%. The answers respected the criteria of confidentiality and anonymity and indicated a favorable result of 70.2%; in other words, this percentage of the sample population perceive the company's policies, norms, procedures and existing management style as positive.

Distribution by age



Investment in the professional development of employees rose by 36.4% in 2008, destined for training and qualification programs, including continued education, language and post-graduate courses. In total, an average of 23.2 hours of course work was done per employee last year.

Based on the opinions and conclusions obtained, the Human Resources Department drew up a plan of action with the objective of continually improving the corporate environment. The actions should be extended to 2011, when a new survey will be carried out with the aim of increasing the favorability rating.

The employees of the Wood Division took part in the first Work Environment survey in 2005, and those at Florestal in 2006. Both these areas showed a higher percentage in favor in the 2008 result, as a direct result of the ongoing action plans just mentioned, which prove the efficiency of increasing the level of dialogue between company management and employees.

TRAINING AND EDUCATION

Duratex invested R\$1.5 million in the training and further qualifying of its employees in 2008, 36.4% more than in 2007. Included in this total are continued education, language and post-graduate courses. These courses registered 65,568 participants, with an average of 23.2 hours per employee. **(LA10)**

The management of performance is based on indicators linked to strategic planning, the reason the company invests in further qualifying its staff, so that everyone benefits from the increase in efficiency and productivity.

Continuing investment of this nature, together with the offer of trainee positions at the company, ensures a satisfactory and healthy turnover of the work force. A total of 123 trainees were hired in 2008, of which 46 were offered employment, which represents an acceptance rate of 37.4%.

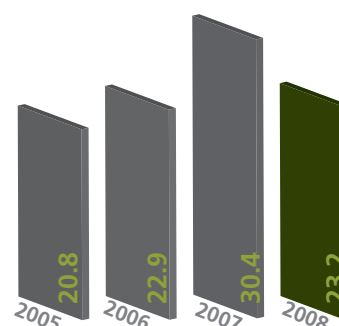
Of particular note among the qualification programs, is the training for the adoption of Stage 1 of the SAP system. The success of the installation process, on January 5, 2009, is credited to the 11,840 hours of training given to 1,480 employees and other users of the system, totaling eight hours of training per employee.

Madeira – A total of 22,126 participants took part in some form of training in 2008, and 96,650 completed the 3-hour courses offered at the four industrial units. The value invested during the year was R\$335,800, maintaining the focus on activities to improve employees' technical and operational skills, as the qualifications of their leaders.

At the Itapetininga unit, 20 employees took part in training to learn to use the tool for improved management (TPM – Total Productive Maintenance), in February 2008.

Forestry Area – The on-the-job type of training (at the work place) was introduced in the forestry area, with extremely successful results. Approximately 90% of the operational training given is done so in this way. The Development/Training of Multiplicators, Graduation of Maintenance Mechanics and Environmental Thematic Training are specific activities in the area that also offer courses for management covering aspects related to the Sustainability Program, Selective Collection, the Environmental Management System and the training of technicians about FSC certification policies. A total of R\$57,000 was invested during the year in 37,755.4 hours of courses involving 7,631 participants.

Training
(hours/employee)





Deca – The development activities adopted by the employees at Deca received an investment of R\$791,200 in 2008, and 88,571.5 hours of training were given to 34,464 participants in the courses on offer. Other courses and the training and development program were: 5 minutes of safety, Lessons about a Theme, on-the-job training, Qualification and Development of Leadership, Motivation, Deca for You, the Policy of Quality, TPM Methodology, Self Control and Integration. A program for Continued Educational Development is maintained specifically for the sales area, with planned and consistent actions designed for the continuous development of employees.

Corporate – The employees at the Main Office also took part in 6,816.5 hours of training involving 1,347 participants, with the highlight being the SAP project.

The training policy also incorporates outsourced workers, professionals that deal with the company's products or who are, in one way or another, opinion makers among consumers. This practice contributed to the professional value attributed to these important partnerships and strengthened their relationship with the company. The programs offered involved approximately 62,100 participants in 2008, totaling 46,078 hours of courses and an investment of approximately R\$1.1 million. The main beneficiaries were plumbers, joiners, architects, decorators, installers of laminated flooring, shop workers and the owners of sales outlets, among others.

REMUNERATION AND BENEFITS

Remuneration to Duratex employees totaled R\$196.5 million in 2008, along with the R\$110.6 million of obligatory social charges and R\$34.7 million in benefits, such as medical assistance, transport, food and supplementary pensions. The lowest annual salary paid by the company, of R\$6,065.15, was 1.21 times higher than the minimum annual salary of R\$4,980.00 paid in 2007. **(EC5)**

Investment in training

	2006	2007	2008
Amount invested (R\$)	813,722.26	1,115,531.00	1,524,193.58
Hours of training per employee / year	22.9	30.4	23.2
Nº trained	44,356	61,621	65,568
Nº of educational scholarships awarded to employees	37	52	88
Amount invested in educational scholarships (R\$)	136,192.16	119,147.10	196,043.45
Percentage of investment in education and training in relation to total revenue	0.04%	0.05%	0.06%
Percentage of investment in education and training in relation to total operating expenses	0.31%	0.40%	0.50%
Percentage of investment in education and training in relation to total spending on personnel (payroll)	0.53%	0.66%	0.78%



Duratex ended the year with 7,886 employees, which represents an increase of 16% compared with 2007, as well as the 149 outsourced workers hired (119 in the previous year). The work force has a young profile (27% are younger than 30) mixed with experience (49% are between 31 and 50).

The variable remuneration, defined by the norms of the Profit-Sharing Plan (PLR), totaled R\$21.4 million distributed among all employees. The individual amount is defined by pre-established measurements, when an individual's performance is quantifiable, or by subjective analysis in other cases.

The proportion of salaries paid between men and women by job category indicates parity between the sexes, and the differences observed according to ethnicity are related to the degree of specialization and the job performed. Not a single case of discrimination was registered in 2008. (HR4)

Among the benefits offered employees and not extended to outsourced workers are: a complementary pension plan, personal and special loans, help with funeral expenses, social welfare plans, group life and personal accident insurance policies, extensive medical assistance to dependents, food vouchers, a basic basket of foodstuff, collective transport (in some regions) and product sales at special prices and conditions. Furthermore, the company gives toys to the children of employees under 13 at the end-of-year party, as well as Christmas hampers. An agreement was made with a bank to credit the salaries of employees with no administrative fees. (LA3)

The private pension plan maintained by Duratex is managed by Fundação Itaúsa Industrial, a non-profit entity that administers private plans for the concession of monetary benefits or complementary income or those similar to Social Welfare. There are two types: The Defined Benefit Plan (BD) and the Defined Contribution Plan (CD). At the end of 2008, Fundação Itaúsa Industrial held assets of R\$1,372 million. At the last census available, in June 2008, the Foundation was ranked 20th among the largest private welfare entities in Brazil according to this criteria. (EC3)

a. The Defined Benefit Plan – BD

Includes the following benefits: complementary retirement fund, according to the contribution period, special, according to age, validity, salary during an individual's working life, a premium for retirement, and death benefits. No new contributors to this plan are being accepted, which had 757 members and 603 participants being paid benefits at the end of 2008.

b. The Defined Contribution Plan – CD-PAI

Is now offered to all employees and had, on December 31, 2008, 9,414 contributors and 120 beneficiaries. The existing regulation for the DC Plan is based on a contribution by the sponsors of a percentage between 50% and 100% of the amount paid by employees.

EMPLOYEE TURNOVER

A total of 1,600 employees were hired in 2008, and 1,424 redundancies, resulting in a net employment figure of 176. The average turnover of employees was 20.1%, largely concentrated among the male population under 30.

Turnover rate (LA2)

	2007	2008
Gender		
Men	13.5%	18.2%
Women	1.1%	1.2%
Age bracket		
Under 20	2.2%	2.9%
21 to 25	5.0%	5.8%
26 to 30	3.0%	4.4%
31 to 35	1.6%	2.2%
36 to 40	0.9%	1.8%
41 to 45	0.7%	0.8%
46 to 50	0.4%	0.8%
51 to 55	0.3%	0.4%
Over 56	0.4%	0.3%

All units take part in the daily 5-minutes program, which gathers employees to provide safety tips and ergonomic exercises to avoid problems with posture and repetitive strain injuries.

FREEDOM TO JOIN A UNION AND TAKE PART IN COLLECTIVE NEGOTIATIONS

Duratex defends the right of its employees to exercise freedom in choosing their associations with unions, and this is even included in the Code of Ethics and Conduct – which recognizes labor unions as legal representatives of the employees – and seeks constant dialogue with them to resolve conflicts that are either labor related or directly concern the unions. (HR5) The company also follows the directives of the International Labor Organization (OIT) in terms of the freedom to join unions, the right to collective negotiation and internal representation. Each plant can indicate a representative to maintain contact with the union entities throughout the year, in an attitude of approximation and with a proactive approach. (LA4) Duratex had not specified in agreements regarding collective negotiations with unions the obligatory nature of maintaining a minimum period for notification of changes in company operations with prior warning before the end of 2008. (LA5)

All the agreements and collective pay accords were renewed with the unions in 2008, making it the thirteenth year such action was taken, and it included 100% of the work force. There was a real gain by employees in all cases, compared with inflation (INPC) in the same period. There were no strikes or work stoppages at any unit during the year.

QUALITY OF LIFE AND SAFETY

All Duratex's units have programs to stimulate healthy living, a better quality of life and safety at work. No activity, no matter how urgent or important, should be carried out without the requisite safety measures in place. This constant concern and the significant investment in staff training, particularly plant operators, has led to a low accident rate at work. In 2008 specifically, there was a deterioration in this indicator as a result of a traffic accident on a public highway involving a charter bus transporting Deca employees. This accident, which happened in September 2008, led to 43 injuries to employees and one death.

Health and Safety (LA7)

	2005	2006	2007	2008
Accidents with mandatory leave	111	101	107	157
Accidents without leave	97	97	39	73
Days lost due to mandatory leave	1,057	810	1,386	1,410
Days lost carried over	6,032	5,188	3,282	4,552
Days computed and debited	0	0	6.000	12.403
Total days	7,089	5,998	10,668	18,365
Absenteeism – With Medical Note	0.73%	0.59%	0.78%	0.79%
Absenteeism – Accidents	0.07%	0.06%	0.09%	0.08%
Work-related deaths	0	0	1	0
Accident Frequency Rate – AFR	7.5	5.8	5.9	3.4
Serious Accident Rate – SAR	574.9	474.2	795.4	774.3

PS: The death occurred in 2008, in a traffic accident, was not related to work conditions.

Health and Safety, per region – 2008

	Accidents with leave	Accidents without leave	Days lost	Absenteeism	AFR	SAR
Brazil						
South	22	0	172	2.42%	14.93	422.7
Southeast	135	73	1,238	0.76%	2.9	790.9

All the units take part in the 5-minute program, which provides daily tips on safety at work and takes actions to encourage ergonomic concepts to avoid problems with posture and repetitive strain injuries. (LA8)

Safety, comfort, practicality and well-being are now inherent characteristics of the employees' trips to work in the Forestry Area in rural zones. The new buses purchased by Duratex were adapted exclusively to provide everyone with tables and chairs for meals, as well as a bathroom. This initiative began in December 2007 and there were 10 buses in operation at the end of 2008 with one reserve, benefiting approximately 400 employees.

The company offers, through its quarterly Duratex magazine, tips about nutrition and physical activities that contribute to the well-being of employees. The units also have medical centers that frequently carry out routine health check-ups, as well as preventive medicine, by requesting clinical exams as and when necessary. For the purpose of preventing illness, regular campaigns are run for flu vaccinations. Employees and their dependents also have complementary health plans at their disposal, which provides them with access to any and all quality medical services.

One of the highlights of the year was the Active Life Project, promoted by Unimed of Itapetininga in partnership with Duratex. More than 130 exams were carried out, including tests for glycemia, arterial pressure and the calculation of Body Mass Index, while lectures were also given. The second phase of the program is designed to divide the participants into groups according to pathology and provide preventive medicine.

The practice of sports is also encouraged, both for the benefits in terms of quality of life as well as for the professional improvement it brings, on strengthening teamwork and determination. In Botucatu, for example, approximately 60% of employees practice a sport of some kind, and have always won a lot of prizes at the Sesi Industry Games (Social Service to the Industry), breaking a new record in 2008, with 37 trophies. The company also promotes another Challenge Day, which suggests that people interrupt their routine to practice 15 minutes of physical activity, to avoid problems associated with sedentary jobs. The company sponsors employees that are athletes in their spare time, such as the coach at the Botucatu unit, Dilermando Aparecido Alves, who will take part in the decathlon at the World Masters Athletics Championship in Lahti, Finland in 2009.

GOOD PRACTICES FOR RELATIONSHIPS

Duratex supports the participation of all its employees in the definition of programs designed to promote actions related to human resources, improvements in the work environment and along the production line. As well as being able to send in suggestions to the HR Department, employees can count on a structured corporate initiative to collect ideas for improvements in all senses (work environment, reduction in costs, preservation of the environment and safety at work, among other things) and create mechanisms to put them into practice. This initiative is called the Kaizen Program to Suggest Improvements, which was already implemented at all Duratex's

plants and, in 2008, included the administrative main office in São Paulo. The participants receive a symbolic amount of money for the suggestions made and adopted, as well as general recognition for their contribution.

Kaizen in numbers

	Suggestions received in 2008	Suggestions implemented	Implementation Rate
Wood	6,174	4,749	76.9%
Forestry Area	116	75	64.6%
Deca	13,090	12,998	99.3%
Administrative Building	226	100	44.2%
Total	19,606	17,922	91.4%

The company tries to recognize the talent and dedication of its employees with events and prizes. The Agudos, Louças and Metais Jundiaí and Metais São Paulo units paid tribute to 13 employees that had worked at the company for 25 years. The 10th edition of the Rino de Ouro (Golden Rhinosaurus), an event to recognize the performance of sales teams in the Deca and Madeira Divisions, was held last year, with prizes awarded to the employees that had sold the most and performed the best. The event was attended by the entire senior management team, which gives a certain status to the proceedings and values even more the image of the winners.

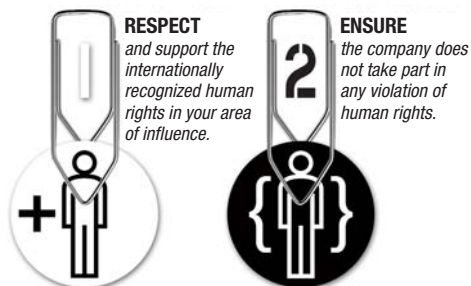
Two main programs of visits promoted by the units at Duratex seek to create a closer relationship between the company with its employees and their respective families. The Vem pra Fábrica (Come to the Plant) is held at the Wood Division, involving the Botucatu, Itapetininga, Agudos and Chapas Jundiaí units. The interested parties can choose the unit they want to visit and see all the production lines during the day, which allows for a significant exchange of knowledge and ideas. The program was taken advantage of by 800 employees and their families in 2008. And 'Portas Abertas' (Open Doors) is held at all the Deca units, with the same objectives of integration. This initiative was attended by 535 participants during the year. Among the corporate relations events with the company's employees are: Secretary's Day, Mother's Day, and Father's Day, among others.

COMMITMENT TO EXTERNAL INITIATIVES

Supporting the Global Pact. Duratex became a signatory of the Global Pact in February 2008. The initiative, taken by the United Nations (UN), encourages the business sector to adopt responsible corporate practices to promote a more inclusive and sustainable economy. To support this pact, Duratex tries to develop its activities based on the ten principles that characterize the Global Pact in the areas of human rights, rights at work, protecting the environment and anticorruption. (GRI 4.12)

PRINCIPLES OF THE GLOBAL PACT

HUMAN RIGHTS

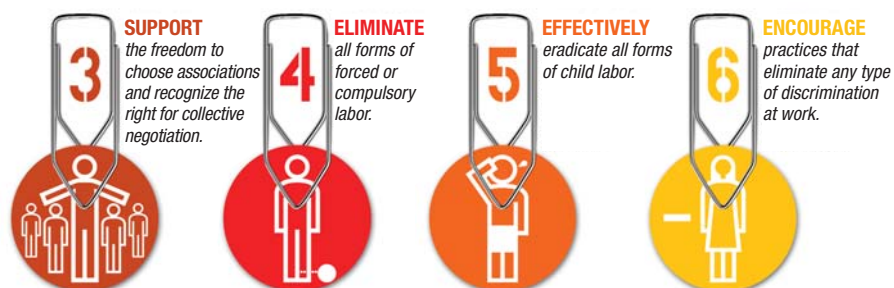


PRACTICES ADOPTED BY DURATEX

Code of Ethics and Conduct; the Apae Forestry Project.

The Mão Certa Program; Code of Ethics; Mission, Vision and Values.

RIGHTS AT WORK



Code of Ethics and Conduct; Policy to Supply Goods and Services; monitoring of suppliers.

Code of Ethics and Conduct; Policy to Supply Goods and Services; monitoring of suppliers.

Code of Ethics and Conduct; confidential channels to make any accusations of irregularities; HR Listens; the Risks and Ethics Committee.

ENVIRONMENTAL PROTECTION



ISSO 14,001 and FSC certifications; continued investment, areas for the treatment of effluents; the Eucalyptus Genome Project; the Torre de Fluxo Project; the setting up of the Environmental, Social and Cultural Sustainability Committee; adhesion as a founder member to the Green Building Council; classification of the Olavo Egydio Setúbal Nature Reserve as a Private State Natural Heritage Reserve (RPPN).

The Piatan Area for Environmental Living; Environmental Policies; the setting up of the Environmental, Social and Cultural Sustainability Committee; certification of the quality and origin of products.

Eucalyptus Genome Project (partnership between public and private entities); implement replanting (wood panels industry); adhesion to the Green Building Council.

COMBAT CORRUPTION



Code of Ethics and Conduct;
Policies to Combat Illicit Acts;
Policies to Receive and Adequately deal with denouncements;
Anonymous channels of communication;
Risks and Ethics Committee.



SOCIAL MANAGEMENT

The commitment to sustainable development drives Duratex's actions in terms of its relationship with the local communities in the areas where it has a presence, with the support and development of programs aimed particularly at children and adolescents.

Professionalization

The main focal points of the company's social actions are based on the professionalization of the young and environmental education. A total of R\$1.1 million was invested in these initiatives in 2008, compared with R\$2.6 million in 2007. (EC8)



MAIN PROJECTS

The Tide Setúbal Municipal School of Joinery, inaugurated in 2000 in the city of Agudos (SP), offers the opportunity for young people with low-incomes to participate in a professional joinery course in the region, which is recognized as important in the furniture making business. Lasting two years, the course is the fruit of a partnership with the municipal authority and the National Industrial Apprentice Service (Senai). A total of 35 students graduated in 2008, and R\$45,800 invested. Since the Project began, in 2000, 292 students have graduated and R\$352,300 invested.

Piatan Area for Environmental Living (Avap), created in December of 1996, consists of a space for the development of educational activities in environmental living. Located in the municipality of Agudos, it serves the public from throughout the region and different states, as well as visitors from abroad. The original Idea was to cater to the growing interest in the community for more information about forestry plantations and the activities developed within them, as well as a rising concern for the environment. This effort is seen in the primary and secondary schools, universities, among professionals, non-governmental organizations and other public and private institutions involved with environmental issues. The company's employees also show an interest in knowing about the different aspects of forestry management with which they are directly involved. The area received 8,143 interested visitors in 2008, and required an investment of R\$140,000.

"Buscando o Futuro" Program (Quest for the Future), which has been in place since 2004 at the Deca units, offers public and technical school students guidance for entering the job market. Within the scope of the program is guidance about how to proceed during the selection processes and the possibility of visiting the industrial units. A total of 40 participants were involved in 2008.

"Portas Abertas" Program (Open Doors) provides the families of employees the chance to visit the units where their family member works. The aim is to bring families closer to the company and underscore the employee's feeling of pride and self esteem. The Deca units receive approximately 550 employees' families and the Botucatu wood unit, approximately 480 families.

Another initiative capable of promoting the generation of income is the **domestic and artisanal culinary courses** offered to the families of employees at the Agudos unit, in partnership with Sesi. The courses are held quarterly and are given by a nutritionist from Sesi to classes of up to 40 participants. After eight theoretical-practical classes, the participants have dominated the art of preparing party snacks, Easter eggs and decorated cakes, among other things.

