FINANCIAL STATEMENTS

DURATEX

FINANCIAL STATEMENTS 2007

SUSTAINABILITY WITH VALUE CREATION

DURATEX

CONTENTS

SCENARIO AND MARKET

2007 was a year marked by good performance in economy, motivated by the interest fall, increase in financing and wages, what has allowed a great expansion of Internal Market, main responsible for a 5% increase in GDP. The action sectors of DURATEX – finishing materials for civil construction and furniture industry – have been highly favored by such scenario propelling the Company's results.

At the external scenario, there was an inversion of expectations at the beginning of the fourth quarter/2007, due to consequences of the crisis in the subprime mortgage segment in the United States and its consequent effect throughout the American and worldwide economies.

The combination of high trade surplus and external investments has contributed for the increase in our international reserves, which amounted to US$180.3 billion by the end of the term.

At the end of 2007, each US$1.00 was quoted at R$1.7713 and at the end of 2006 it was quoted at R$2.1380, corresponding to the strengthening of the real by 20,7%.

PERFORMANCE AND STRATEGIC MANAGEMENT

Duratex's result presented in 2007 was its best ever. The conjunction of the good moment lived by Brazilian economy and the maturity of investments performed by the Company in the past years explain that. Therefore, Gross Revenues has achieved R$2,226.2 million which represents an evolution of 13% in connection with 2006. The exports have evolved by 7% in the period, aggregating US$66.1 million. The consolidated Net Revenues achieved R$1,670.6 million, 12% superior to the value in 2006 and the operational cash generation, measured by EBITDA methodology summed R$558.1 million, 22% superior to 2006, equivalent to EBITDA Margin of 33%. Such strong operational improvement reflects the increase in shipments of higher aggregated value products, and the consequent dilution of fixed costs. As a result, the Gross Margin ended the year at 45%, against 43% in 2006. The Net Profit presented expressive improvement of 41%, having aggregated R$318.9 million in the year, which represents a Return on Equity (ROE) of 22% against 18% in the previous year.

At the end of 2007, Duratex presented a Net Debt corresponding to R$7.9 million. Due to the investment plan, which is being implemented, object of Relevant Fact disclosed on December, 3, 2007, the indebtedness level should increase throughout 2008. The most relevant part of new financing shall come from BNDES.

OPERATIONS

Wood Division

Wood Division has presented evolution by 7% in volumes shipped in relation to the previous fiscal year, having achieved 1,307.6 million m^3. The exports have summed US$55.7 million, 7% above the value obtained in 2006. The exports of hardboards represented 91% of this total. The Net Revenues presented 10% growth achieving R$1,104.5 million. There was improvement in the Gross Margin that summed 47%, against 46% in 2006. The EBITDA of the division has evolved by 16%, achieving R$410.0 million which is equivalent to an EBITDA margin of 37% against 35% in the previous year.

There were released during the year over 80 new standards and finishing accessories reinforcing our concern with innovation to attend market demands. Among the prizes received by the Wood Division, it is suitable to highlight the Pini Award, for the 6th Consecutive time and the Top Brand for the 3rd consecutive time, both in the category of laminated flooring. Other relevant award regards the Corporate Excellence Award, promoted by the Brazilian Institute of Economy (IBRE) of Fundação Getúlio Vargas, as the best company in the wood products sector. Among the objective awarding criteria is the economic-financial performance.

SHIPMENTS (in m^3)	2006	2007	Variation
STANDARD	855,855	889,787	4%
COATED	362,659	417,866	15%
TOTAL	1,218,514	1,307,653	7%

NET REVENUES (in million of reais)	2006	2007	Variation
DOMESTIC MARKET	825.6	951.9	15%
FOREIGN MARKET	178.8	152.6	-15%
TOTAL	1,004.4	1,104.5	10%

Deca Division

Deca business area manufactures and trades products for civil construction sector with demand concentrated on the final phase of constructions. The good moment of the sector is based on a favorable environment and credit availability for real estate financing attached to the extension of terms of these financings. Such factor, jointly with interest rate reduction, the recent capitalization in the Stock Exchange of several companies and the housing deficit, allows the occurrence of sustainable growth for this industry.

In this context, 2007 was a positive year, having volumes shipped grown by 11% and the Net Revenues evolved 17% to R$566.0 million. The EBITDA evolved 43%, having achieved R$148.1 million. The EBITDA margin also presented strong improvement, achieving 26% against 21% in 2006. This result reflects the improvement of sales arrangement once the finishing products presented a growth in volume issued by 22%.

The exports presented an evolution of 6%, achieving US$10.4 million, with special attention to external sales of vitreous chinaware, which summed US$7.6 million. Throughout the year there were released 76 new metals fittings products and 10 new ceramic ware products. Deca has received several market acknowledgements, being on spot during the year, the iF Product Design Award 2007, in Hannover (Germany), with Contemporaneous line, in metal fittings and the Market Design Award – Top 21 with Duo Flushing Valve.

SHIPMENTS (in 1,000 items)	2006	2007	Variation
BASIC	7,178	7,168	-
FINISHING PRODUCTS	6,803	8,321	22%
TOTAL	13,981	15,489	11%

NET REVENUES (in million of reais)	2006	2007	Variation
DOMESTIC MARKET	440.0	526.1	20%
FOREIGN MARKET	44.7	40.0	-11%
TOTAL	484.7	566.1	17%

CAPITAL EXPENDITURES PLAN

During 2007, R$222.3 million were invested for the acquisition of fixed assets.

