

Financial Statements and  
Explanatory Notes



# CONSOLIDATED BALANCE SHEET PRO FORMA

(in thousands of reais)

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

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

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

# CONSOLIDATED BALANCE SHEET PRO FORMA

(in thousands of reais)

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

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

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

# INCOME STATEMENT CONSOLIDATED ACUMULATED PRO FORMA

(in thousands of reais)

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

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

# BALANCE SHEET

(in thousands of reais)

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

# BALANCE SHEET

(in thousands of reais)

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

# INCOME STATEMENT

(in thousands of reais)

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

# STATEMENTS OF CASH FLOWS

(in thousands of reais)

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

# STATEMENTS OF VALUE ADDED

(in thousands of reais)

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

# STATEMENT CHANGES IN STOCKHOLDERS' EQUITY

(in thousands of reais)

2009

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

2008

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

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in thousands of reais unless otherwise indicated)

## NOTE I – OPERATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **Financial instruments**

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

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

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

### **Loans and receivables**

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

### **Assets held to maturity**

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

### **Fair value**

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

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

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

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

### **Trade accounts receivables**

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

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

## **Inventories**

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

## **Other assets**

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

## **Investments**

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

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

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

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

## **Property, plant and equipment**

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

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

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

### **Intangible assets**

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

### **Impairment of assets**

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

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

#### **Provisions**

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

#### **Loans and financing**

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

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

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

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

#### **Revaluation reserve**

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

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

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

**Net income per share**

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

**Transitional Tax Regime**

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

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

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

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

**Profit sharing**

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

**Share-based remuneration**

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

**Determination of results of operations**

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

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

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

#### **Pronouncements**

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

#### **Interpretations**

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

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

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

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

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

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

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

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

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

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

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

#### NOTE 6 – CLIENTS

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

#### Trade accounts receivable by age maturity :

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

## NOTE 7 – INVENTORIES

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

## NOTE 8 – TAX CREDITS

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

(\*) see Note 14 b.

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

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

## NOTE 9 – RELATED PARTIES

### a) Transactions with subsidiaries

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

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

## b) Other Related Parties

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

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

## c) Management compensation

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

## NOTE 10 – INVESTMENTS IN SUBSIDIARIES

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

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

**INDIRECT (\*)**

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

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

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

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

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

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

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

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

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

**NOTE 12 – INTANGIBLE ASSETS**

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

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

## NOTE 13 – LOANS AND FINANCING

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

Loans and financing have the following characteristics:

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

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

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

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

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

**LONG-TERM MATURITIES**

2009

Year	PARENT COMPANY			CONSOLIDATED		
	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total
2011	102,393	15,638	118,031	202,393	15,638	218,031
2012	99,919	38,526	138,445	99,919	38,526	138,445
2013	90,005	9,935	99,940	90,005	9,935	99,940
2014	98,892	8,716	107,608	98,892	8,716	107,608
2015	101,473	10,812	112,285	101,473	10,812	112,285
2016	65,266	6,969	72,235	65,266	6,969	72,235
2017	21,057	631	21,688	21,057	631	21,688
2018	21,053	-	21,053	21,053	-	21,053
Other	15,802	-	15,802	15,802	-	15,802
<b>Total</b>	<b>615,860</b>	<b>91,227</b>	<b>707,087</b>	<b>715,860</b>	<b>91,227</b>	<b>807,087</b>

**2008**

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

**NOTE 14 – INCOME TAX AND SOCIAL CONTRIBUTION**

**(a) Reconciliation of income tax and social contribution**

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

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

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

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

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

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

**NOTE 15 – CONTINGENCIES**

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

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

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

## a. Analysis

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

## b. Changes

### PARENT COMPANY

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

### CONSOLIDATED

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

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

### **Summer Plan (“Plano Verão”)**

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

### **PIS – Semi-annual basis**

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

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

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

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

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

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

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

### c. Contingent assets

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

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

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

### NOTE 16 – RURAL LEASING

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

The minimum future payments are as follows:

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

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

### NOTE 17 – SHAREHOLDERS' EQUITY

#### a. Capital

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

## b. Treasury shares

The Company has common shares in treasury as follows:

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

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

## c. Shareholders' equity reserves

Shareholders' equity reserves are as follows:

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

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

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

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

#### d. Dividends

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

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

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

#### NOTE 18 – INSURANCE COVERAGE

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

#### NOTE 19 – FINANCIAL INSTRUMENTS

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

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

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

##### b. Liquidity risk

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

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

### c. Credit risks

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

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

### d. Interest rate risk

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

### e. Exchange rate risk

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

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

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

Amounts in thousands of R\$

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

## I – TRANSACTIONS WITH DERIVATIVES

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

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

#### **I – SWAP US\$ vs CDI Contracts**

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

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

#### **2 – Swap contract YEN vs CDI**

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

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

#### **3 – Swap CDI contract vs CDI**

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

#### **4 – Fixed Swap contract vs CDI**

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

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

## **II – CALCULATION OF FAIR VALUE OF THE POSITIONS**

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

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

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

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

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

### Sensitivity Analysis

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

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

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

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

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

### NOTE 20 – PRIVATE PENSION PLAN

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

#### a. Defined benefit plan

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

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

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

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

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

#### Actuarial surplus

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

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

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

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

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

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

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

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

**NOTE 21 – STOCK OPTION PLAN**

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

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

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

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

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

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

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

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

### Assumptions

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

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

To determine this amount the following assumptions were used:

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

(1) IGP-M

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

### Statement of value and appropriation of granted options

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

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

(2) Amount recorded in results for 2008

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

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

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

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

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

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



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