Voluntary work

The involvement of employees in social actions is encouraged by Duratex, as this practice develops skills, and broadens a person's sense of citizenship, respect for the next person and a network of knowledge and information. An efficient tool in stimulating the involvement of employees is the publication of their actions in the Duratex magazine, sent to all employees, as well as selected clients, suppliers and interested parties, and which approximately 8,500 copies are published per edition. Of note are acts involving collections for and donations to less privileged populations and victims of natural catastrophes, the support and incentive of sport and education, for seriously ill children and adolescents, and digital inclusion, among others.

Donations

By donating 1% of its Income Tax due to the Municipal Authorities of Children and Adolescent's Rights (CMDCA), projects benefited that protect these groups, such as those developed by entities in the cities of: Botucatu, Jundiaí, Agudos, Itapetininga, Araçoiaba da Serra (all in the state of São Paulo), as well as Porto Alegre, Bento Gonçalves and São Leopoldo, in Rio Grande do Sul. In 2008, Duratex passed on R\$895,000 to the Bem Querer (well wishing) Project, that helps needy children and adolescents by means of projects aimed at the areas of health, education, sport and culture. The donations were made into the account held by the Municipal Fund for Children and Adolescent's Rights, which, in turn, passed on the resources to the entities benefiting from the project, registered with the municipal, state or federal authority of Children and Adolescent's Rights. Another source of income is the Federal Law to Stimulate Culture, Lei Rouanet. The Bem Querer Project does not exist as a separate entity. Through its own analysis, Duratex monitors the pass-through of funds made by the Municipal Authority and the applications of these resources.



SUPPLIERS

As the company operates in highly differentiated segments, Duratex has a large number of diversified suppliers of raw materials and services. A centralized area for supplies is responsible for coordinating the necessary purchases for the operation of the wood, forestry, vitreous china and metal fittings businesses. Although the characteristics of each are distinct, the unified management of suppliers results in structural savings and, when possible, gains in scale. Examples are the acquisition of Individual Protection Equipment (IPE) for employees, which are of a similar standard for all the units, and basic food baskets, among other items.

Profile

On December 31, 2008, Duratex had 5,364 active suppliers. The company tries to hire professionals and companies from areas around its plants, in order to increase the wealth generation in these municipalities and contribute to the socioeconomic development in the regions, as well as facilitating logistics in the production process. Due to the high level of demand for raw material, however, many units need to sign contracts with larger companies situated in other regions and, depending on the qualifications required for the jobs, sometimes have to hire technicians from abroad. In 2008, 9% of total purchases were accounted for by suppliers in the municipalities where the plants are located. The nine main production inputs for the Wood Division account for approximately 91% of the total supplies bill in the area, which characteristically involves larger companies. The nine main raw material inputs at Deca account for approximately 80% of the supplies purchased, concentrated in medium-to-large-sized companies.

Policies for the contracting and evaluation according to socio-environmental criteria

To enter into partnerships with suppliers, Duratex has established criteria to identify the best economic and commercial advantages, although it always considers all the socio-environmental aspects as well as compliance with pertinent legislation. It is a fundamental premise of the company to follow the principles of sustainability, including making it clear in its Code of Ethics and Conduct that the selection of suppliers is based on them being: “solid, healthy and competent, and that they comply with all the pertinent legal, labor, tax and environmental regulations and requirements”.

In selecting its service providers, for example, Duratex checks that the number of employees at the outsourced companies is compatible with the size of its operations, as there is a risk of passing on activities to their own suppliers. For transport, the trucks must be duly equipped according to the requisite safety norms, particularly those responsible for the transport of chemical products. The drivers must also take part in the “Na Mão Certa” (in the right side) campaign, which Duratex has supported since 2007, to combat child prostitution (details of this initiative can be found in the chapter on Society, on page 77). All suppliers are bound by the regulation not to use child labor or any other form of slavery, and the contract can be broken if they do so. **(GRI HR6, HR7)**

In its practice of monitoring the outsourced companies and large suppliers, Duratex evaluates all its partners in relation to their compliance with human rights. Most of the supply contracts are signed with larger raw material suppliers, which already have structured programs for social and corporate responsibility and the smaller companies are visited for the purposes of evaluation. All the company’s contracts contain clauses related to human rights, although, at least in 2008, no contract was suspended due to the irregularities mentioned above. **(GRI HR1, HR2, EC6)**



A standardized system guarantees the safety of the outsourced workers at the same time as ensuring they are flexible enough to meet the required demand levels. This is a System for the Evaluation of Risks associated with Outsourced Companies, as drawn up by safety engineers, who map the main locations and risk factors for each plant and, based on the result, stipulate the procedures and necessary requirements that have to be met by outsourced contractors. Depending on the work to be carried out, some outsourced employees have to present specific documents proving that they are suitably qualified for the differentiated risks. As well as improving safety, the simplified services do not need the same contracts as for the more elaborate tasks, an aspect which helps speed up the hiring of these suppliers.

The payment of suppliers is linked directly to the company's satisfaction with the work done, based on a three-tier system of approval, of which one is established by the contractor. In this way, Duratex can better classify the good service providers and make constant improvements in the execution of the activities involved.

Suppliers as partners

One of Duratex's premises in its Code of Ethics and Conduct Support is to support the suppliers by means of technical support and the management of their product and services development. There are several activities involved in this relationship, which hinges on building trust and increased integration. The main activity is the systematic planning for the launch of products, as the suppliers of raw materials also need to invest in their industrial units, ensure the adequate logistics, etc.

By analyzing market and economic trends, Duratex tries to predict the volume of raw materials necessary from its suppliers, helping the company to maintain low inventory levels, for the more efficient use of working capital and less losses in the production chain. Any new standard to be produced requires a significant synergy between the company and its suppliers. Duratex also rigorously adheres to all the contracts signed.

CLIENTES E CONSUMIDORES

The success of the brands produced and sold by Duratex largely depends on the efforts made to maintain streamlined channels of customer service, a large network of technical assistance, increasing investment in the qualifications of its partners that install the products, a strong customer relationship and marketing policy based on respect and ethics. The result of all these aspects can be translated into one key word for the company: quality.

As the company directs its focus on the health of its clients and consumers, Duratex has incorporated Microban antibacterial protection in its products, a technology that controls the proliferation of microorganisms. It is easier to clean floors and furniture with less bacteria and fungi, which also contributes to preserving the health of its users. As well as expanding the use of Microban to its five product lines MaDeFibra BP and MadePan, the company is researching new ideas to be tested in its own laboratories, mainly to ensure the health and safety of its clients. **(GRI PR1)**

Qualification

The training and qualifying of clients, formers of opinion, such as joiners, plumbers, floor layers, engineers, architects and decorators, as well as the sales force and shop assistants, totaled 62,066 professionals in 2008 and demanded an investment of R\$1.1 million. Duratex's aim is to provide the most complete information about the selection, correct installation, application, calculations and maintenance of all the products manufactured by its Deca and Wood Divisions.

Various initiatives are maintained to promote the integration between clients and partners in order to increase the exchange of knowledge and the general level of effectiveness in the business.



Various initiatives were taken to promote integration with clients and partners, to increase the exchange of knowledge and the effectiveness of the business. These included training and qualification about the selection, installation, application, calculations and maintenance of products manufactured by the Deca and Wood Divisions.

■ **The to Know is to Sell Cycle** – A training program designed to better qualify sales staff, shop assistants and the owners of resellers that commercialize Durafloor. The cycle is comprised of two modules: one that presents the themes of interest in improving sales, such as better suited behavior by the salesperson, types of consumer and their expectations, technology etc.; the other deals with the institutional characteristics of Duratex and its holding Itaúsa, the business of the Wood Division, the innovations introduced by Durafloor and the associated accessories, the correct maintenance of the floor, among other technical specifications. The program was held in 14 different cities and a total of 696 people took part for an investment of R\$54,000. There are plans in 2009 to hold the event in at least ten cities, for 400 people.

■ **The to Know is to Grow cycle** – Inspired by the success of the program designed for Durafloor, Saber é Crescer, is aimed at professional wood sales personnel. There are two presentations: one to improve Professional development, by presenting the new sales techniques, and another to reinforce the differentials associated with ecological wood panels. This cycle was presented in 17 cities in 2008 to a public of 1,945 and involving an investment of R\$136,500. The program is scheduled to be presented in at least 10 cities in 2009.

■ **Lectures** – Duratex clients were invited to attend a lecture on the possible direction the global is headed and the impacts on Brazil, given by the consultant, Stephen Knits, who has a Master's degree in Business Administration from Harvard University. Two presentations were given, one in São Paulo, during the Revestir fair, and the second at Movelsul, a notable event in the furniture sector in Bento Gonçalves (RS). These events were attended by an audience of 220, and another presentation of this type is scheduled to be held in the second semester of 2009.

■ **Joiner's Day** – Approximately 2,000 people in the capital and from the interior of São Paulo state attended the show by the country duo, Chitãozinho & Xororó, which Duratex sponsored in honor of all the professionals involved in the world of joinery. The event was held at the Via Funchal, in São Paulo, in March 2008.

■ **The Plumber's Party** – A customer relations event with the people involved in providing the specifications for Deca and Hydra products. Training programs are developed during the party along with visits to the metals and vitreous china plants in Jundiaí (SP), as well as sporting and leisure activities. The event was held for the 10th time in 2008, with more than 2,000 people attending from 12 states.

■ **1st National Meeting of Promoters and Restockers** – Promoted by the Deca Division in São Paulo, and involving 125 professionals from throughout the country, the event included various activities, such as a presentation of the company's internal areas and lectures on sales techniques and motivational attitudes.

Ethics in communication

As well as rigorously complying with the local and international laws and standards that govern the release of publicity, promotions or sponsorship, Duratex defines some further principles to be observed in its Code of Ethics and Conduct.

The institutional line for the company's advertizing does not use child merchandising and ensures the truth of the information provided and the local and international reference ethics and norms. No accusations/denouncements were made about violations of codes or advertising auto-regulations or publicity, promotions and sponsorship or even the violation of customer privacy. (PR6, PR7 e PR8)



The level of customer satisfaction regarding Deca products reached 94% in 2008, according to a survey conducted by the company's Customer Service Center, which shows the degree of reliability in relation to the product lines and technical assistance services provided by the Division.

Service

Durafloor's Technical Assistance Service registered 45,048 calls in 2008, 28,418 received and 16,630 made; 4,473 contacts via e-mail; the mailing of 4,115 letters; and the registration of 2,742 units in the Registered Package Delivery Office – Cartão de Registro de Proprietário (CRP).

The consultations about registration, training, resale data, technical information and guarantees, among other doubts, accounted for 45.2% of all contacts; 27.3% were requests; 12.4% complaints; and 15.1% of another type. A total of 2,607 complaints were processed involving Durafloor, Durawall and their respective accessories. The classification is for inadequate use (28.0%), inadequate installation (29.2%), manufacturing problems (11.8%), no problems (13.7%) and commercial or technical decisions (17.3%). The performance index for Durafloor according to the monetary value of complaints, in Brazilian reais, was 0.19%, and 0.08% for the associated accessories.

Customer Service – Durafloor

Durafloor	2006	2007	2008
Total calls answered by the Customer Call Center	28,013	25,986	28,418
% of complaints in relation to the total calls answered	7.2%	8.0%	10.1%
% of complaints not answered by the CCS			
was provided	5 s	5 s	7 s

In a survey carried out by Deca's Customer Call Center (CCS) using a pre-paid answer letter, which is sent together with the technical assistance provider, it was found a 94% satisfaction level in 2008, . It shows a high degree of reliability and customer satisfaction in relation to the product lines and services provided by the Division. The call center received 100,555 calls, 62.8% of which were requesting information about the nearest authorized technical assistance service, 16.1% were for information about products, 21.0% for general information and 0.1% were complaints.

With the aim of listening to the consumer and getting to know their opinion about the quality of service provided, the Customer Service area carried out an audit, based on sampling, of the orders for technical assistance services. (PR5)

Customer Service – Deca Division

Deca Division	2006	2007	2008
Total calls answered by the CCS	97,726	92,845	100,555
% of complaints in relation to the total calls answered	0.27%	0.24%	0.11%
% of complaints not answered by the CCS	0.04%	0.05%	0.09%
Average call wait time until service was provided	34 s	115 s	63 s



GOVERNMENT AND SOCIETY

The payment of R\$447.2 million in taxes, charges and contributions to the federal, state and municipal governments collaborated to the socioeconomic development of cities and states and the increase in federal public policies, returning some of the wealth to society earned from all of Duratex’s customers’ trust and preference for its products.

Contributions to the government	2006	2007	2008
Total in taxes, charges and contributions (R\$ million)	415.0	467.4	447.2

Combating corruption

The company’s Code of Ethics and Conduct includes clear directives about the ethical relation with public authorities, in order to stamp out illicit practices by establishing the following directives:

- No payment in money, presents, services, or benefits of value can be offered to any authority or government employee, state-owned company and public entity, for the purposes of bribery, favoring or influencing in any acts or decisions.
- Any form of pressure or request by public agents should be refuted and immediately communicated to senior management.
- Legitimacy when contesting abusive fiscal or legal measures, discriminatory or incorrect, which will be ensured by means of administrative or judicial actions by the competent powers.

No business unit was submitted for the evaluation of risks related to corruption in 2008. (S02)

Public Policies

Duratex tries to contribute in the definition of public policies through the intermediation of class entities (unions), spheres in which the common interests of the associates are exposed and arguments presented. In the last four years, the company has financed or supported candidates for public office and/or political parties. (S05)

Bringing an end to sexual exploitation

To help eradicate the sexual exploitation of children and adolescents on Brazilian highways, a serious violation of human rights, Duratex became a signatory of the Na Mão Certa program in 2007. Originally developed by the World Childhood Foundation (WCF), the initiative seeks to mobilize governments, companies and organizations in the third sector to support this cause.

On July 24, 2008, the Botucatu unit (SP) held a meeting to discuss the issue, and which was attended by 200 people, including truck drivers, local representatives of third sector entities, the state and municipal secretaries of Social Assistance, the Counsel for Children’s Rights, the Pastorals of Minors and the Family and the National Commercial Education Service (Senac). Various actions were proposed: public campaigns to clarify the necessity to denounce this type of activity, the methods of ensuring family and community life, and support for the families to get them out of poverty and eliminate truancy from school, among other items.

In partnership with the Transport company, Binotto, Duratex also held a training session for professional truck drivers in Itapetininga, and that provide services for the company, and who work close to the problem, as well as other professionals linked to the chain of transporting loads.



ENVIRONMENTAL MANAGEMENT

Duratex's environmental commitment is evident in its business strategy and includes, as well as a legal obligation, its continued improvement and good practices. This includes research and the use of safe and environmentally adequate technologies in the management of processes and in the conception of new products; the dissemination of the Corporate Environmental Policy, which makes the commitments assumed public; expansion of the space available for the environmental education of local communities; and a commitment to develop environmental criteria in relationships with suppliers.

Directives

The company's environmental management was restructured in 2007, with the setting up of the Social, Environmental and Cultural Sustainability Committee, responsible for defining its operating strategy and monitoring the results of the measures taken, in order to ensure compliance with all the directives established in the company's Environmental Policy.



Among the principles of particular note governed by the document is the objective to continuously improve operations, with the definition of clear targets for the reduction in use of natural resources – such as water and energy – in development and production, as well as the efficient management of residues, effluents and atmospheric emissions. Besides the Committee, a Management of Sustainability was created to administer all these issues.

One of the highlights of 2008 was the restructuring of the collection and standardization of environmental GRI indicators, previously spread out among the units or not answered. The data is now centralized and the calculation methodologies standardized for the indicators of consumption of water, energy, effluents, among others, based on historic and specific technical data related to each Division.

An additional effort was made to define specific targets to continuously improve each unit. In this way, the indicators related to the consumption of energy, water, effluents, waste management and atmospheric emissions are not comparable with previous years, and the data presented in this report will be referenced for publications in subsequent years. With the aim of aligning these new concepts, the historic data were updated using the new broader methodology.

The data are consolidated for Duratex's operations and, when relevant, are specified as information from one of its diverse operating areas: the production of reconstituted wood panels, forestry management, vitreous china and metal bathroom fittings. The indicators still do not reflect the operations of the industrial units acquired in 2008, which will be consolidated in 2009.

The environmental measures taken received an investment of R\$12.3 million in 2008, 9% less than in 2007, with particular note on the improvements in the effluent treatment systems, waste collection and maintenance of timberland areas.

Investment and expenditure on environmental protection (GRI EN30)

(R\$ '000)	2006	2007	2008	Var % 2008 /2007
Treatment of effluents	6,204	8,398	7,313	-13%
Waste collection	1,652	1,647	2,136	+30%
Forestry preservation	1,025	1,280	1,301	+2%
Others	1,366	2,292	1,576	-31%
Total	10,247	13,617	12,327	-9%

Biodiversity

One particular event of note in 2008 in terms of the environment was the official recognition of the 615.5 hectares of native vegetation in the Olavo Edydio Setúbal Nature Reserve as a Private State Natural Heritage Reserve (RPPN). As a result, Duratex formalized with the state government of São Paulo its commitment to preserve this area forever. The homologation ceremony, in April, was attended by the state governor, José Serra, and the company's president, Paulo Setúbal.

Situated in Lençóis Paulista, in the interior of the state, the property was purchased by Duratex in 1970, but, at the request of Olavo Setúbal, the forest remained untouched, and was never commercially exploited. The Reserve has sections of Atlantic forest and is home to a wide range of fauna, such as the black lion monkey, king vulture, Azara's long-tailed manikin, red howler, puma, opossum, wild dog, among other species. Studies of the fauna and flora, in partnership with researchers and universities, registered, to the end of last year, 346 species of birds, 59 mammals, 12 reptiles, 43 amphibians and 150 species of trees.





With the purchase of land previously dedicated to pastures and then turning it into conservation areas, the company contribute to improving the preservation system in the areas where it operates. Duratex does not get involved in deforestation to clear the way for its plantations, which are only planted in areas already used in previous activities such as agriculture or cattle ranching.

At the end of the year, Duratex owned 105,700 hectares of its own land and leased 16,800 hectares, with 26,600 hectares of protected area rich in biodiversity. **(GRI EN11, EN13)**

New farms were acquired in 2007, totaling 10,068 hectares. To a large extent, these farms are predominantly pastureland and low-productivity cultivated land, with many parts degraded by erosion and the intensive use of areas that should be set aside for the protection of springs and water courses. The Eucalyptus plantations on these farms are set up to protect all the areas of existing native vegetation and the areas of permanent preservation for the protection of bodies of water, thus increasing the areas destined for conservation in measures that favor biodiversity. **(GRI EN11, EN13)**

The company's actions have contributed positively to the diversity of fauna and flora, due to the conservation of native vegetation, protection against poaching and the prevention and combat of forest fires, with measures that include a permanent patrol system and its own fire brigades, as determined in its forestry management plan. **(GRI EN12)**

The farms owned by Duratex maintain significant areas of conserved woodlands and Atlantic forest interlinking the plantations of Eucalyptus and pine, providing shelter for animals on the national and state endangered species lists, such as the puma, king vulture, broad-nosed cayman and the great anteater. There are 61 threatened species of fauna and 14 of flora on the company's reserves, distributed as shown in the following table, according to a reference survey conducted by the World Conservation Union (WCU). **(GRI EN15)**

Fauna

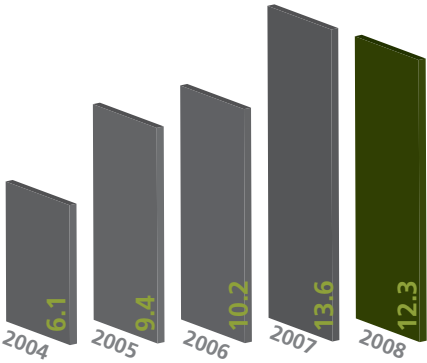
WCU Category	National	State
Critically endangered (CR)	0	2
Endangered (EN)	0	9
Vulnerable (VU)	9	11
Nearly threatened (NT)	0	8
Little concern (LC)	1	21
Total	10	51
Total	61	

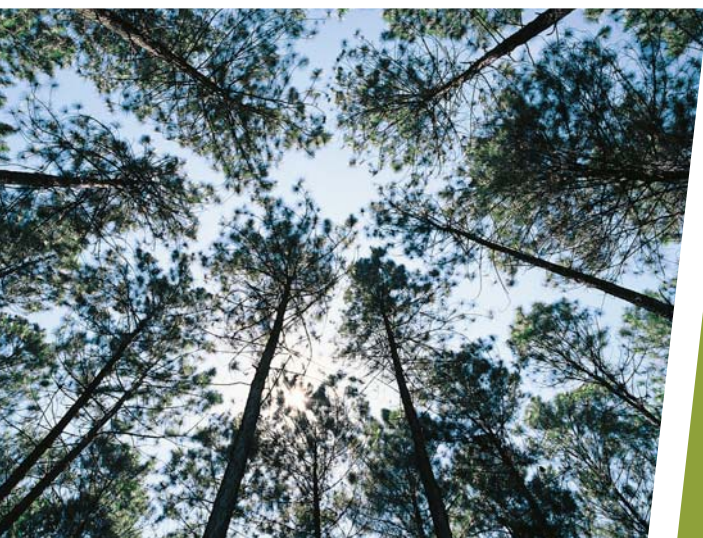
Flora

WCU Category	National
Critically endangered (CR)	0
Endangered (EN)	0
Vulnerable (VU)	1
Nearly threatened (NT)	13
Little concern (LC)	0
Total	14

The activities related to the manufacture of metal fittings, vitreous china and wood products do not cause any significant negative impact on biodiversity. **(GRI EN12)**

Environmental Investment (R\$ million)





Sustainability in the production of wood

Duratex supports six different scientific studies related to the biodiversity in partnership with universities and research institutions. The projects study and monitor the wildlife in the company's forestry areas, with the aim of improving its environmental management, in order that wood production can be made increasingly sustainable.

The research projects are:

- Can replanting help in the survival of the puma in fragmented environments? Developed in partnership with Campinas University (Unicamp).
- Dynamics of the community of bats in replanted areas and in the remaining natural vegetation on the Rio Claro farm in Lençóis Paulista, with the State University of São Paulo (Unesp) Botucatu. As they have a wide diversity of feeding habits and use of shelters, the bats have been studied as environmental indicators for the monitoring of fauna.
- The forestry mosaic and the influence of clearings in the process of natural regeneration in a fragment of Semideciduous Stational Forest, also with Unesp Botucatu.
- Diversity and use of habitat by communities of anuros amphibians in Lençóis Paulista, in partnership with Unesp. The amphibians are considered good bio-indicators, as they are extremely sensitive to changes in the environment in which they live.
- The dynamics of bird life on the Olavo Egydio Setúbal Nature Reserve, with Unesp.
- Operational monitoring of wild fauna on the units managed by Duratex, with Unesp.

These studies in biodiversity have already registered approximately 346 species of birds, 59 mammals, 12 reptiles, 43 amphibians and 150 trees on Duratex property.

SUSTAINABLE FORESTRY MANAGEMENT (GRI EN14)

Duratex tries to ensure that its productivity is higher than the average of its competitors, based on environmental preservation and the continuous development of new forestry management techniques.

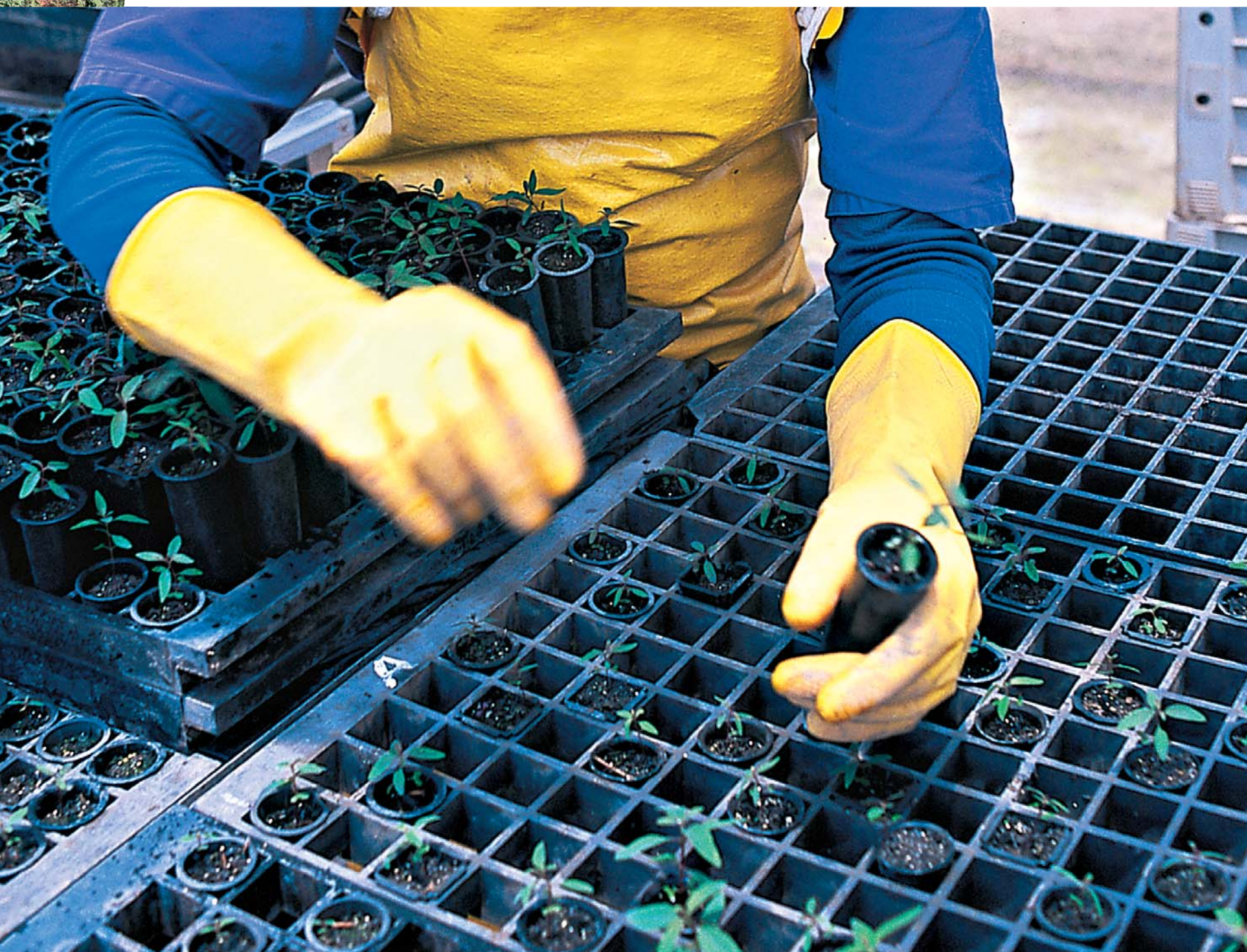
By practicing the minimum of cultivation, the planting is carried out on the residues of previous plantations, with a low turnover of the soil. In this way, the organic mantle contributes to the conservation of the soil and nutrients. Duratex has also plated with an absorbent polymer since 2006, which retains water when it comes into contact with it, transforming it into a gel. The retention capacity of each gram of polymer is up to 200 ml of water, which reduces the losses in planting and contributes to the saving and economical use of water, preserving water sources and hydrographic basins, as there is less need for irrigation.

The use of fertilizers and agro toxics is defined using specific analyses of each soil type, together with information about the time of year and selection of genetic material. The constant monitoring of the forests by technicians in terms of nutrition and forestry protection allows for better diagnostics and more efficient actions.

The integrated management of pests is carried out in an extremely friendly way in environmental terms, with the selection of genetic material that favors the more resistant saplings and the conservation of the native vegetation surrounding the plantations, which helps in the biological control of pests. When the use of agro toxics is inevitable, the products with the least toxicity are chosen, according to the pertinent environmental safety norms and the protection of humans.



For wood production to be conducted in an increasingly sustainable way, Duratex supports the studies carried out in partnership with universities and research institutions, in projects that monitor wildlife in its forestry areas, prioritizing the preservation of the local biodiversity.





A pioneer in terms of certifications for sustainable management, Duratex was the first forestry company in Latin America to receive the Green Seal from the Forest Stewardship Council (FSC) in 1995, based on its standards of environmental preservation and technological development.

With the aim of reducing the use of chemicals (herbicides) in its forestry operations, the technical team from the Area of Mechanization and Training - Duratex Forestry Area developed the project: "Application of Herbicide in Mechanized Cuts". The tests evaluate the efficiency of the application of herbicide, by means of harvesters, in the control of the resprouting of the Eucalyptus. This method has been an important economic and environmental alternative, as it reduces the use of chemicals and water, optimizing the labor needed and means they are less exposed to the herbicide.

All the saplings planted from 2007 onwards have been clones, which guarantees more protection against pests and diseases and less usage of water, as the clones are selected to tolerate shortages of water better. The selection of species also leads to an expansion in forestry output, with more density of wood per cubic meter.

The company also invests in another two academic projects in partnership with Unesp, with the aim of improving genetics in the forestry sector. One of these studies the monitoring, biological control and test of clones against the insect: *Glycaspis brimblecombei*, one of the plagues that affect the productivity of Eucalyptus cultivation the most. The other project evaluates the losses, standard of epidemia and tolerance of the clones of Eucalyptus sp to *Puccinia psidii*, the agent causing Eucalyptus (guava) rust. Both these initiatives seek to boost the production of higher-quality wood at a lower cost, as well as with less of an environmental impact.

Duratex also participates in the Eucalyptus Genome Project, which began in 2002, in partnership with the Fundação de Amparo à Pesquisa do Estado de São Paulo (Fapesp) and another three companies in the pulp and paper sector. Among the main objectives is to obtain the most productive and resistant varieties of clones to the main diseases that affect the cultivation.

Innovative Monitoring

A new research project to study all the cycles of carbon, water and nutrients, during an entire rotation (six years) of a Eucalyptus forest was initiated in 2008 on one of Duratex's farms. The study included a central tower equipped with a series of sensors to collect data such as: temperature, humidity, CO₂ concentration, wind speed and direction, as well as sensors spread out in the soil throughout the property, capable of continuously measuring the humidity and content of nutrients available in the forest area. The trees are also monitored, using equipment that evaluates the levels of photosynthesis and flow of sap in the tree trunks.

Among other questions, the researchers want to fully understand the interaction of the Forest plantations with the environment, as well as to clarify questions such as: are highly-productive forests sustainable? Is the water supplied by the system affected? How is carbon captured by the biomass and soil?

The tower will monitor the current forest until the middle of 2009, when the trees will be harvested, and the area reformed with cloned genetic material. After this, the studies will continue for another six years, when another complete rotation of cultivation will have been completed.

The Project also involves the participation of ten other national forestry companies, and is coordinated by the French Center of Agricultural Research (Cirad), attached to the Forestry Studies Research Institute (Ipef), at the Luiz de Queiroz Superior School of Agriculture (Esalq/USP) and the University of São Paulo (USP). (GRI EN14, EN18)



ENVIRONMENTAL CERTIFICATIONS

Duratex’s responsible attitude in relation to the environment has already been recognized by public opinion and several entities dedicated to the protection of natural resources. The company was the first industry in Latin America to be awarded the Green Seal for its forest plantations, in 1995, a certification given by the Scientific Certification Systems (SCS).

The company is also a pioneer in having been awarded the Green Seal by the Forest Stewardship Council (FSC), for the sustainable management of its forests, in 1996, a certification that was renewed in 2007 and 2008. The total area recognized by the FSC, according to its management plan, corresponds to 85,500 hectares, and includes the forestry units in Agudos, Itapetininga, Botucatu and Lençóis Paulista. All these units have an Environmental Management System (SGA). Two of them, Botucatu and the sapling growing unit in Lençóis Paulista, were also awarded ISO 14001 certification in 1997, and currently include 15 farms.

The company also joined, as a founder member, the Green Building Council – Brazil, a civil non-profit making association with a presence in several countries, which encourages the adoption of the concept of sustainability in the civil construction industry. This concept has been incorporated in the product lines, and the Durafloor range is the only one in its category to have the Sustentax Seal of Sustainability with Quality, which attests to the environmental conformity with LEED criteria (Leadership in Energy and Environmental Design), issued by the Green Building Council. Eight product lines at Deca, including taps and hydraulic discharge valves, also have this differential. New lines of products will be incorporated within the LEED rules in the future.

MATERIALS

he total volume of materials used in the production processes of cultivation and production reached 1,665,891 tons in 2008, the first year of the survey. The data were collected including the last three years and will be improved in 2009. (GRI EN1)

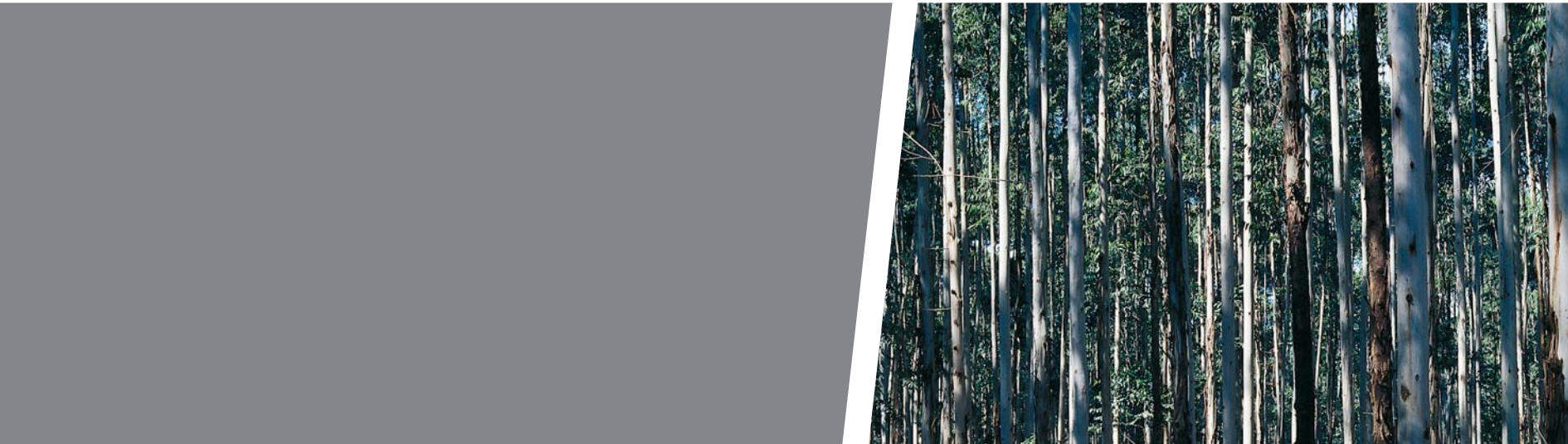
At the Wood Division, the main raw material is the wood cultivated in the forestry areas as well as the other inputs used in the diverse production processes of reconstituted wood panels. The total consumption of raw materials in 2008 reached 1,528,695 tons.

Deca’s area of vitreous china adopts a process that transforms its raw materials, such as clay, kaolin, feldspar and quartz, inorganic and non-renewable material, extracted from natural resources, into vitrified products that are highly mechanically resistant and absorb virtually no water after baking. The total consumption of raw materials in 2008 reached 86,917 tons.

Materials used (tons/year) (GRI EN1)

	2006	2007	2008
NPK fertilizer, borax, limestone, etc.	28,361	31,254	40,549
Raw Materials			
Wood process	1,119,188	1,208,874	1,413,015
Clay, kaolin, feldspar, quartz, plaster and others	ND	72,630	86,917
Heavy iron	2,905	3,445	3,508
Brass tube	233	318	322
Brass disk and foil	355	283	397
Zamac	127	111	102
Brass extract	1,526	1,788	1,750
Bronze	3,868	4,146	4,344
Plastic	781	933	1,050
Associated Materials			
Lubricants (productive process)	180	326	372
Resin and other materials acquired from suppliers (*)	98,096	106,594	105,798
Aluminum Sulfate	1,969	2,407	2,283
Paper purchased from outsourced suppliers	2,231	2,715	7,228
Total	1,259,819	1,435,925	1,677,634

(*) Resin, formol, urea, melamine, paraffin, humocer, ammonia sulfate, paints and varnishes.



In general terms, the reuse of materials in the production processes in the vitreous china and metal bathroom fittings segments, deriving from the pre-consumption or post-consumption phase, is technically efficient in engineering terms. In the case of metals, the percentage of recycled material used is 68.4% for bronze, 38% for brass, 20% for polyethylene, 10% for acrylic, 20% for santopreme, 20% for polypropylene and 10% for acetyl. In the case of vitreous china, the reuse of material sent to the Area for the Recovery of Materials totaled 6,000 tons, equivalent to 7% of the total mass used in the industrial plants, providing both economic and environmental benefits, as it reduces the demand for new raw materials. (GRI EN2)

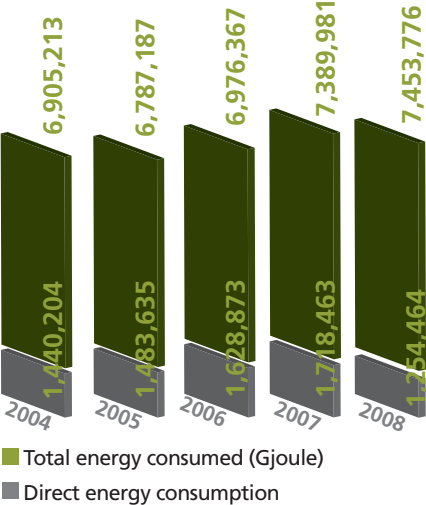
ENERGY

The consumption of energy in 2008 totaled 7,453,776 Giga Joules, which was stable (with a variation of less than 1%) compared with 2007. There were changes in the units' energetic matrix during the period, due to the problems faced in 2008 in terms of the supply of natural gas, which was partially substituted with fuel oil. The historic data presented in this Report suffered significant changes and are, therefore, references for subsequent data. All the data were corrected based on the cut-off data in 2004.

The following charts show the historical consumption of total energy, and particular emphasis should be paid to the direct consumption of energy (EN3), as the difference indicates the level of indirect consumption (EN4). There was a variation in the energetic matrix in 2007 and 2008, with a 5% reduction in the use of natural gas, an 8% increase in the use of biomass and a consequent hike in the consumption of other available sources, with the notably negative increase of 2% in the consumption of BPF oil. Although the energetic matrix has deteriorated from the environmental point of view, the targets to reduce energy consumption per production unit were achieved, for the most part. It was possible in 2008 to define them for all the company's production processes and, in 2009, the efficiency of the targets will be reevaluated. This work was developed by the engineering areas at the production units, together with Sustainability Management.

Energy consumption

(GRI EN3, EN4)





The reuse of materials in the production process reached 68.4% for bronze and 38% for brass, in the area of metals, and 7% of the total mass used in the vitreous china units, providing economic and environmental benefits, as recycling reduces the demand for new raw materials.

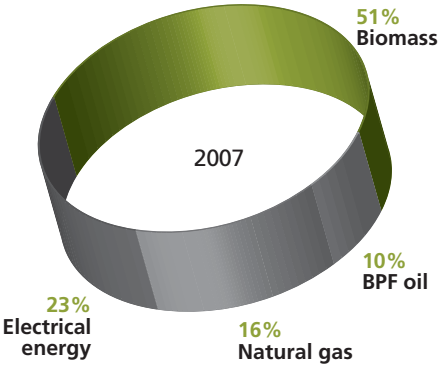
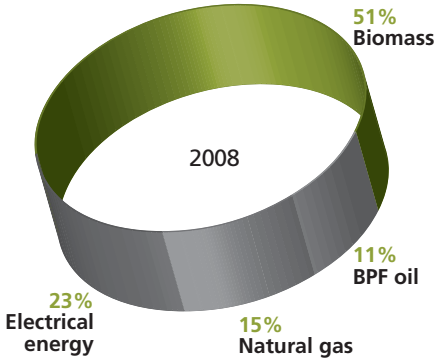
The energy used from renewable sources, such as biomass, accounted for 51% of the total consumed, followed by the energy acquired from concessionaires (23%), natural gas (15%) and fuel oil (11%). The Wood Division accounted for 87% of the total consumption of energy and Deca the remaining 13%. The definition of the energetic matrix seeks to conciliate the economic benefits and the environmental targets.

In an initiative pioneered by Grupo Itaúsa Industrial, a solar water heating system was inaugurated at the Metais Planidil unit in Jundiá (SP). The system is capable of heating a reservoir of 10,000 liters of water, a volume sufficient to supply the unit's dressing rooms and restaurant. As well as environmental contribution related to the reduction in the consumption of electrical energy, which was approximately 130,000 kWh/year, it is estimated that an annual saving of R\$22,000 will be made. In periods with little sunlight, the system operates using natural gas. This investment was experimental in nature, to get to know the technology and evaluate the durability for future opportunities. (GRI EN7)

Energy Matrix

Origin of the Resource (Giga Joule)	2007	2008
Natural Gas	1,202,460	1,149,605
BPF Oil	564,715	810,993
Biomass	3,334,905	3,767,732
Electricity	1,704,642	1,725,445
Total	6,806,721	7,453,776

Energy Matrix





WATER

Duratex has been continuously improving its corporate environmental targets, with the aim of reducing the consumption of water in its production process.

Last year was characterized by the efforts of environmental teams to structure the information about the indicator as well as to define the targets to reduce consumption. In the same way as for the energy indicator, those for the consumption of water are not comparable with the 2007 Report, and the data presented in this document will be a reference for subsequent years. No environmental indicator reflects the operations of the industrial units acquired in 2008, work that should be concluded in 2009.

The total consumption in the year was 4,882,962 m³, 7% more than in 2007, compatible with the level of industrial activity, and 96% of which was consumed in the Wood Division and 4% at the Deca Division. The reduction targets for each production unit in the industrial division were mostly met. The volume of water consumed from public supply systems corresponded to 3% of total consumption in 2008, while the amount used from artesian wells was 15% and other water courses 82%.

The capture, both from deep artesian wells and other bodies of water, obeys the entity's environmental requirements and did not compromise the hydrographic basins (EN9). The company reused and recycled 8% of the total water used in its operations in 2008, 1% less than in 2007. In terms of total consumption, the reuse and recycling of water at the Deca Division was 47% and 7% at the Wood Division, which corresponded to a total volume of 426,062m³. This indicator is not comparable with previous years due to the alteration of concepts defining the reuse and recycling of water. (GRI EN8, EN9, EN10)

The bathrooms in the administrative buildings had duo-discharge valves fitted in 2008, which have a twin activating system, with a differentiation in the discharge of liquids (three liters) and solids (six liters). Flow restrictors were also installed (pieces that limit the flow of water), making them more operationally efficient and reducing the consumption of the showers in the gym in the administrative building and the taps in the restaurants in both the administrative building and industrial units. The monthly consumption of water per employee was 1,700 liters and, based on these improvements, fell to 1,200 liters, an average reduction of 30%.

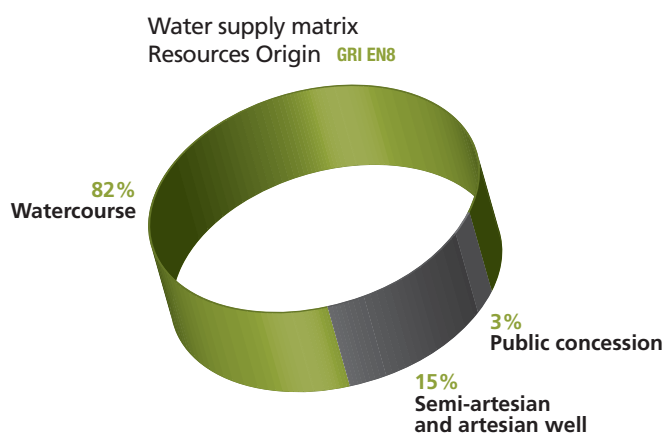




The recycling of water in the company's operations amounted to 47% at the Deca Division and 7% at the Wood Division, reducing the need for any increase in capture. This measure is part of the company's policy to reduce the consumption of natural resources, and its constant efforts to lower costs and preserve the natural environment.

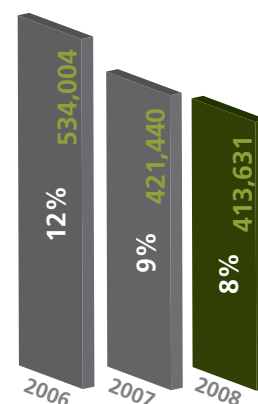
Origin of the resource (m³)

	2004	2005	2006	2007	2008
Capture of local water	4,552,728	3,587,948	3,699,614	3,768,739	4,009,936
Capture from semi-artesian and artesian wells	551,423	609,050	685,723	663,127	742,952
Public concession	120,509	116,696	125,883	148,344	129,043
Capture of rainwater	-	-	-	-	1,032
Total capture	5,224,661	4,313,694	4,511,220	4,580,211	4,882,963

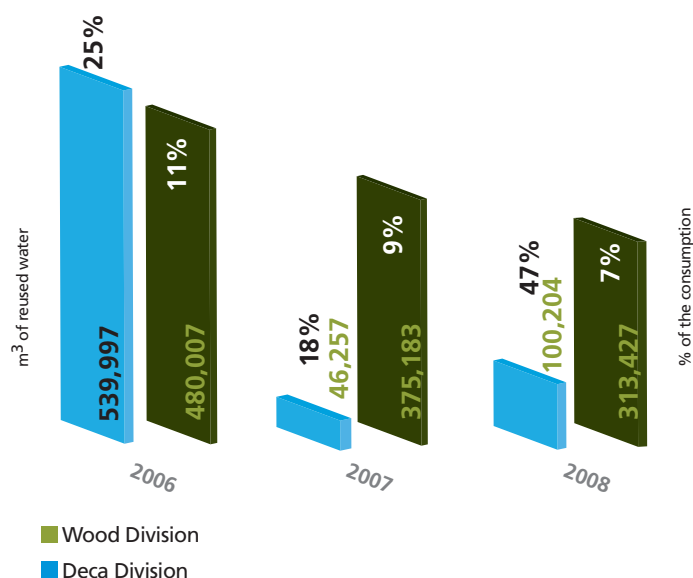


Reuse and recycling of total water

Volume (m³) and % of the consumption



Reuse and recycling per division



The total consumption of water at the Deca Division in 2008 fell 15% compared with 2007. As a result, the consumption of water per kilo of piece produced at the Jundiá unit was 2.67 l/kg, or below the 2008 target of 3.65 l/kg. At the São Leopoldo unit, the result was 2.55 l/kg. This performance is directly related to the installation of hydrometers to monitor the consumption in each sector. Furthermore, a main meter was installed at the entrance to each area, which, once closed, shuts off the water supply to the location. As a result, as well as knowing the individual consumption the water can be shut off once operations are ended to guarantee there is no wastage from possible leaks. Based on the individual measurements of consumption, each area had its target reduced in 2008, which contributed to meeting the total target established at the Jundiá vitreous china unit.

Deca Hydra offers free feasibility studies for the adoption of rational water use measures. Interested parties only need to send their contact data to the site: <http://www.valvulahydra.com.br>. The Hydra and Deca sites also have specific areas for the campaign for the awareness of water consumption.

ATMOSPHERIC EMISSIONS

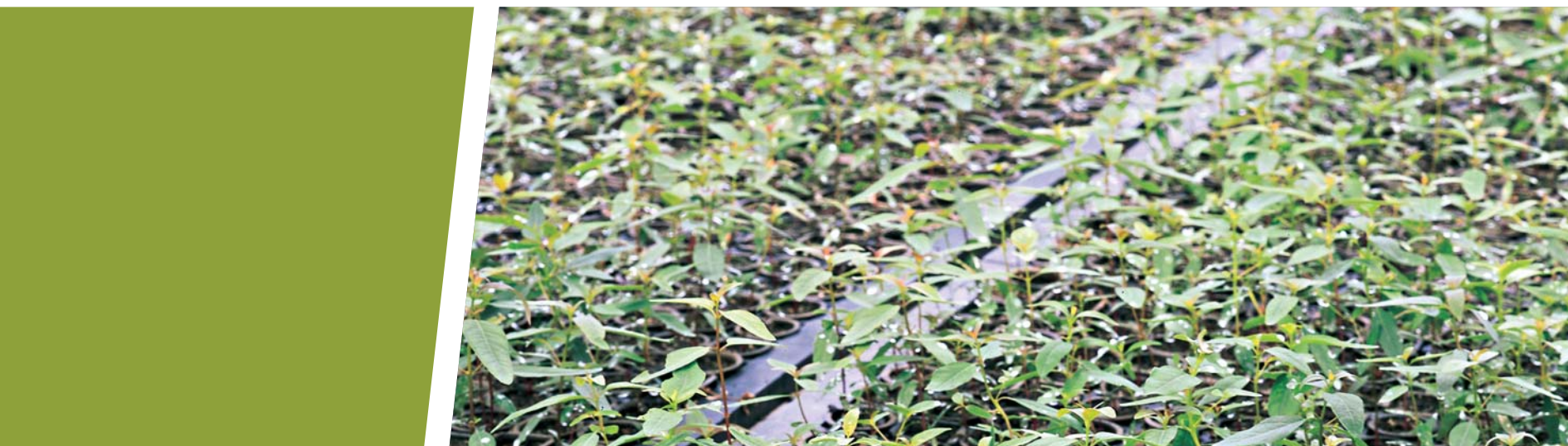
One of Duratex's main initiatives last year was to become a member of the carbon credit exchange, the Chicago Climate Exchange (CCX), after a process of adhesion that included an external audit and a commitment to reduce carbon emissions in relation to the first year of the survey (2000), which was achieved. The stage of making an inventory of 2007 emissions was carried out in 2008 and 2007. Although the engineering teams at the units proceeded to draw up these inventories based on the balance of mass, only after confirmation by the external consultant is the data considered valid. As such, the data presented refer to the period between 2000 and 2007. For the 2008 inventory the survey work to calculate the emission levels will be conducted by the external consultancy firm; ICF International, and the activity should be finalized in the first semester of 2009. (GRI EC2)

The data presented in this Report were extended compared to 2007 to include scopes 1, 2 and 3, or, direct emissions, emissions of electricity acquired and indirect emissions, respectively. The data in the 2007 Report only refers to direct emissions. The industrial and transport activities in 2007 emitted a total of 157,322 tons equivalent of carbon dioxide (CO₂), which represents a reduction of 4% compared with emissions in 2000, the first year of the survey. Emissions from the Wood Division accounted for 75% of the company's total in 2007, and the Deca Division was responsible for 25% of all emissions. The survey data for 2008 will be collected and reported in 2009. (GRI EN16, EN17, EN20, EN29)

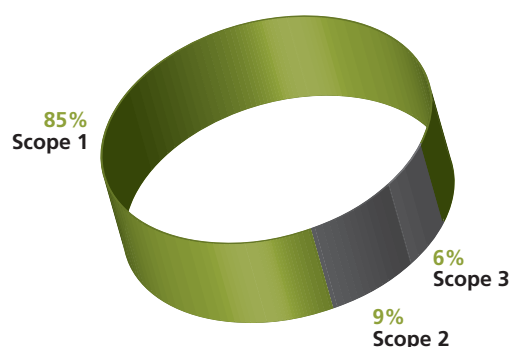
Inventory of atmospheric emissions (CO₂)

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	134,385	14,203	8,734	157,322

Scope 1: Direct emissions; Scope 2: Acquired energy; Scope 3: Indirect emissions



Inventory of atmospheric emissions (EN16, EN17, EN20 e EN29)



Another study verified the quantity of carbon dioxide (CO₂), one of the greenhouse gasses, captured in the atmosphere by the company's plantations. Conducted by the Brazilian Foundation for Sustainable Development (FBDS), the survey shows that the forest base is responsible for the absorption of 1,413,007 tons of CO₂, a quantity that can be used to calculate the company's carbon credits according to CCX rules, for the period between 2007 and 2010. In fact, the volume of carbon fixed by the forests is much higher, but due to the mechanisms created to format the carbon credit market, only part is converted into carbon credits. The maintenance of the forestry plantations gives Duratex the status of a Carbon Free company.

MANAGEMENT OF WASTE AND EFFLUENTS

The management of solid waste seeks to make it possible to return this material to the production process, in order to reduce the consumption of raw materials, with gains in savings and in environmental terms. Examples of the materials completely reused are the metallic waste at the Deca Division, which are forged and returned to the production line, and classified as pre-consumption waste.

At the Vitreous China Division, a significant amount of mass was reused after the construction of the Area for the Recovery of Materials (ARM), which allowed, as well as the treatment of the industrial effluents, the reuse of solids used as raw materials in the process. There are two direct benefits from the use of this technology: the economic gain, associated with recovering the mass present in the effluent and reincorporating it into the production process, as well as the reuse of some of the treated water for cleaning the operating areas; and the reduction in organic material load, some of which is sent to the municipal collection network.

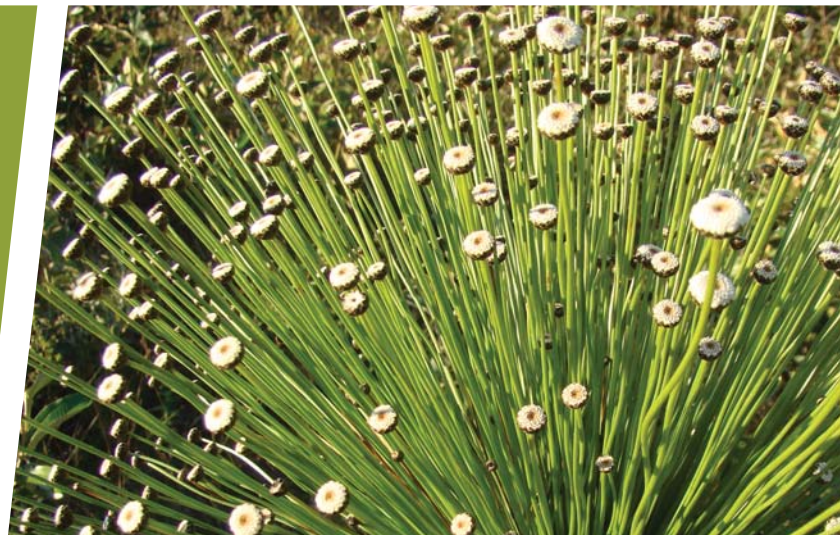
The wood residue in the Wood Division resulting from the manufacture of panels serves as biomass to generate energy for the industrial units. Investment was made in 2008 to improve waste storage facilities, where they are segregated and classified before being sent to their final destination.

The total generation of solid waste in 2008 was 137,064 tons, 2% less than the volume reported in 2007, and the participation of hazardous waste in relation to the total generated was 2%. It was also possible last year to retrieve information from previous years (back to 2006).

The waste generated is destined for disposal reuse or treatment in Brazil. **(GRI EN24).** The basic premise, whenever possible, is that waste is always returned to the suppliers for the requisite treatment. The Wood Division returned 498 tons of hazardous waste for treatment by suppliers in 2008, corresponding to 42% of generation. Another 24% was sent to industrial landfills, 16% for recycling, 4% reuse and 14% for joint processing.

The non-hazardous waste, such as wood, is used in the soil (49%) and to generate energy (37%). The other waste is destined for reuse, industrial landfills and recycling. Another part of the waste is sold as by-products, such as zinc oxide, recovered by filters in the Deca industrial unit and used in the fertilizer industry.

Moreover, Duratex maintains, together with other companies in the industrial group, a team of specialists dedicated to the management of waste for authorization and auditing at the suppliers.



Generation of solid waste (tons) (GRI EN22)

Classification	2006	2007	2008
Class I Waste	1,420	1,616	1,655
Class II A Waste	100,549	119,649	116,218
Class II B Waste	14,329	18,854	19,191
Total solid waste	116,298	140,119	137,064

A corporate program was introduced in 2008 for the selective collection of waste at the company's administrative main office in São Paulo, aligned with the educational campaigns for the separation of recyclable waste. The programs at the industrial units were standardized by a group of specialists gathered specifically for this purpose. A total of 1,792 employees were qualified, in 1,577 hours of training. During 2008, 45.2 tons of recyclable waste was collected within the scope of this program.

The liquid effluents are treated in the Areas for the Recovery of Materials (ARMs) and reused in the production process, after going through the treatment station, and used in activities such as cleaning and the maintenance of the Deca Division's plants.

In the Wood Division, these effluents are treated in Effluent Treatment Stations and discharged into water courses or used for the purposes of irrigation, where roughstalk bluegrass is cultivated for use in the generation of energy, according to the project approved by the environmental body

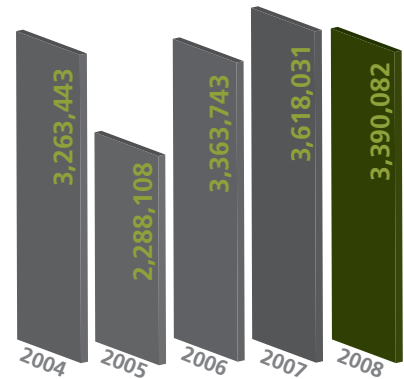
The total generation of effluents in 2008 was 3,390,082 m³, 6% less than in 2007. With the objective of increasing the historic information available, the data were detailed from 2004 to 2008, and the information published in 2007 was altered by + 2%.

Total discharge of water – m³/year (GRI EN21)

	2004	2005	2006	2007	2008
Deca	198,954	196,871	211,930	255,443	337,093
Duratex	3,064,495	2,091,230	3,151,811	3,362,638	3,052,989
Total	3,263,443	2,288,108	3,363,743	3,618,031	3,390,082

In 2008, 62% of the effluents generated were discharged as irrigation in the fields used to cultivate roughstalk bluegrass, 23% was discharged into the public network and 15% treated in the company's own stations. (EN21)

Total discharge of water (GRI EN21) m³/year





Principal espaço de educação ambiental, a Área de Vivência Ambiental Piatan (Avap), em Agudos, apresenta a produção sustentada de madeira a partir de plantações florestais, por meio de filme, maquete, painéis e modelos de equipamentos com as etapas de produção das chapas Duratex.

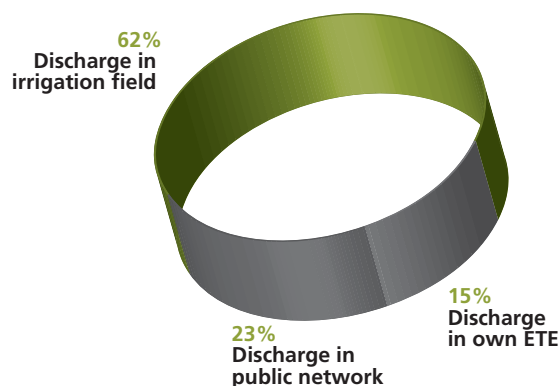
No significant spillages of any type were registered during the financial period. With the deactivation of the Gravataí (RS) units and the old vitreous china unit in Jundiá (SP), and in accordance with the determinations stipulated in the Environmental Management System, the company provided environmental evaluation reports and regularized the non-conformities pointed out by a specialized external company. The work reports, when concluded, Will be sent to the competent environmental bodies. The remedial activities at the Jundiá unit were finalized in 2008, and are scheduled to be completed during the first semester of 2009 at the Gravataí unit. The irregularities identified are at isolated points and relate to leakages of fuel oil in the past. (GRI EN23)

ENVIRONMENTAL EDUCATION

The Piatan Area for Environmental Living (Avap) in Agudos, is the main space dedicated by Duratex to improve the levels of environmental awareness. At the end of 2008, 8,143 people had taken part in this project, including students, professionals from the forestry sector from various countries, representatives of public bodies, employees, clients and local communities.

The project presents the theme of sustainable wood production to the public, based on forestry plantations, using films, models, panels and models of equipment at the various stages of panel production at Duratex. These resources make it possible to understand the general process, from the production of Eucalyptus saplings to when the boards leave the plant. During the visit, the importance of measures to conserve the soil, water, air and biodiversity are emphasized. The project also provides a good opportunity for qualifying trainees, such as students of Pedagogy, Biology, among others, as well as professional educators in environmental studies. A total of R\$140,000 was invested in the conservation, operation and improvement of the installations in 2008.

Type of waste destination in 2008 (GRI EN21)



AWARDS AND RECOGNITION 2008

(GRI 2.10)

■ **Prêmio Valor 1000:** Elected the best Construction and Decoration Materials company, in a survey conducted by the newspaper '*Valor Econômica*', which considered aspects linked to financial performance, such as the creation of additional value, sustainable growth, profitability, among other things.

The Wood Division

■ **The FGV Prize for Excellence in Business Management:** the best company in the wood sector, awarded by the magazine '*Conjuntura Econômica*', in a choice based on economic-financial criteria.

■ **Top Mobile 2008:** winner in three categories of the furniture sector prize, promoted by Alternativa Editorial. For having the most-remembered brands (top of mind), the products guaranteed first place for the company's MDF; MDP and reconstituted; compensate boards, among others.

■ **Top Anamaco:** the success in the sales of Duraflor Nature products contributed to winning the category *Marketing and Sales* in the prize awarded by the National Association of Construction Materials.

■ **14° Prêmio Pini:** for the seventh consecutive year, with 49.93% of the vote, and the Top Marcas prize, for the fifth consecutive year, both in the Laminated Floor category.

The Deca Division

■ **As Melhores da Dinheiro:** for the second year, Duratex led the sector ranking in the Construction and Decoration Materials in the 2008 edition of the yearbook: The Best 500 Companies in Brazil, promoted by the magazine '*Dinheiro*'. As well as the criteria based on economic performance, aspects of good management were also considered, such as human resources, innovation and corporate governance.

■ **Valor 1000:** best company for Construction and Decoration Materials, as determined by the newspaper '*Valor Econômica*'. Of particular note among the evaluation criteria are: current liquidity and margin of activity.

■ **Prêmio Top Anamaco 2008:** awarded the Prêmio Master in metal bathroom fittings and water saving devices in the Large Clients and General Client categories. Classified in first place, for the same prize in the Large Clients category, second place in vitreous china in the General Client category, and third place with Hygienic Lavatory Seats in the Large Clients category.

■ **22° Prêmio Design Museu da Casa Brasileira:** honorable mention in the category for Construction Equipment.

■ **The Sustentax Seal of Sustainability with Quality:** for the product lines: Decamatic Eco, Decalux, and the discharge valves Hydra Eco and Hydra Duo.

Forestry Area

■ The Project for Innovation in the Piatan Area for Environmental Living was one of the highlights in the 6th edition of the Benchmarking Prize 2008, which recognizes the institutions and companies with the best socio-environmental practices in Brazil. Of the 30 projects selected, Piatan was placed 11th and will thus be included in the publication of the Good Practices Guide published by the National Foundation for Quality (FNQ).

Certification	Awarded by	Unit	Scope	Reason for the certification
Forest Stewardship Council (FSC)	Scientific Certification Systems (SCS)	Forestry Area	Forestry management	Compliance with the principles and criteria of the FSC for good forestry management.
		Agudos, Botucatu Itapetininga and Jundiá	Custody Chain (COC)	The wood boards produced by the Agudos, Botucatu and Itapetininga plants, and those coated, painted or shipped from the Jundiá plant, are made from wood from forests certified as having met the principles and criteria of the FSC for good forestry management.
ISO 14001	Bureau Veritas Certification (BVC)	Forestry Area	Environmental Management System (SGA)	Compliance with the requirements associated with NBR ISO norm 14001 in relation to the adoption of a System of Environmental Management on the company's farms at the Botucatu unit and the plant nursery for producing saplings in Lençóis Paulista.
ISO 9001	Bureau Veritas Certification (BVC)	Botucatu – Wood	Production and commercialization of reconstituted fiberboard panels	Certification of the Quality Management System, ensuring that the system operates under planned and controlled conditions.
		Agudos – Wood	Project, development, production and commercialization of reconstituted wood panels, coated reconstituted wood panels, impregnated paper, laminated flooring and sawn timber	Demonstrate the company's capacity to provide, coherently, products that meet their clients' needs, as well as the applicable regulatory requirements; increase customer satisfaction by means of the effective application of the System, including processes to continually improve and guarantee conformity with the necessary requirements.
		Itapetininga – Wood	Project, development, production and commercialization of reconstituted wood panels, coated reconstituted wood panels, impregnated paper, laminated flooring and resin	Enable the systemic management of the entire unit, obtaining gains related to the processes with their continued improvement and, consequently, better results, seeking development, growth and commitment from the entire team, as well as an unwavering focus on customer satisfaction.
ISO 9001	ABS Quality Evaluations	São Leopoldo (RS) – Cerâmica Sanitária III	Project, development, production and commercialization and technical assistance for vitreous china	For Duratex's capacity to provide products in accordance with the applicable requirements and manage processes with a focus on the continued improvement in customer satisfaction.
		Metais Planidil and Metais São Paulo	Project and development, manufacture, setting up and after sales services of discharge valves, spherical valves, stopcocks and taps for residential and industrial use	

2008 ANNUAL BALANCE SHEET (NON AUDITED)

1- Calculation Base	2008 Value ('000 reais)			2007 Value ('000 reais)		
Net Revenue (NR)	1,913,604			1,670,551		
Operating Result (OP)	496,238			471,867		
Gross Payroll (GP)	191,854			165,688		
2- Internal Social Indicators	Value ('000)	% over GP	% over NR	Value ('000)	% over GP	% over NR
Food	12,438	7	0.6	10,407	6,3	0,6
Compulsory Social Charges	98,550	51	5.2	95,076	57,4	5,7
Private Pension	4,667	2	0.2	4,459	2,7	0,3
Health	11,642	6	0.6	9,846	5,9	0,6
Safety and Health at Work	7,305	4	0.4	6,460	3,9	0,4
Education	196	0,1	-	119	-	-
Culture	-	-	-	-	-	-
Qualification and professional development	1,328	1	0.1	996	0,6	0,1
Crèches or assistance with crèche	24	-	-	15	-	-
Profit-sharing	23,231	12	1.2	19,731	11,9	1,1
Others	8,119	4	0.4	8,121	4,9	0,5
Total – Internal Social Indicators	167,500	87	8.7	154,108	93	9,2
3- External Social Indicators	Value ('000)	% over OP	% over NR	Value ('000)	% over OP	% over NR
Education	91	-	-	708	0.1	-
Culture	700	0.1	-	727	0.1	-
Sport	150	-	-	90	-	-
Others	-	-	-	806	0.2	-
Total contributions to society	941	0.2	-	2,331	0.4	0.1
Taxes (excluding social charges)	592,701	119.4	31	475,719	100.8	28.5
Total – External Social Indicators	593,642	120	31	478,050	101.2	28.6
4- Environmental Indicators	Value ('000)	% over OP	% over NR	Value ('000)	% over OP	% over NR
Investment related to production/ operation	12,327	2.50%	0.60%	13,617	2.90%	0.80%
Investment in external programs and/or projects	140	-	-	2,600	-	-
Total investment in the environment	12,467	2.50%	0.60%	16,217	2.90%	0.80%
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:	<input type="checkbox"/> no targets <input type="checkbox"/> complied between 0 and 50% <input type="checkbox"/> complied between 51 and 75% <input checked="" type="checkbox"/> complied between 76 and 100%			<input type="checkbox"/> no targets <input type="checkbox"/> complied between 0 and 50% <input type="checkbox"/> complied between 51 and 75% <input checked="" type="checkbox"/> complied between 76 and 100%		
5- Work Force Indicators	2008			2007		
Nº of employees at the end of the period	7,886			6,785		
Nº of admissions during the period	1,600			1,644		
Nº of outsourced employees	149			114		
Nº of trainees	107			98		
Nº of employees over 45	1,148			993		
Nº of women working at the company	701			601		
% of management positions occupied by women	14.2%			12.80%		
Nº of black people working at the company	422			343		
% of management positions occupied by black people	0.9%			1.40%		
Nº of disabled or special needs employees	248			247		

6- Relevant information to the financial year of business citizenship

	2008	2009 Targets
Relationship between the highest and lowest salary paid by the company	87.29	76.67
Total number of accidents at work	230	146
The social and environmental projects developed by the company were defined by:	2008 <input type="checkbox"/> directors <input checked="" type="checkbox"/> directors and managers <input type="checkbox"/> all employees	2009 Targets <input type="checkbox"/> directors <input checked="" type="checkbox"/> directors and managers <input type="checkbox"/> all employees
The safety standards and salubrity of the work environment were defined by:	2008 <input type="checkbox"/> directors <input type="checkbox"/> directors and managers <input type="checkbox"/> all employees <input checked="" type="checkbox"/> all + Cipa	2009 Targets <input type="checkbox"/> directors <input type="checkbox"/> directors and managers <input type="checkbox"/> all employees <input checked="" type="checkbox"/> all + Cipa
In terms of the freedom to join unions, the right to collective negotiation and internal representation for employees, the company:	2008 <input type="checkbox"/> does not get involved <input checked="" type="checkbox"/> follow OIT norms <input type="checkbox"/> encourage and follow OIT norms	2009 Targets <input type="checkbox"/> will not get involved <input checked="" type="checkbox"/> will follow OIT norms <input type="checkbox"/> encourage and follow OIT norms
Private pensions include:	2008 <input type="checkbox"/> directors <input type="checkbox"/> directors and managers <input checked="" type="checkbox"/> all employees	2009 Targets <input type="checkbox"/> directors <input type="checkbox"/> directors and managers <input checked="" type="checkbox"/> all employees
Profit-sharing (or results) include:	2008 <input type="checkbox"/> directors <input type="checkbox"/> directors and managers <input checked="" type="checkbox"/> all employees	2009 Targets <input type="checkbox"/> directors <input type="checkbox"/> directors and managers <input checked="" type="checkbox"/> all employees
In the selection of suppliers, the same ethical standards and social and environmental responsibility adopted by the company:	2008 <input type="checkbox"/> are not considered <input type="checkbox"/> are suggested <input checked="" type="checkbox"/> are required	2009 Targets <input type="checkbox"/> will not be considered <input type="checkbox"/> will be suggested <input checked="" type="checkbox"/> will be required
In terms of employee participation in voluntary work programs, the company:	2008 <input type="checkbox"/> does not get involved <input checked="" type="checkbox"/> supports <input type="checkbox"/> organizes and encourages	2009 Targets <input type="checkbox"/> will not get involved <input checked="" type="checkbox"/> will support <input type="checkbox"/> organizes and encourages
The total number of complaints and criticism from consumers:	2008 2,718 in the company in Procon in Court	2009 Targets na Empresa in Procon in Court
% of complaints and criticism answered or resolved:	2008 99% in the company in Procon in Court	Metas 2009 in the company in Procon in Court
Total added value to distribute ('000 R\$):	In 2008: 1,285,602	In 2007: 1,136,617
	34.8% government	41.1% government
	27.4% employees	25.3% employees
Distribution of Value Added (DVA): (GRI EC1)	8.5% shareholders	13.6% shareholders
	13.4% third parties	5.5% third parties
	15.9% retained	14.5% 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.

GRI SUMMARY (GRI 3.12)

	Principle of the Global Pact	Page/ Comment
1. STRATEGY AND ANALYSIS		
1.1. Statement by the person in the highest decision-making position in the organization (such as director-president, the chairman of the Board or equivalent) about the relevance of sustainability for the organization and its strategy.		6
1.2. Description of the main impacts, risks and opportunities.		53
2. ORGANIZATIONAL PROFILE		
2.1. Name of the organization.		4
2.2. Main brands, products and/or services		5
2.3. Operational structure of the organization, including the main divisions, operating units, subsidiaries and joint ventures.		5
2.4. Location of the organization's main office.		5
2.5. Number of countries the organization operates in and the name of the countries in which its main operations are located or are particularly relevant in terms of the issue of sustainability covered in the Report.		5
2.6. The type and legal nature of ownership.		4
2.7. Markets supplied (including a geographical positioning, sectors served and types of clients/ beneficiaries).		4
2.8. The size of the organization.		5
2.9. The main changes during the period covered by the Report related to its size, structure or shareholder participation.		5
2.10. Prizes received in the period covered by the Report.		94
3. REPORT PARAMETERS		
Report Profile		
3.1. Period covered by the Report (such as the financial year / civil) for the information presented.		8
3.2. Date of the most recent previous Report (if available).		8
3.3. Publication cycle for the Reports (annual, biannual etc.)		8
3.4. Contact data in the case of any questions about the Report or its content.		9
Scope and limit of the Report		
3.5. Process for defining the report content.		9
3.6. The Report limit (such as countries, divisions, subsidiaries, installations leased operations, joint ventures, and suppliers, etc.).		8
3.7. Statement about any specific limitations in terms of the Report's scope or limit.		8
3.8. Basis for preparing the Report in terms of joint ventures, subsidiaries, leased installations, outsourced operations and other organizations that could significantly affect the comparable nature of the data/information provided between different periods and/or between organizations.		8
3.9. Techniques used for the measurement of data and the bases for calculations, including hypotheses and techniques, which sustain the estimates applied in the compilation of the indicators and other information provided in the Report.		9

	Principle of the Global Pact	Page/ Comment
3.10. Explanation of the consequences of any reformulation of the information provided in previous Reports and the reasons these steps were taken (such as mergers or acquisitions, change in financial period or annual-base, in the nature of the business, in the methods of measurement).		8
3.11. Significant changes compared with previous years in terms of scope, limit or in the methods of measurement applied in the Report.		8

GRI Summary of Contents

3.12. Table identifying the location of information in the Report.	98
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Verification

3.13. Policy and current practice related to seeking external verification of the Report. If the verification is not included in the sustainability report, an explanation is required as to the scope and basis of any external verification provided, as well as the relationship between the reporting organization and the auditor (s).	8
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4. GOVERNANCE, COMMITMENTS AND INVOLVEMENT OF SHAREHOLDERS

Governance

4.1. The organization's structure of governance, including committees run by the highest body of governance responsible for specific tasks, such as establishing the organization's strategy and supervision	1 to 10	15
4.2. Indication as to whether or not the president of the highest body of governance is also an executive director (and, if this is the case, their roles within the administration of the organization and the reason for this composition).	1 to 10	15
4.3. Statement of the number of independent or non-executive members of the highest body of governance.	1 to 10	15
4.4. Mechanisms for shareholders and employees to make recommendations or give guidance to the highest body of governance.	1 to 10	10, 15, 16 and 19
4.5. Relationship between remuneration for members of the highest body of governance, executive directors and other executives and the organization's performance (including social and environmental performance).	1 to 10	16
4.6. Processes underway within the highest body of governance to ensure that conflicts of interest are avoided.	1 to 10	16
4.7. Process to determine the qualifications and knowledge of members of the highest body of governance to define the organization's strategy for questions related to economic, environmental and social themes.	1 to 10	15
4.8. 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	1 and 20
4.9. 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 adhesion to or conformity with internationally agreed norms, codes of conduct and principles.	1 to 10	15
4.10. Processes for the auto evaluation of the performance of the highest body of governance, particularly with respect to economic, environmental and social performance.	1 to 10	16

	Principle of the Global Pact	Page/ Comment
Commitments to external initiatives		
4.11. Explanation as to whether the organization applies the principle of precaution.	7	5
4.12. Letters, principles or other initiatives developed externally of an economic, environmental and social nature that the organization subscribes to and/or endorses.		68
4.13. Participation in associations (such as industry federations) and/or national / international entities.		21
Involvement of stakeholders		
4.14. List of the groups of stakeholders engaged with the organization.		10
4.15. Base from which to identify the selection of stakeholders with whom the organization is involved.		10
4.16. Precepts for the involvement of stakeholders, including the frequency of involvement and by type and groups of stakeholders.		10
4.17. The main issues and concerns raised by means of involving stakeholders, and the measure the organization has adopted to deal with them.		-

PERFORMANCE INDICATORS

ECONOMIC PERFORMANCE

EC1	the direct economic value generated and distributed, including revenue, operating costs, remuneration of employees, donations and other investment in the local community, accumulated profit and payment to capital providers and governments.		46, 47 e 97
EC2	The financial implications and other risks and opportunities in terms of the organization's activities due to climatic changes.	7	56 e 90
EC3	Coverage of the obligations related to the defined benefit pension plan that the organization offers.		65
EC4	Significant financial help received from the government.		The Monte Carlo unit acquired was given a fiscal incentive of R\$3 million

Market presence

EC5	Variation in the proportion of the lowest salary compared with the minimum local salary at important operating units.	1	64
EC6	Policies, practices and proportion of spending with local suppliers by important operating units.		73
EC7	Procedures for local hiring of senior executive members recruited from the local community by important operating units.	6	-

Indirect economic impacts

EC8	Development and impact of the investment in infrastructure and services offered, particularly for the benefit of the public, by means of commercial involvement, in cash or pro bono activities.		71
EC9	Identification and description of the significant indirect economic impacts, including the extent of the impacts.		-

ENVIRONMENTAL PERFORMANCE INDICATORS

Materials

EN1	Materials used by weight or volume.	8	85
EN2	Percentage of recycled materials used.	8, 9	86

Energy

EN3	Direct consumption of energy according to the primary source.	8	86
EN4	Indirect consumption of energy according to the primary source.	8	86
EN5	Energy saved as a result of improvements in conservation and efficiency.	8, 9	-


	Principle of the Global Pact	Page/ Comment
EN6 Initiatives to supply products and services with low energy consumption, or that use energy generated by renewable resources, and the reduction in the need for energy resulting from these initiatives.	8, 9	-
EN7 Initiatives to reduce the indirect consumption of energy and the reductions obtained.	8, 9	87
Water		
EN8 Total water used according to its source. ADIC.	8	88 and 89
EN9 Water sources significantly affected by the water collected.	8	88
EN10 Percentage of the total volume of water recycled and reused.	8, 9	88
Biodiversity		
EN11 Location and size of the properties owned, leased or administered within protected areas, or adjacent to them, and areas with a high biodiversity index outside protected areas.	8	81
EN12 Description of the significant impacts on the biodiversity of any activities, products and services in protected areas and those with a high biodiversity index outside protected areas.	8	81
EN13 Protected or restored habitats.	8	81
EN14 Strategies, measures in effect and future plans for the management of impacts on biodiversity.	8	82 and 84
EN15 Number of species on the WCU Red List and other national conservation lists with habitats in areas affected by operations, discriminated by the level of risk of extinction.	8	81
Emissions, effluents and residues		
EN16 Total direct and indirect emissions of greenhouse gasses, by weight.	8	90 and 91
EN17 Other relevant indirect emissions of greenhouse gasses, by weight.	8	90 and 91
EN18 Initiatives to reduce the emissions of greenhouse gasses and the reductions obtained.	7, 8, 9	84
EN19 Emissions of substances that destroy the ozone layer, by weight.	8	-
EN20 NOx, SOx and other significant atmospheric emissions, by type and weight.	8	90 and 91
EN21 Total discharge of water, by quality and destination.	8	92 and 93
EN22 Total weight of waste, by type and method of disposal.	8	-
EN23 Number and total volume of significant spillages.	8	93
EN24 Weight of waste transported, imported, exported or treated considered hazardous according to the terms of the Basle 13 Convention – Annexes I, II, III and VIII, and the percentage of loads of waste transported internationally.	8	91
EN25 Identification, size, status of protection and biodiversity index of bodies of water and related habitats significantly affected by discharges of water and drainage carried out by the reporting organization.	8	-
Products and services		
EN26 Initiatives to mitigate the environmental impacts of products and services and the extent of the reduction of these impacts.	7, 8, 9	-
EN27 Percentage of products and packaging recovered in relation to the total number of products sold, by product category.	8, 9	-
Conformity		
EN28 The monetary value of significant fines and the total number of non-monetary sanctions resulting from non-conformity with environmental laws and regulations.	8	None registered
Transport		
EN29 Significant environmental impacts caused by the transport of products and other goods and materials used in the organization's operations, including the transport of employees/workers.	8	90 and 91
General		
EN30 Total investment and spending on environmental protection, by type.	7, 8, 9	80

	Principle of the Global Pact	Page/ Comment
SOCIAL PERFORMANCE INDICATORS		
LABOR PRÁCTICES AND DECENT WORK		
Employment		
LA1	Total employees, by type of employment, labor contract and region.	60
LA2	Total number and turnover rate of employees, by age, gender and region.	65
LA3	Benefits offered to full-time employees that are not offered to temporary workers or those working part time, according to the main operations.	65
Relationships between the work force and governance		
LA4	The percentage of employees included in collectively negotiated agreements.	66
LA5	The minimum time period for advance notification regarding changes to operations, including whether this procedure is specified in collectively negotiated accords.	66
Health and Safety at work		
LA6	The percentage of employees represented by formal committees for health and safety, made up of management and workers, that help to monitor and advise about occupational health and safety programs.	-
LA7	Rates of injuries, occupational illnesses, number of days lost, absenteeism and work-related deaths, per region.	66
LA8	Programs for education, training, advising, prevention and control of risk underway to provide assistance to employees, their families or members of the community in relation to serious diseases/illnesses.	66
LA9	Issues related to safety and health covered by formal agreements with unions.	-
Training and education		
LA10	Average hours of training per year, per employee, defined by their job category.	63
LA11	Programs for the management of skills and continuous learning that support the ongoing nature of an employee's job and to oversee the end of their careers.	-
LA12	The percentage of employees that regularly receive performance evaluations and career development advice.	-
Diversity and equality of opportunities		
LA13	Composition of the groups responsible for corporate governance and the listing of employees by category, according to gender, age, minorities and other indicators of diversity.	61
LA14	Proportion of base salary between men and women, per job category.	-
HUMAN RIGHTS		
Investment practices and purchasing processes		
HR1	The percentage and total number of significant investment contracts that include clauses related to human rights or that were submitted for evaluation regarding human rights.	73
HR2	Percentage of critical contracted companies and suppliers that were submitted for evaluation regarding human rights and the measures taken.	73
HR3	Total hours of training given to employees about policies and procedures related to the relevant aspects of human rights concerning operations, including the percentage of employees that received the training.	-
Non-discrimination		
HR4	The total number of cases of discrimination and the measures taken.	65

		Principle of the Global Pact	Page/ Comment
The freedom to associate with unions and collective negotiations			
HR5	Operations identified in which the right to exercise freedom of association and for collective negotiation may be running a significant risk and the measures taken to support this right.	1, 2 and 3	66
Child labor			
HR6	Operations identified as a significant risk in terms of involving child labor and the measures taken to contribute to the abolition of child labor.	1, 2 and 5	73
Forced labor or any kind of slavery			
HR7	Operations identified as a significant risk in terms of involving forced labor or any kind of slavery and the measures taken to contribute to the eradication of this type of work.	1, 2 and 4	73
Safety Practices			
HR8	The percentage of safety personnel submitted for training in the organization's policies or procedures related to aspects of human rights relevant to its operations.	1 and 2	-
INDIGENOUS RIGHTS			
HR9	The total number of cases of violations of indigenous people's rights and the measures taken.	1 and 2	-
SOCIETY			
Community			
SO1	The nature, scope and efficiency of any programs and practices to evaluate and manage operating impacts in the local communities, including the start up, operation and shut down.		-
Corruption			
SO2	The percentage and total number of business units submitted to evaluations for risks related to corruption.	10	77
SO3	The percentage de employees trained in the organization's anticorruption policies and procedures.	10	-
SO4	The measures taken in response to cases of corruption.	10	-
Public Policies			
SO5	Positions regarding public policies and participation in the preparation of the same and lobbies.	1 and 10	77
SO6	The total value of financial contributions and in kind to political parties, politicians or related institutions, determined by country.	10	-
Illegal competition			
SO7	The total number of law suits brought against the organization for unfair competition, corporate practices, monopoly and results.		None registered
Conformity			
SO8	The monetary value of significant fines and the total number of non-monetary sanctions resulting from failure to comply with laws and regulations.		None registered

		Principle of the Global Pact	Page/ Comment
RESPONSIBILITY FOR PRODUCTS			
Customer Health and Safety			
PR1	Phases of the life cycle of products and services in which the impacts on health and safety are evaluated for improvements to be made, and the percentage of products and services subject to these procedures.	1	74
PR2	The total number of cases of non-conformity with regulations and voluntary codes related to the impacts caused by products and services in terms of health and safety during the life cycle, determined by the type of result.	1	-
Labeling of products and services			
PR3	The type of information about products and services required by labeling procedures, and the percentage of products and services subject to these requirements.	8	-
PR4	The total number of cases of non-conformity with regulations and voluntary codes related to information and the labeling of products and services, determined by the type of result.	8	-
PR5	The practices related to customer satisfaction, including the results of surveys that measure this level of satisfaction.		76
Marketing communications			
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GRI Level of Application

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

President

Laerte Setúbal Filho

Vice-presidents

Alfredo Egydio Arruda Villela Filho

Paulo Setúbal Neto

Advisers

Jairo Cupertino

Ricardo Egydio Setúbal

Rodolfo Villela Marino

Jair Ribeiro da Silva Neto

Fernando Marques Oliveira

Albrecht Curt Reuter Domenech

FISCAL COUNCIL (statutory audit committee)

President

Paulo Ricardo Moraes Amaral

Advisers

Iran Siqueira Lima

Ricardo Guaranyes de Oliveira Castro

EXECUTIVE BOARD

President

Paulo Setúbal Neto

Executive Vice-Presidents

Guilherme Archer de Castilho

Raul Penteado

Plínio do Amaral Pinheiro

Executive Directors

Enrique Judas Manubens

Mário Colombelli Filho

Directors

Alexandre Coelho Neto do Nascimento

Antonio Joaquim de Oliveira

Antonio Massinelli

Elcidir Bernussi

Flávio Dias Soares

Marco Antônio Milleo

OPTIONS COMMITTEE

Paulo Setúbal Neto

Alfredo Egydio Arruda Villela Filho

Albrecht Curt Reuter Domenech

COMMITTEE FOR THE PUBLICATION OF INFORMATION AND TRADING IN SHARES

Paulo Setúbal Neto

Alfredo Egydio Arruda Villela Filho

Plínio do Amaral Pinheiro

INVESTOR RELATIONS DEPARTMENT

Director: Plínio do Amaral Pinheiro

Phone: +55 (11) 3179-7279

Fax: +55 (11) 3179-7300

vpfinanceira.corporativa@duratex.com.br

Manager: Alvaro Penteado de Castro

Phone: +55 (11) 3179-7259

Fax: +55 (11) 3179-7500

investidores@duratex.com.br

SHAREHOLDER SERVICES

Av. Paulista, 1.938 – 16th floor – Bela Vista
01310-942 – São Paulo – SP

Mail box 7611

Phone: +55 (11) 3179-7534

Fax: +55 (11) 3179-7315

acionistas@duratex.com.br

LEGAL PUBLICATION

Diário Oficial do Estado de São Paulo

Diário do Comércio

BOVESPA TICKERS

DURA3 (ordinary shares) and

DURA4 (preference shares)

INDEPENDENT AUDITORS

PricewaterhouseCoopers

Auditores Independentes S.A.

Av. Francisco Matarazzo, 1400

05001-903 – São Paulo/SP

Torre Torino – Água Branca

Tel: +55 (11) 3674-2000

Fax: +55 (11) 3674-2077

Mail box: 61005

MAIN OFFICE

Duratex S.A.

Av. Paulista, 1.938 – 5th floor – Bela Vista

Phone: +55 (11) 3179-7733

ZIP 01310-942 – São Paulo – SP

Mail box 7611

www.duratex.com.br

SUBSIDIARIES IN BRAZIL

Duraflora S.A.

Duratex Comercial Exportadora S.A.

Av. Paulista, 1938 – Bela Vista

ZIP 01310-942 – São Paulo – SP

FOREIGN SUBSIDIARIES

Deca Piazza

Zavaleta, 190 – 1437

Buenos Aires, Argentina

Phone: 005411-4909-0900

Fax: 005411-4909-0992

Deca North America

1208 Eastchester Drive, Suite 202

High Point – NC

27265 3165 – USA

Toll free: 877-802 1250

Phone: 001-336-885-1225

Fax: 001-336-885-1501

Duratex Europe

Battelsesteenweg 455D

Business Park 2800

Mechelen – België

Phone: 0032-15-28-60-70

Fax: 0032-15-28-60-79

CREDITS

Coordination: Investor Relations Management

Content and text: Editora Contadino

Graphic Project: frncom

Photos: Duratex Collection

Printing: Stilgraf

FINANCIAL STATEMENTS

Duratex S.A. and Subsidiaries
Management Report and
Financial Statements at
December 31, 2008 and 2007
and Report of Independent Auditors

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REPORT OF INDEPENDENT AUDITORS

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

- 1** We have audited the accompanying balance sheets of Duratex S.A. ("the Company") and the consolidated balance sheet of Duratex S.A. and its subsidiaries at December 31, 2008 and the related statements of income, of changes in stockholders' equity, of cash flows and of value added of the Company and the related consolidated statements of income, of cash flows and of value added for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.
- 2** We conducted our audit in accordance with approved Brazilian auditing standards, which require that we perform the audit to obtain reasonable assurance about whether the financial statements are fairly presented in all material respects. Accordingly, our work included, among other procedures: (a) planning our audit taking into consideration the significance of balances, the volume of transactions and the accounting and internal control systems of the Company, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements, and (c) assessing the accounting practices used and significant estimates made by management, as well as evaluating the overall financial statement presentation.
- 3** In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of Duratex S.A. and of Duratex S.A. and its subsidiaries at December 31, 2008, and the results of operations, the changes in stockholders' equity, the cash flows and the value added of the Company, as well as the consolidated results of operations, cash flows and value added of the Company and its subsidiaries, for the year then ended, in accordance with accounting practices adopted in Brazil.
- 1** We previously audited the financial statements for the year ended December 31, 2007, comprising the balance sheet of Duratex S.A. and the consolidated balance sheet of Duratex S.A. and its subsidiaries at December 31, 2007, the statements of income, of changes in stockholders' equity and of changes in financial position of the Company and the related consolidated statements of income and of changes in financial position of the Company and its subsidiaries for the year then ended, as well as the supplementary information comprising the statements of cash flows and of value added of the Parent Company and consolidated, on which we issued an unqualified opinion dated February 13, 2008. As mentioned in Note 2, the accounting practices adopted in Brazil were modified effective January 1, 2008. The financial statements for the year ended December 31, 2007, presented together with the financial statements for 2008, were prepared in accordance with the accounting practices adopted in Brazil in effect until December 31, 2007 and, as allowed by Technical Pronouncement No. 13 of the Brazilian Accounting Pronouncement Committee (CPC) - "Initial Adoption of Law No. 11638/07 and Provisional Measure No. 449/08", have not been restated to facilitate comparison between the years; however, they have been adjusted in relation to those originally presented, as described in Note 2.

São Paulo, February 18, 2009

PricewaterhouseCoopers

Auditores Independentes
CRC 2SP000160/O-5

Valdir Renato Coscodai

Contador CRC 1SP165875/O-6

DURATEX S.A. AND SUBSIDIARIES

Balance Sheets at December 31 In thousands of reais

(A free translation of the original in Portuguese)

ASSETS

	Parent Company		Consolidated	
	2008	2007	2008	2007
Current assets				
Cash & cash equivalents (Note 5)	358,082	570,227	598,125	752,699
Clients (Note 6)	313,307	316,202	338,560	335,964
Inventories (Note 7)	222,027	175,786	275,155	217,086
Accounts receivable	32,673	15,249	9,897	10,508
Tax credits (Note 8)	68,686	27,738	97,127	36,893
Other credits	2,126	1,990	2,950	2,726
	996,901	1,107,192	1,321,814	1,355,876
Non-current assets				
Long-term receivables				
Subsidiaries (Note 9)	32,104			
Restricted deposits	6,888	5,297	9,743	7,324
Accounts receivable	31,449	2,471	34,398	4,641
Tax credits (Note 8)	88,120	41,919	100,292	52,510
	158,561	49,687	144,433	64,475
Investments in subsidiaries (Note 10)	692,131	427,904		
Other investments	111	111	585	585
Property, plant and equipment (Note 11)	1,162,781	845,069	1,692,758	1,192,712
Forest reserves (Note 11)			182,184	130,679
Intangible assets (Note 12)	31,598	6,108	31,673	6,130
	2,045,182	1,328,879	2,051,633	1,394,581
Total assets	3,042,083	2,436,071	3,373,447	2,750,457

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

LIABILITIES AND STOCKHOLDERS' EQUITY

	Parent Company		Consolidated	
	2008	2007	2008	2007
Current liabilities				
Suppliers	176,747	51,851	118,856	51,074
Personnel	63,835	56,252	71,383	65,181
Accounts payable	56,027	35,432	127,510	76,393
Subsidiaries (Note 9)	55,947	23,642		
Taxes and contributions	13,860	45,583	19,822	69,017
Loans and financing (Note 13)	155,643	101,237	435,073	246,155
Dividends and profit sharing (Note 16(d))	58,828	55,311	60,146	55,480
	580,887	369,308	832,790	563,300
Non-current liabilities				
Subsidiaries (Note 9)	5,488	9,089		
Loans and financing (Note 13)	618,069	344,176	649,358	424,581
Provision for contingencies (Note 15)	79,376	72,651	128,714	118,499
Accounts payable - "swap"		74,294		74,350
Other accounts payable	26,688	9,987	30,395	12,593
	729,621	510,197	808,467	630,023
Minority interest			647	609
Stockholders' equity (Note 16)				
Capital	943,626	943,626	943,626	943,626
Capital reserves	236,744	200,505	236,744	200,505
Revaluation reserve	106,550	110,830	106,550	110,830
Cumulative translation adjustments	775		775	
Revenue reserves	443,880	301,605	443,848	301,564
	1,731,575	1,556,566	1,731,543	1,556,525
Total liabilities and stockholders' equity	3,042,083	2,436,071	3,373,447	2,750,457

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

DURATEX S.A. AND SUBSIDIARIES

Statements of Income

Years Ended December 31

In thousands of reais, except net income per share

(A free translation of the original in Portuguese)

	Parent Company		Consolidated	
	2008	2007	2008	2007
Gross sales	2,419,600	2,133,751	2,554,765	2,226,200
Taxes and contributions on sales	(633,535)	(549,912)	(641,161)	(555,649)
Net sales	1,786,065	1,583,839	1,913,604	1,670,551
Cost of sales	(1,145,450)	(958,505)	(1,144,088)	(918,821)
Gross profit	640,615	625,334	769,516	751,730
Selling expenses	(189,457)	(164,266)	(216,888)	(190,890)
General and administrative expenses	(65,495)	(57,929)	(73,388)	(63,857)
Management fees	(15,190)	(11,997)	(16,840)	(17,098)
Other operating expenses	(3,267)	(5,162)	33,838	(8,018)
Operating profit before financial result	367,206	385,980	496,238	471,867
Financial income	53,601	64,906	128,580	63,693
Financial expenses	(122,083)	(65,670)	(178,506)	(74,058)
Equity in the results (Note 10)	117,101	42,701		
Operating profit before income tax and social contribution	415,825	427,917	446,312	461,502
Income tax and social contribution (Note 14)	(52,686)	(80,712)	(80,732)	(111,523)
Profit sharing	(49,334)	(28,559)	(51,293)	(30,723)
Minority interest			(474)	(389)
Net income for the year	313,805	318,646	313,813	318,867
Net income per share at the end of the year – R\$	2.42	2.46		
Book value per share – R\$	13.35	12.00		

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

DURATEX S.A.

Statement of Changes in Stockholders' Equity In thousands of reais

(A free translation of the original in Portuguese)

	Capital	Capital reserves	Revaluation reserve	Cumulative translation adjustments conversion	Revenue reserves	Retained earnings	Total
At January 1, 2007	916,084	200,505	128,599		150,861		1,396,049
Prior year adjustments			(9,447)		30,133		20,686
Treasury shares					(48,896)		(48,896)
Capital increase							
With stock issuing	27,542						27,542
Realization of reserves			(8,322)			5,429	(2,893)
Net income for the year						318,646	318,646
Legal reserve					15,932	(15,932)	
Interest on own capital/dividends						(154,568)	(154,568)
Revenue reserves					153,575	(153,575)	
At December 31, 2007	943,626	200,505	110,830		301,605		1,556,566
Adjustments from transition of accounting practices:							
Options granted (Note 2(d))		16,046				(16,046)	
Adjustment to market value – derivatives (Note 2(g))					(1,860)		(1,860)
Options granted		20,193					20,193
Treasury shares					(48,282)		(48,282)
Realization of reserves			(4,280)			4,242	(38)
Exchange variation in subsidiaries				775			775
Net income for the year						313,805	313,805
Legal reserve					15,690	(15,690)	
Interest on own capital/dividends						(109,584)	(109,584)
Revenue reserves					176,727	(176,727)	
At December 31, 2008	943,626	236,744	106,550	775	443,880		1,731,575

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

DURATEX S.A. AND SUBSIDIARIES

Statements of Cash Flows Years Ended December 31 In thousands of reais

(A free translation of the original in Portuguese)

	Parent Company		Consolidated	
	2008	2007	2008	2007
Operating activities				
Net income for the year	313,805	318,646	313,813	318,867
Items not affecting cash				
Depreciation, amortization and depletion	64,986	59,869	87,286	82,754
Interest, foreign exchange and monetary variations, net	142,582	5,400	236,305	2,748
Provisions, disposal of assets	54,668	20,727	42,913	32,161
Equity in the results	(117,101)	(42,701)		
Investments in working capital				
(Increase) decrease in assets				
Clients	2,895	(4,001)	1,101	(7,096)
Inventories	(46,241)	(36,842)	(51,245)	(48,032)
Other assets	(115,206)	(11,893)	(131,221)	5,772
Increase (decrease) in liabilities				
Suppliers	124,896	4,093	62,948	12,345
Personnel liabilities	4,821	9,885	3,216	15,567
Accounts payable	(36,998)	55,126	(6,101)	75,923
Subsidiaries	32,305	(40,216)		
Taxes and contributions	(31,723)	(3,587)	(49,590)	7,768
Other liabilities	6,725	918	10,215	2,609
Cash provided by operating activities	400,414	335,424	519,640	501,386
Investing activities				
Investments in fixed and intangible assets	(387,074)	(57,810)	(673,448)	(222,281)
Capital increase in subsidiaries	(91,914)			
Advance for future capital increase in subsidiaries	(37,620)			
Acquisition of companies	(78,138)			
Dividends received	17,807	1,043		
Cash used in investing activities	(576,939)	(56,767)	(673,448)	(222,281)
Financing activities				
Financing	295,547	243,235	509,881	456,699
Amortization of financing	(111,274)	(72,265)	(339,665)	(180,837)
Issue of shares		27,542		27,542
Loans from subsidiaries	(34,261)	30,219		
Debentures		(224,012)		(224,012)
Dividends and profit sharing	(135,913)	(165,358)	(134,765)	(165,597)
Treasury shares and others	(49,719)	(51,789)	(49,840)	(45,324)
Cash used in financing activities	(35,620)	(212,428)	(14,389)	(131,529)
Exchange variation on cash and cash equivalents			13,623	(7,326)
Increase (decrease) in cash for the year	(212,145)	66,229	(154,574)	140,250
Opening balance	570,227	503,998	752,699	612,449
Closing balance	358,082	570,227	598,125	752,699
Supplementary information to cash flows				
Taxes and contributions paid	53,810	61,814	109,356	66,510
Interest paid	15,550	35,892	24,399	43,828

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

DURATEX S.A. AND SUBSIDIARIES

Statements of Value Added Years Ended December 31 In thousands of reais

(A free translation of the original in Portuguese)

	Parent Company		Consolidated	
	2008	2007	2008	2007
Income	2,433,265	2,135,866	2,604,501	2,228,865
Gross income	2,419,600	2,133,751	2,554,765	2,226,200
Other income	17,999	5,601	55,735	6,426
Allowance for doubtful accounts	(4,334)	(3,486)	(5,999)	(3,761)
Inputs acquired from third parties	(1,361,283)	(1,114,437)	(1,360,193)	(1,073,187)
Cost of sales	(1,172,916)	(955,938)	(1,143,002)	(883,773)
Materials, energy, outsourced services and others	(188,367)	(158,499)	(217,191)	(189,414)
Gross value added	1,071,982	1,021,429	1,244,308	1,155,678
Depreciation, amortization and depletion	(64,986)	(59,869)	(87,286)	(82,754)
Net value added	1,006,996	961,560	1,157,022	1,072,924
Value added received through transfer	170,702	107,607	128,580	63,693
Equity in the results	117,101	42,701		
Financial income	53,601	64,906	128,580	63,693
Value added to be distributed	1,177,698	1,069,167	1,285,602	1,136,617
Distribution of value added				
Work compensation	308,678	257,538	351,581	287,711
Direct compensation	264,727	218,758	296,220	242,332
Benefits	25,836	23,140	34,724	28,560
Severance Indemnity Fund (FGTS)	16,245	14,421	18,691	15,568
Other	1,870	1,219	1,946	1,251
Government compensation	438,218	437,208	447,186	467,417
Federal	360,449	360,277	367,626	389,925
State	77,469	76,458	78,097	76,504
Municipal	300	473	1,463	988
Financing remuneration	116,997	55,775	172,548	62,233
Shareholders' remuneration	313,805	318,646	314,287	319,256
Interest on own capital	87,227	78,527	87,227	78,527
Dividends	22,357	76,041	22,357	76,041
Retained earnings	204,221	164,078	204,703	164,688
Total value added distributed	1,177,698	1,069,167	1,285,602	1,136,617

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

NOTES TO THE FINANCIAL STATEMENTS

At December 31, 2008 and 2007

All amounts in thousands of reais unless otherwise indicated

1 Operations

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

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

The Wood Division operates four industrial units in Brazil, responsible for the production of fiber sheets, medium density particle board (MDP), medium, high and super density fiberboard (MDF, HDF, SDF) and Durafloor laminate flooring.

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 and Deca Piazza (in Argentina).

2 Presentation and Preparation of the Financial Statements

The financial statements of Duratex S.A. and the consolidated financial statements, which were approved by the Company's Board of Directors on February 13, 2008, 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.

Law No. 11638 was enacted on December 28, 2007, and amended by Provisional Measure (MP) No. 449 dated December 3, 2008, amending and introducing new provisions to Brazilian Corporation Law. The main objective of this Law and MP was to update the Brazilian corporate legislation to make possible the process of convergence of the accounting practices adopted in Brazil with those included in the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). The adoption of the Law and MP is mandatory for the annual financial statements for years beginning on or after January 1, 2008.

The main impacts on the Company's financial statements due to these changes are as follows:

(a) Derivative financial instruments

In compliance with CVM Deliberation 566 of December 17, 2008, which approved pronouncement 14 of the Brazilian Accounting Pronouncements Committee (CPC), the Company's derivatives are recognized at their fair value at the date when contracted and are subsequently remeasured to their fair value, with the variations recorded in results, except when the derivative is designated as a cash flow hedge instrument.

(b) Revaluation reserve

The Company management opted to maintain the revaluation reserve of its assets, and its realization is recorded through depreciation and/or upon the sale of the revalued assets.

(c) Investments in foreign subsidiaries

In compliance with CVM Deliberation 534 of January 29, 2008, that approved CPC 02, the effect arising from exchange variations on the investments in the indirect subsidiaries Duratex North America Inc., Duratex Europe N.V. and Deca Piazza S.A. started to be recorded in the "Cumulative translation adjustments" account in stockholders' equity. The exchange variation from Advance on Export Contract, used as a hedge instrument of foreign investments has also been transferred to the same account in stockholders' equity.

(d) Tax incentives

In compliance with CVM Deliberation 555 of November 12, 2008, that approved CPC 07, the amount related to the tax incentive accrued as from the effectiveness of the law was recorded in the result for the year, as a reduction of sales tax expenses with a contra-entry to the Revenue Reserve for Tax Incentives.

(e) Share-based remuneration

In compliance with CVM Deliberation 562 of December 17, 2008, that approved CPC 10, which addresses payments based on shares to employees or third parties, the Company calculated the value of outstanding options amount at December 31, 2008, with a charge to the results for 2008 or to stockholders' equity based on the vesting period.

To determine their values, the binomial model was used, based on the parameters described in Note 20.

(f) Reclassifications

In compliance with Provisional Measure 449 of December 3, 2008, the pre-operating expenses related to the preparation of machinery and equipment for use, in the amount of R\$ 6,387, were transferred to property, plant and equipment and the balance of the account "Non operating results" was transferred to other operating income and expenses. The goodwill based on future profitability was transferred to the account "Intangible assets".

(g) Adjustments for the initial adoption of Law 11638/07

As permitted by CPC Pronouncement 13 - "First time adoption of Law 11638/07 and the Provisional Measure 449/08", the Company management opted to prepare the transition balance sheet at January 1, 2008. Accordingly, all the impacts on the results from the adoption of the law and provisional measure were made against retained earnings at the transition date, according to art. 186 of Law 6404/76.

	December 31, 2007	Adjustments of Law 11638/07		Transition date January 1, 2008
		Stock options	Financial instruments	
Stockholders' equity - consolidated				
Capital	943,626	-	-	943,626
Capital reserve	200,505	36,239	-	236,774
Capital reserve	200,505			200,505
Granted options recognized		43,289		43,289
Unappropriated granted options		(7,050)		(7,050)
Revaluation reserve	110,830			110,830
Revenue reserve	301,564			301,564
Retained earnings		(36,239)	(1,860)	(38,099)
	<u>1,556,525</u>		<u>(1,860)</u>	<u>1,554,665</u>

	Parent company		Consolidated	
	Profit	Equity	Profit	Equity
At December 31, 2008, before the effects of Law 11638/07	<u>333.910</u>	<u>1.732.572</u>	<u>333.918</u>	<u>1.732.540</u>
Adjustments for the transition balance sheet				
Share based remuneration for 2007		(16.046)		(16.046)
Capital reserve - granted options recognized		16.046		16.046
Adjustment to market value of the derivative financial instruments for 2007		(1.860)		(1.860)

NOTES TO THE FINANCIAL STATEMENTS

At December 31, 2008 and 2007

All amounts in thousands of reais unless otherwise indicated

	Parent company		Consolidated	
	Profit	Equity	Profit	Patrimônio
Adjustments to the balance sheet for 2008				
Share based remuneration	(20,193)	(20,193)	(20,193)	(20,193)
Capital reserve – granted options recognized		20,193		20,193
Adjustment to market value of the derivative financial instruments	(411)	(411)	(55)	(55)
"Hedge accounting"	(775)		(775)	
Exchange variation on foreign subsidiaries	(310)		(9,512)	
Exchange variation on debts as hedges	(465)		8,737	
Equity in the results	174	174		
Income tax and social contribution	(15)	(15)	(136)	(136)
Profit sharing	1,115	1,115	1,115	1,115
Minority interest			(61)	(61)
Em 31 de dezembro de 2008, após os efeitos da Lei no. 11.638/07	313,805	1,731,575	313,813	1,731,543

For comparison purposes, we present the consolidated statements of income before and after the adjustments introduced by Law No. 11638/07.

Statements of Income – consolidated

	2008		2007
	Law No. 11638/07	Law No. 6404/76	Law No. 6404/76
Gross sales	2,554,765	2,585,543	2,226,200
Taxes and contributions on sales	(641,161)	(642,312)	(555,649)
Net sales	1,913,604	1,943,231	1,670,551
Cost of sales	(1,144,088)	(1,170,480)	(918,821)
Gross profit	769,516	772,751	751,730
Selling expenses	(216,888)	(219,299)	(190,890)
General and administrative expenses	(73,388)	(73,834)	(63,857)
Management fees	(16,840)	(16,840)	(17,098)
Other operating expenses	33,838	34,461	(8,018)
Operating profit before financial result	496,238	497,239	471,867
Financial income	128,580	136,417	63,693
Financial expenses	(178,506)	(191,099)	(74,058)
Operating profit before income tax and social contribution	446,312	442,557	461,502
Income tax and social contribution	(80,732)	(76,548)	(111,523)
Profit sharing	(51,293)	(31,678)	(30,723)
Minority interest	(474)	(413)	(389)
Net income for the year	313,813	333,918	318,867

(h) Restatement of comparative amounts for 2007

In addition, the following adjustments were made to the financial statements for 2007 originally issued, under the terms of CVM Deliberation 506 of June 19, 2006:

- (i) The swap amounts that were presented under "Cash and cash equivalents" have been reclassified to liabilities under the caption "Accounts payable".
- (ii) The Company reviewed the criterion for recording long-term deferred income tax and social contribution on temporarily non-deductible provisions and revaluation reserve, having made a prior year adjustment of R\$ 20,686.
- (iii) The pre-operating expenses previously recorded in Deferred charges were transferred to property, plant and equipment.

	Parent company			Consolidated		
	Originally disclosed	Reclassi- fication	Restated	Originally disclosed	Reclassi- fication	Restated
Assets						
Current assets						
Cash and cash equivalents/ financial investments	480,439	89,788	570,227	662,855	89,844	752,699
Non current						
Long term receivables						
Tax credits	20,670	21,249	41,919	22,370	30,140	52,510
Investments in subsidiaries	419,131	8,773	427,904	585	(585)	
Other investments		111	111		585	585
Property, plant and equipment	838,912	6,157	845,069	1,186,555	6,157	1,192,712
Intangible assets	4,610	1,498	6,108	4,632	1,498	6,130
Deferred charges	7,655	(7,655)		7,655	(7,655)	
Total adjustments	1,771,417	119,921	1,891,338	1,884,652	119,984	2,004,636
Liabilities						
Current liabilities						
Accounts payable	19,938	15,494	35,432	54,045	22,348	76,393
Non current						
Provision for contingencies	73,191	(540)	72,651	121,645	(3,146)	118,499
Accounts payable - "Swap"		74,294	74,294		74,350	74,350
Other accounts payable		9,987	9,987		12,593	12,593
Minority interest				7,456	(6,847)	609
Stockholders' equity						
Revaluation reserve	120,277	(9,447)	110,830	120,277	(9,447)	110,830
Revenue reserves	271,472	30,133	301,605	271,431	30,133	301,564
Total adjustments	484,878	119,921	604,799	574,854	119,984	694,838

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3 Significant Accounting Practices

(a) Current and non current assets

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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.

(vi) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative instruments assigned to this category or those which are not classified in any other one. They are included in non-current assets, unless management intends to sell the investment within 12 months after the balance sheet date. Available-for-sale financial assets are recorded at market value. Interest on available-for-sale securities, calculated based on the effective interest rate method, is recognized in the statement of income as financial income. The amount relating to the fair value variation is recorded in stockholders' equity, in Carrying value adjustments, and is realized in net income when the asset is sold or becomes impaired.

(vii) 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.

(viii) 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 cash flows.

(xi) Trade accounts receivable

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.

(x) 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.

(xi) Other assets

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

(xii) 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" together with the exchange variation of debts designated as hedges.

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

- Assets and liabilities, converted using the exchange rate at the balance sheet date.
- Initial stockholders' equity, converted using the exchange rate at December 31, 2007.
- 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 the market value of their fixed assets, 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.

(xiii) 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 made in 1989 and monetary restatement up to 1995. Depreciation of machinery, equipment and facilities is based on the method of units produced taking into consideration the useful life of the assets. For other items of property, plant and equipment, the straight-line method of depreciation is being used. Depletion of forest reserves is based on the volume of wood extracted in the period.

(xiv) Intangible assets

Intangible assets comprise trademarks, patents, rights to use software and goodwill based on the expectation of future profitability of acquired companies. This goodwill was amortized up to December 31, 2008 according to projections of results and will have its recoverability tested annually.

(xv) 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

(i) 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.

(ii) Borrowings

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).

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(iii) **Deferred income tax and social contribution**

Deferred tax assets 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, considering projections of future income based on internal assumptions and future economic scenarios which may, therefore, suffer changes.

(iv) **Transition Tax Regime**

The Company and its direct subsidiaries shall elect the Transition Tax Regime (RTT) according to the Provisional Measure 449/08 and will manifest their election in the Corporate Annual Income Tax Return for 2009.

(c) Benefits to employees

(i) **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.

(ii) **Profit sharing**

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

(iii) **Share-based remuneration**

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

(d) 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 are transferred to the buyer.

4 Consolidated Financial Statements

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., 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	
	2008	2007	2008	2007
Parent company	313,805	318,646	1,731,575	1,556,566
Unrealized results on inventories, net of tax effects	8	221	(32)	(41)
Consolidated	313,813	318,867	1,731,543	1,556,525

5 Cash and Cash Equivalents

	Parent company		Consolidated	
	2008	2007	2008	2007
Cash	179	172	385	175
Bank current accounts	5,891	7,338	14,761	10,525
Fixed income funds	72	129,060	52,917	179,818
Bank deposit certificates	199,506	137,859	377,628	266,383
Investments in foreign currency securities	152,434	295,798	152,434	295,798
	358,082	570,227	598,125	752,699

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

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

6 Clients

	Parent company		Consolidated	
	2008	2007	2008	2007
Local	349,241	355,808	364,426	355,614
Foreign	-	-	35,874	27,896
Discounted drafts	-	-	(21,869)	(7,185)
Allowance for doubtful accounts	(35,934)	(39,606)	(39,871)	(40,361)
	313,307	316,202	338,560	335,964

7 Inventories

	Parent company		Consolidated	
	2008	2007	2008	2007
Finished products	90,121	61,049	132,180	96,310
Work in progress	30,640	26,779	31,466	26,788
Raw materials	57,803	44,417	66,738	49,614
General warehouse	42,319	41,431	43,611	42,264
Advances to suppliers	1,144	2,110	1,160	2,110
	222,027	175,786	275,155	217,086

8 Tax Credits

	Parent company		Consolidated	
	2008	2007	2008	2007
Short term				
Deferred income tax and social contribution	25,424	18,846	35,023	20,387
Income tax and social contribution recoverable	16,754	-	23,102	6,209
ICMS/PIS/COFINS on acquisition of property, plant and equipment	26,189	8,844	27,968	10,249
COFINS to offset	-	-	8,264	-
PIS to offset	-	-	227	-
ICMS and IPI recoverable	-	-	2,224	-
Other credits	319	48	319	48
	68,686	27,738	97,127	36,893
Long term				
Deferred income tax and social contribution	31,661	28,677	41,828	37,568
ICMS/PIS/COFINS on acquisition of property, plant and equipment	56,459	13,242	58,464	14,942
	88,120	41,919	100,292	52,510

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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.

Parent company	Duratex Coml. Exportadora		Duraflora		TCI Trading	
	2008	2007	2008	2007	2008	2007
Assets						
Clients	2	2,624	2	15	-	-
Dividends receivable	10,054	573	19,034	9,234	-	-
Accounts receivable	-	7	66	65	5	2
Subsidiaries	8,497	-	23,607	-	-	-
Liabilities						
Suppliers	-	-	30,756	10,759	85,262	2,726
Accounts payable	55,947	23,642	-	-	-	-
Subsidiaries	-	2,749	-	5,138	-	-
Results						
Sales	91,772	111,851	126	157	-	-
Purchases	-	1,036	173,803	166,931	289,544	66,036
Financial	(19,909)	9,859	1,004	632	(48,511)	-

(b) Management compensation

The compensation paid or to be paid to the main executives of the Company Management was R\$ 16,840 as fees (R\$ 17,078 in 2007) and R\$ 9,653 as profit sharing (R\$ 10,903 in 2007).

Long term compensation represented by stock options was R\$ 16,121 (R\$ 20,043 in 2007).

Duratex Empreendimentos		Deca Indústria e Comércio		Cer. Monte Carlo		DRI - Resinas Industriais		Total	
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
-	-	177	-	-	-	-	-	181	2,639
-	-	-	-	543	-	-	-	29,631	9,807
-	-	19	-	15	-	267	-	372	74
-	-	-	-	-	-	-	-	32,104	-
-	-	855	-	-	-	-	-	116,873	13,485
-	-	-	-	-	-	-	-	55,947	23,642
5,488	1,202	-	-	-	-	-	-	5,488	9,089
-	-	718	-	-	-	-	-	92,616	112,008
-	-	24,029	-	-	-	-	-	487,376	234,003
(216)	(136)	-	-	-	-	-	-	(67,632)	10,355

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10 Investments in Subsidiaries

Changes

	Duratex Coml. Exp.	Duraflora Empreendimentos	Duratex	Deca Ind. e Comércio
Shares/quotas held (thousand)				
Common	231	130		
Preferred	369	37		
Quotas			2,874	121,569
Holding - %	99.94	100.00	100.00	58.87
Capital	43,000	192,452	2,874	121,569
Stockholders' equity	109,683	446,357	5,565	154,431
Net income (loss) for the period	42,884	79,459	502	5,414
Changes in investments				
At January 1, 2007	65,547	315,483	4,693	
Equity in the results	3,956	38,375	370	
Exchange variation				
Dividends	(573)	(9,234)		
At December 31, 2007	68,930	344,624	5,063	
Prior year adjustments	5,303	3,581		
Goodwill on the acquisition of subsidiaries				
At December 31, 2007	74,233	348,205	5,063	
Acquisition of subsidiaries				16,843
Capital increase		34,740		57,174
Equity in the results	43,192	79,100	502	(8,102)
Reflected equity in the results	313			
Exchange variation				
Dividends/rev. dividends	(10,193)	(27,051)		
Advance for future capital increase		8,620		25,000
At December 31, 2008	107,545	443,614	5,565	90,915
Goodwill on the acquisition of subsidiaries				
At December 31, 2008	107,545	443,614	5,565	90,915

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

The unamortized goodwill related to the appreciation of assets and liabilities, in the amount of R\$ 31,864, was generated due to the acquisition of the companies Ideal Standard do Brasil (present Deca Indústria e Comércio de Materiais Sanitários Ltda.) in April 2008, Cerâmica Monte Carlo S.A. in August 2008 and the subsidiary Duraflora in the amount of R\$ 336 (R\$ 403 in December 2007). The goodwill related to the expectation of profitability is recorded in Intangible assets.

Direct			Indirect (*)				
Cer. Monte Carlo	DRI - Resinas Industriais	Total	Deca Piazza	North America	Duratex Overseas	Duratex Europe	TCI Trading
2,810	25		10,446	500	50	3	1,230
	25						1,230
100.00	99.00	-	100.00	100.00	100.00	100.00	82.00
2,810	50		5,876	886	89	19,904	3,000
12,578	50		11,595	16,534	45,956	38,537	3,233
2,300			(891)	(1,003)	(3,705)	(993)	2,499
		385,723	9,133	12,854	53,346	9,896	2,542
		42,701	3,182	2,685	9,048	4,013	1,766
			(1,772)	(2,118)	(8,256)	(830)	
		(9,807)	(240)	13	(16,190)	(3,159)	(1,759)
		418,617	10,303	13,434	37,948	9,920	2,549
		8,884					
		403					
		427,904					
6,712	50	23,605					2,225
		91,914				18,970	-
2,409		117,101	(154)	(63)	7,939	145	-
		313					-
			1,568	3,405	67	9,502	
(543)	-	(37,787)	(122)	(242)			(2,123)
4,000		37,620	-			-	-
12,578	50	660,670	11,595	16,534	45,954	38,537	2,651
		31,461					
12,578	50	692,131	11,595	16,534	45,954	38,537	2,651

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11 Property, Plant and Equipment and Forest Reserves

	Parent company			Consolidated				Annual depreciation rates – %
	2008	2007		2008	2007			
	Cost	Depreciation	Net carrying value	Net carrying value	Cost	Depreciation	Net carrying value	Net carrying value
Land and buildings	58,006		58,006	59,120	469,393		469,393	347,757
Structures and improvements	299,047	(157,332)	141,715	140,183	347,111	(181,113)	165,998	142,355
Machinery, equipment and facilities	1,116,688	(518,060)	598,628	577,514	1,208,855	(581,728)	627,127	593,405
Construction in progress	327,415		327,415	35,355	381,907		381,907	70,614
Furniture and fixtures	18,228	(13,400)	4,828	4,662	25,943	(20,133)	5,810	4,922
IT equipment	20,387	(15,770)	4,617	4,570	21,267	(16,427)	4,840	4,740
Vehicles	12,518	(7,687)	4,831	3,862	26,781	(15,009)	11,772	7,887
Other assets	54,043	(31,302)	22,741	19,803	62,571	(36,660)	25,911	21,032
	1,906,332	(743,551)	1,162,781	845,069	2,543,828	(851,070)	1,692,758	1,192,712
Forest reserves					182,184		182,184	130,679
	1,906,332	(743,551)	1,162,781	845,069	2,726,012	(851,070)	1,874,942	1,323,391

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

In connection with the Investment Plan (PAR) disclosed on March 12, 2007 and May 7, 2008, the Company signed agreements for the acquisition of various equipment and services totaling approximately R\$ 439 million in commitments assumed.

12 Intangible Assets

	Parent company				Consolidated			
	2008	2007			2008	2007		
	Cost	Amortization	Net carrying value	Net carrying value	Cost	Amortization	Net carrying value	Net carrying value
Softwares	17,344	(9,434)	7,910	4,650	17,554	(9,573)	7,981	4,668
Trademarks and patents	1,534		1,534	1,458	1,538		1,538	1,462
Goodwill from future profitability	22,918	(764)	22,154		22,918	(764)	22,154	
	41,796	(10,198)	31,598	6,108	42,010	(10,337)	31,673	6,130

13 Loans and Financing

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	2008		2007	
				Short-term	Long-term	Short-term	Long-term
BNDES	TJLP + 2.7% p.a.	Monthly and quarterly	Surety	23,671	193,533	25,169	121,858
Industrial credit	95.4% CDI	April 2010	Surety	12,610	140,000		
Industrial credit	TR + 10.5% p.a.	February 2009	Surety	22,038		21,823	
Discount - Rural Promissory Note (NPR)	6.75% p.a.	June 2009	Surety	10,000		9,794	
Industrial credit - FAT	TJLP + 2.5% p.a.	September 2008	Surety			4,071	
FINAME	TJLP + 2.8% p.a.	Monthly	Chattel mortgage and promissory note	293	481	591	612
Local currency				68,612	334,014	61,448	122,470
Resolution 2,770	US\$ + 6.6% p.a.	August 2010	Surety	79,824	102,827	611	35,426
Resolution. 2,770 with "swap"	JPY + 1.6% p.a.	August 2010	Surety	3,223	148,618	36,421	176,261
BNDES	Currency basket + 2.3% p.a.	Monthly and quarterly	Surety	3,984	32,610	2,757	10,019
Foreign currency				87,031	284,055	39,789	221,706
Total parent company				155,643	618,069	101,237	344,176
Rural Credit Note	TR + 9.5% p.a.	October 2009	Surety	90,489		1,230	80,000
Rural Credit Note	12.3% p.a.	July 2009	Surety	10,128			
Industrial credit - BNB	14.1% p.a.	Monthly	Surety		4,302		
FUNDAP	1% p.a.	Monthly	Surety	1,959		502	
BNDES	TJLP + 4.0% p.a.	Monthly	Chattel mortgage and promissory note		1,445		
FINAME	TJLP + 4.0% p.a.	Monthly		342	66	940	405
BNDES - EXIM	TJLP + 2.6% p.a.	October 2008	Promissory note			34,399	
Industrial credit - FAT	TJLP + 3.3% p.a.	Monthly	Surety			8,548	
Local currency				102,918	5,813	45,619	80,405
Import financing	US\$ + 4.5% p.a.	Up to May 2010	Promissory note	88,618	25,142	34,958	
ACC	US\$ + 4.7% p.a.	Up to September 2009		87,894		57,169	
BNDES	Currency basket + 4% p.a.	Monthly	Surety		334		
BNDES - EXIM	US\$ +9.8% p.a.	October 2008	Promissory note			7,172	
Foreign currency				176,512	25,476	99,299	
Total other companies				279,430	31,289	144,918	80,405
Total consolidated				435,073	649,358	246,155	424,581

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Sureties for Duratex S.A. loans were provided by Itaúsa S.A. in the amount of R\$ 253,282 (December 2007 - R\$ 157,745) and Duratex Comercial Exportadora S.A. in the amount of R\$ 22,553 (December 2007 - R\$ 37,745).

Sureties for loans obtained by subsidiaries were provided by Duratex S.A. in the amount of R\$ 214,423 (December 2007 - R\$ 166,307).

Long-term maturities

Year	2008			
	Parent company		Consolidated	
	Local currency	Foreign currency	Local currency	Foreign currency
2010	163,974	209,482	166,166	234,746
2011	21,049	4,379	22,391	4,500
2012	26,602	51,119	27,762	51,210
2013	30,185	4,379	31,144	4,379
2014	30,145	4,379	30,305	4,379
2015	33,330	5,776	33,330	5,776
2016	27,831	4,189	27,831	4,189
Thereafter	898	352	898	352
	334,014	284,055	339,827	309,531

Year	2007			
	Parent company		Consolidated	
	Local currency	Foreign currency	Local currency	Foreign currency
2009	22,335	45,238	102,675	45,238
2010	13,019	135,149	13,084	135,149
2011	9,793	893	9,793	893
2012	15,333	36,319	15,333	36,319
2013	18,907	893	18,907	893
2014	18,907	893	18,907	893
Thereafter	24,176	2,321	24,176	2,321
	122,470	221,706	202,875	221,706

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	
	2008	2007	2008	2007
Income before income tax, social contribution and profit sharing	415,825	427,917	446,312	461,502
Income tax and social contribution on net income at the rates of 25% and 9%, respectively	(141,381)	(145,492)	(151,746)	(156,911)
Income tax and social contribution on additions and deductions in results				
Non-deductible provisions	399	(986)	2,616	(3,067)
Foreign investment			2,639	(2,254)
Interest on own capital – paid	27,632	33,666	27,632	33,666
Shareholdings	869	945	869	981
Equity in the results	39,814	14,518		
Yield of foreign securities	10,588	7,372	10,588	7,372
Other additions and deductions	9,393	9,265	26,670	8,690
Income tax and social contribution on net income for the year	(52,686)	(80,712)	(80,732)	(111,523)

(b) Tax credits arising from temporary differences

	Parent company		Consolidated	
	2008	2007	2008	2007
Income tax and social contribution losses			3,686	420
Temporarily non-deductible provisions	57,085	47,523	73,165	57,535
Provisions for sundry labor charges	11,208	9,140	12,765	10,349
Tax provisions	20,268	17,506	27,409	24,078
Allowance for doubtful accounts	3,543	3,227	4,517	3,381
Provision for commissions payable	818	748	818	748
Swap result (cash vs accrual basis)	16,580	30,489	16,580	30,489
Deferred exchange variation expense		(18,767)		(18,767)
Sundry provisions	4,668	5,180	11,076	7,257
Total tax credits (*)	57,085	47,523	76,851	57,955
Tax liabilities	(23,488)	(9,987)	(27,197)	(12,593)
Income tax and social contribution on revaluation reserve	(8,377)	(9,447)	(8,377)	(9,447)
Deferred income tax and social contribution ("swap")	(11,813)		(11,813)	
Deferred income tax and social contribution (depreciation/credit 25% social contribution)	(3,298)	(540)	(7,007)	(3,146)

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

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 analysis of the balance, net of judicial deposits, is stated below.

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

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

(a) Analysis

	Parent company		Consolidated	
	2008	2007	2008	2007
Lawsuits				
Tax	68,025	65,076	114,862	109,248
Labor	5,572	1,526	8,073	3,077
Civil	5,779	6,049	5,779	6,174
Total	79,376	72,651	128,714	118,499

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(b) Changes

	Parent company							
	Tax		Labor		Civil		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Opening balance at January 1	65,076	63,756	1,526	2,493	6,049	5,865	72,651	72,114
Monetary restatement and interest	3,696	3,961	1,709	552	1,156	717	6,561	5,230
Appropriation	336	6,514	5,559		167	623	6,062	7,137
Reversal	(63)	(2,104)	(2,415)	(1,121)	(1,422)	(991)	(3,900)	(4,216)
Payment	(668)	(3,326)	(1,061)	(637)	(220)	(274)	(1,949)	(4,237)
Judicial deposits	(352)	(3,725)	254	239	49	109	(49)	(3,377)
Closing balance at December 31	68,025	65,076	5,572	1,526	5,779	6,049	79,376	72,651

	Consolidated							
	Tax		Labor		Civil		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Opening balance at January 1	109,248	107,577	3,077	3,903	6,174	5,981	118,499	117,461
Monetary restatement and interest	5,818	6,240	2,438	949	1,160	724	9,416	7,913
Appropriation	5,801	7,297	7,197		167	625	13,165	7,922
Reversal	(6,836)	(2,637)	(4,074)	(1,353)	(1,551)	(991)	(12,461)	(4,981)
Payment	(668)	(3,646)	(1,248)	(820)	(220)	(274)	(2,136)	(4,740)
Judicial deposits	1,499	(5,583)	683	398	49	109	2,231	(5,076)
Closing balance at December 31	114,862	109,248	8,073	3,077	5,779	6,174	128,714	118,499

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

(i) 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, 2008, the Company maintained a provision of R\$ 44,460 (December 31, 2007 - R\$ 42,876) for the offsets made against income tax and social contribution on net income.

(ii) PIS - Semi-annual basis

Refers to a declaratory action aimed at recognizing the right to pay PIS under the terms of Supplementary Law 7/70. Such action was deemed valid and was finally ruled in 1997, which is the reason that led the Company to offset the amounts related to the credits estimated in accordance with an internal procedure. However, the Company has been discussing, at the judicial level, the suspension of the time limit for the offset of credits, which is also subject to approval by the tax authorities. In view of this discussion, the Company is provisioning the income tax, social contribution, IPI, PIS and COFINS amounts already offset, which totaled R\$ 52,366 at December 31, 2008 (December 31, 2007 - R\$ 49,135).

Furthermore, the Company and its subsidiaries are parties to other tax, labor and civil lawsuits, amounting to R\$ 29,740 (December 31, 2007 - R\$ 30,945) and, since an unfavorable outcome is regarded only possible by the legal advisors, no provisions are being recorded for them.

(c) Contingent assets

The Company and its subsidiaries are discussing, at the judicial level, the reimbursement of PIS and Income Tax on Net Income (ILL) credits, totaling R\$ 11,600 (December 31, 2007 - R\$ 31,933), and a favorable outcome is regarded as probable in the opinion of legal advisors.

The Company and its subsidiaries do not record such contingent assets, as the claims do not meet the accounting requirements set out in NPC 22 (CVM Resolution 489 of October 3, 2005).

16 Stockholders' Equity

(a) Capital

Duratex S.A.'s authorized capital comprises 200,000,000 (two hundred million) shares, of which 80,000,000 are common and 120,000,000 are preferred shares.

The paid-up capital in the amount of R\$ 943,626, comprises 129,695,415 book shares with no par value, of which 53,555,963 are common shares and 76,139,452 are preferred shares.

(b) Treasury shares

The Company has preferred shares in treasury as follows:

	Number	
	2008	2007
Preferred	2,620,000	550,000

Type	Price			
	Minimum	Maximum	Average weighted	Last quotation
Preferred	12.30	60.30	28.81	14.39

Based on the most recent market quotation on December 30, 2008, the value of treasury shares is R\$ 37,702 (December 31, 2007 - R\$ 23,925).

During the year, the Company repurchased a total of 2,070,000 preferred shares, which will be used to cover the exercise of options under its stock option program (Note 20).

(c) Stockholders' equity reserves

Stockholders' equity reserves are as follows:

	Parent company		Consolidated	
	2008	2007	2008	2007
Capital reserves	236,744	200,505	236,744	200,505
Premium on subscription of shares	168,487	168,487	168,487	168,487
Fiscal incentives	13,592	13,592	13,592	13,592
Prior to Law 6404	18,426	18,426	18,426	18,426
Options granted	43,289		43,289	
Options granted to be appropriated	(7,050)		(7,050)	
Revaluation reserve	106,550	110,830	106,550	110,830
Revenue reserves	443,880	301,605	443,848	301,564
Legal	45,411	29,721	45,411	29,721
Special statutory (Article 16 of the by-laws)	473,964	299,094	473,932	299,053
Treasury shares	(75,495)	(27,210)	(75,495)	(27,210)
Cumulative translation adjustments	775		775	

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

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 Law 9249/95, as proposed by the Board of Directors, the amount of R\$ 109,584 was appropriated for the distribution of dividends, comprising R\$ 87,227 of interest on own capital and R\$ 22,357 of dividends, of which R\$ 54,256 refers to the second half of the year, corresponding to R\$ 0.43 per share in the year (R\$ 0.86 in 2008).

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Net income for the year	313,805
Legal reserve	15,690
Realization of revaluation reserve	4,242
Adjusted net income	302,357
Mandatory minimum dividends (30%)	90,707
Dividends declared for the year	
Dividends	22,357
Interest on own capital	87,227
(-) Income tax	13,084
Net remuneration	96,500
Composition of gross remuneration of dividends for the year	
Dividends	22,357
Interest on own capital	87,227
Gross remuneration for the year	109,584

17 Insurance Coverage

At December 31, 2007, 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\$ 178 million.

18 Financial Instruments

Duratex 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, and it does not and did not carry out any transaction with leveraged financial derivatives that has negatively affected the result of different companies.

(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 with 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.

Table of the instruments with swap of indices:

Operation		Original index	New index	Base amount
Investment Spanish Government Note		Fixed rate in reais of 9.54% p.a.	77.15% of CDI (*)	42,450
Rural loan – Banco do Brasil		T.R. + 9.55% p. a.	96.60% of CDI	80,000

(*) Rate exempt from IR+CSLL, equivalent to 116.89% of CDI.

(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 the transactions in foreign currency subject to exchange rate variation:

Assets in foreign currency		Liabilities in foreign currency	
Imports in progress	55,465	BNDES	36,938
Foreign trade accounts receivable	27,157	Resolution 2,770	334,492
Duratex Overseas	40,592	Financing of imports	113,760
"Swap"/NDF/Yen/US\$/Eur x CDI	461,048	Advance on export contracts	55,733
		Suppliers	49,337
Total assets + financial instruments	584,262	Total liabilities	590,260
Foreign exchange coverage (exposure)	(5,998)		

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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.

1 - Swap contract TR + interest vs. % of CDI

The Company has one contract of this modality, the notional value of which is R\$ 80,000, with a single maturity on October 20, 2009, a receiving position in TR + interest and a paying position at a percentage of CDI.

The Company contracted this transaction with the objective of transforming a debt in TR into a debt indexed to a percentage of CDI.

2 - Swap contract % of CDI vs. fixed rate

The Company has one contract of this modality, the added notional value of which is R\$ 42,450, falling due on April 14, 2009 with a receiving position at a percentage of CDI and a paying position at a fixed rate.

The Company contracted this transaction with the objective of transforming the return on an investment with a fixed rate to one indexed to a percentage of CDI.

3 - NDF Contracts (Non Deliverable Forward) US\$/R\$

The Company has three contracts of this modality, the notional value of which is US\$ 63,000,000, falling due on January 30, 2009 and a call position in US\$.

The Company contracted these transactions with the objective of changing liabilities in US dollars to reais.

The contracts are settled on their respective maturities, considering the difference between the forward exchange rate (NDF) and the spot exchange rate (PTA0800).

4 - Swap contracts US\$ vs. CDI

The Company has six contracts of this modality, the added notional value of which is US\$ 48,000,000 with different maturities up to July 20, 2010, 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.

5 - Swap contract YEN vs. CDI

The Company has one contract of this modality, the added notional value of which is R\$ 100,000,000 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.

6 - Swap contract EUR vs. CDI

The Company has one contract in this modality, the added notional value of which is EUR 8,930,000 falling due on April 22, 2009, with an asset position (call) in Euros and liability position (put) in CDI.

The Company contracted this transaction with the objective of changing a debt in Euros 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 the consolidated position of derivative financial instruments:

Description	Reference value (notional)		Fair value		Amount receivable received	Amount payable paid
	2008	2007	2008	2007		
Swap contracts						
Call position						
Rates (ITR)	80,000	80,000	90,105	86,056		
Indices (CDI)	42,450		45,047	42,180	41	
Foreign currency	238,238	214,038	316,948	209,933	38,379	
Put position						
Indices (CDI)	(80,000)	(80,000)	(90,724)	(87,751)		619
Rates (Fixed)	(42,450)		(45,007)	(41,915)		
Indices (CDI)	(238,238)	(214,038)	(324,686)	(290,494)		46,116
Forward contracts (NDF)						
Purchase commitment						
Foreign currency	148,382		(4,346)			4,346
					38,420	51,081

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 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.

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Instrument/operation	Risk	Description	Rates	Probable scenario	Possible scenario	Remote scenario
"Swap - TR/CDI	Interest rate	Increase CDI	11.9%	1,072	(938)	(2,937)
Swap - CDI/fixed	Interest rate	Decrease CDI	11.9%	(92)	(363)	(638)
Swap - US\$/CDI	Exchange	Decrease US\$	R\$ 2.44	(6,638)	(43,476)	(84,771)
Object "hedged" by foreign currency loan (US\$)	Exchange	(Increase US\$)	R\$ 2.44	6,638	43,476	84,771
Net effect				Null	Null	Null
Swap - JPY/CDI		Decrease Yen	R\$ 0.03	(458)	(44,372)	(77,308)
Object "hedged" by foreign currency loan (Yen)	Exchange	(Increase Yen)	R\$ 0.03	458	44,372	77,308
Net effect				Null	Null	Null
Swap - Eur/CDI		Decrease Euro	R\$ 3.00	(3,186)	(10,061)	(16,936)
Object "hedged" by foreign currency loan (Euro)	Exchange	(Increase Euro)	R\$ 3.00	3,896	10,594	17,291
Net effect				710	533	355
NDF - US\$		Decrease US\$	R\$ 2.30	(1,970)	(37,845)	(73,720)
Object "hedged" by foreign currency loan (US\$)	Exchange	(Increase US\$)	R\$ 2.30	1,242	37,117	72,992
Net effect				(728)	(728)	(728)
				962	(1,496)	(3,948)

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

19 Private Pension Plan

Duratex S.A. and its subsidiaries are the sponsors of Fundação Itaúsa Industrial, a not-for-profit entity whose by-laws were approved by Ordinance 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 371, following the combination of the plans, the independent actuary, Towers, Perrin, Foster & Crosby Ltda., calculated that Fundação Itaúsa Industrial had an overall actuarial surplus of R\$ 42,389 at December 31, 2008 (December 2007 - R\$ 47,288), under the projected unit credit method.

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

	2008	2007
Retirement plan		
Current value of the actuarial liability	62,705	56,656
Fair value of the plan assets	105,094	103,944
Surplus coverage	42,389	47,288
	2009	2008
Annual estimated actuarial gains		
Net cost of current service	(118)	(118)
Interest on actuarial liability	(5,523)	(4,983)
Earnings expected on the plan assets	11,288	10,156
Actuarial gain	5,647	5,055
	2008	2007
Economic assumptions		
Discount rate	9.20% p.a.	9.20% p.a.
Investment return rate	11.02% p.a.	10.01% p.a.
Salary increase	7.12% p.a.	7.12% p.a.
Benefits adjustment	4.00% p.a.	4.00% p.a.
Inflation	4.00% p.a.	4.00% p.a.
Capacity factor		
Salaries	100.00%	100.00%
Benefits	100.00%	100.00%
	2008	2007
Demographic assumptions		
Mortality table	AT-2000	AT-1983
Mortality table of disabled persons	RRB-1983	RRB-1983
Inception of disability table	RRB-1944	RRB-1944

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\$ 1,135 (December 2007 - R\$ 1,208) for all Duratex companies.

(b) Defined Contribution Plan - CD - PAI

This plan is offered to all employees and had 5,139 participants at December 31, 2008 (December 31, 2007 - 5,077).

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\$ 26,444 at December 31, 2008 (December 2007 - R\$ 24,562).

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20 Stock Option Plan

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

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 2.5% of total shares owned by the stockholders at the balance sheet date.

The Options Committee is entitled to define the total shares to be granted, the executives to whom they shall be granted, the quantity addressed to each one, the effective term of the series of option, vesting period and conditions and the "blackout" periods for exercising the options.

The option price is calculated taking as a basis a minimum of 5 and a maximum of 60 trading sessions prior to the date of the options issue, with a 20% 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 Options Committee.

Assumptions and calculation of fair value of the options granted

Assumptions

	2006	2007	2008
Total stock options granted	1,045,000	1,095,250	1,052,750
Exercise price at the grant date	28.41	30.08	39.04
Fair value at the grant date	24.92	22.61	18.48
Deadline for the exercise	10 years	10 years	10 years
Vesting period	1.5 years	1.5 years	1.5 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
Volatility of the stock price	34.8	36.6	36.6
Dividend yield – %	2.00	2.00	2.00
Risk-free return rate (*) – %	8.90	7.60	7.20
Effective exercise rate – %	96.63	96.63	96.63

The Company settles this benefit plan by delivering issued shares that it is maintaining in Treasury up to the effective exercise of the options by the executives.

(*) IGP-M coupon.

Statement of value and appropriation of granted options

Grant date	Number granted	Maturity	Deadline for the exercise	Price on grant date	Balance to be exercised		Exercise	Total value	Period of accrual		
					2007	2008			2007	2008	2009
03.30.06	1,045,000	01.07.07	Up to 31.12.16	28.41	23,500	23,500	24.92	586	586		
01.31.07	1,095,250	01.07.08	Up to 31.12.17	30.08	1,095,250	1,095,250	22.61	24,758	16,020	8,738	
02.13.08	1,052,750	01.07.09	Up to 31.12.18	39.04		1,052,750	18.48	19,456		12,160	7,296
	3,193,000				1,118,750	2,171,500		44,800	16,606	20,898	7,296
Effectiveness of exercise %									96.63%	96.63%	96.63%
Amount accrued									43,289	16,046 (i)	20,193 (ii) 7,050 (iii)

(i) Amount recorded in retained earnings in the transition balance sheet.

(ii) Amount recorded in results for 2008

(iii) Amount to be appropriated.

At December 31, 2008, the Company owns 2,620,000 shares in treasury that may be used to meet the possible exercise of options.

In 2008, options for 1,052,750 shares were granted, and there was no exercise nor cancellation of options.

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AV PAULISTA 1.938
5TH FLOOR
BELA VISTA
ZIP 01310 942
SÃO PAULO SP BRAZIL

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