The following stand out in the period:

- The erection of buildings for the new MDF panel manufacturing Line and the new Low Pressure vesture to allow the enrichment of sales mix, both investments performed in Agudos/SP unit;
- Expansion of Sanitary Metals in the industrial district of Jundiaí/SP; and
- Acquisition throughout the year of nearly 9.4 thousand hectares of land to face the expansion capacity of MDF.

STOCK MARKET

Throughout the year, the preferred Duratex stocks presented a value growth by 31%. In the same period, IBOVESPA, comprised of the 63 most liquid stocks in the São Paulo Market, went up by 44%. The most representative stocks at this index are the Vale do Rio Doce and Petrobrás preferred stocks, which had the values gone up by 88% and 78% in the period, with a participation of 24% on the rate. Without the effect of these papers, the increase in the IBOVESPA value would have been 24% in 2007.

During the year, 152,405 businesses in the spot market with preferential stocks of the Company, were registered, involving nearly 138.1 million stocks, with financial volume of R$6.6 billion, which represents a daily negotiation average of R$26.2 million, a performance three times higher than the daily negotiation verified in the previous year. Such expressive improvement in Duratex stocks liquidity has allowed them to be included in the two most important local stocks indexes: IBOVESPA and IBrX50.

During the year, there was created a Negotiation Committee to manage the Negotiation Policies of Marketable Securities, adopted in 2007, and the Disposal of Acts and Relevant Facts.

Relationship actions, as the promotion of roadshows, conference calls and web conferences to disclose the quarter results have achieved an approximate audience of 1,400 analysts and investors of the stock market. The corporate site of Duratex received more than 346 thousand hits in the period, representing an evolution of 25% in relation to the accesses registered in the previous year.

Such actions aggregated to others, as the extension of the tag-along rights of 80% for preferential stockholders and the adoption of a minimum dividend policy referring to 30% of the adjusted Net Profit. As regarding the minimum dividend, it is suitable to remind that the Company performed the distribution of one extraordinary dividend. The total of these actions lines up shareholders interests to the controllers' creating value to all.

DIVIDEND AND INTEREST ON OWN CAPITAL

The Administrative Board has proposed the gross distribution of R$52.0 million, being R$25,960 thousand in the form of interests on its own capital (IOC) and R$26,040 thousand as dividends. The payment shall be made in February 2008 in accordance with a Relevant Fact to be published in due time. Such values are to be summed to the advancement made in August 2007 in the form of IOC at the value of R$52,567 thousand and to that paid in the form of extraordinary dividend, in November 2007, of R$50,001 thousand, which makes the total gross remuneration to the shareholder of R$154,568 thousand, equivalent to the unit value of R$1.19 per share and 48% payout ratio over Net Profit for the period.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

At the end of the year, the Company counted 6,785 collaborators, which represented a 12% increase in contracted manpower in relation with 2006. This increase is related to the improvement of industrial occupation levels due to the good economic moment. The remuneration directed to these collaborators achieved R$169.9 million besides R$95.1 million in compulsory legal charges and another R$28.6 million in differentiated benefits such as food, medical assistance, transportation and complementary social security, through Fundação Itaú Industrial. In addition, there is a variable remuneration policy that includes acknowledgement actions and a Plan of Participation in Results (PLR), extensive to all collaborators, which has destined R$19.8 million in the period.

2007 was a specially important year for the Company from the point of view of social and environmental actions developed and implemented. As a way to provide counseling to the administrative bodies of society at all aspects related to its sustainable development, proposing operation, management, social-environmental and cultural responsibility policies, the Social, Environmental and Cultural Sustainability Committee was created. Another important event this year was the adoption of a Behavior and Ethics Code, more current and comprehending, which management is submitted to the Ethics and Risks Committee.

As stand out environmental actions we highlight the creation of the Natural Reserve Olavo Egydio Setúbal to celebrate the 50 years of the creation of the forest area, the adoption of Environmental Policy, adhesion of Duratex to the Chicago Climate Exchange, North American trade market where carbon credits are negotiated, and the adhesion as former member to Green Building Council Brasil.

The Company has invested R$13.6 million on actions directed to environment, being a stand out treatment of effluents, waste collection and maintenance of forest areas.

We highlight that our own forest areas, destined to guarantee the self sufficiency and the sustainability in wood supply, are certified with ISO 14.001 and Green Seal, granted by the Forest Stewardship Council (FSC).

As acknowledgement of the relevance of Areas of Recuperation of Materials, the Jundiaí/SP Unit was awarded at the 5th edition of the Brazilian Environmental Benchmarking Program. This project, more than being acknowledged as social-environmental reference, began to integrate the Bank of Good Practices of the Program.

In the relationship with communities, we highlight the maintenance of Escola de Marcenaria Tide Setúbal, in a partnership with Senai and The City Hall of Agudos/SP, which aims the formation of carpenters, and the Piatan Environmental Experience Area, totally reformulated in 2007, which aims to spread education focused on environmental awareness. This area received more than 7,000 visitors in 2007. By means of Rouanet Law and the Teenagers and Children's Rights City Councils in Botucatu, Jundiaí, São Leopoldo, São Paulo, Araçoiaba da Serra, Bento Gonçalves, Agudos and Itapetininga projects which privilege protection to children and teenagers became possible. The values destined to those actions summed R$2.6million.

Specific training and development programs became available aiming to value the professional formation of our collaborators. During the year, nearly 92 thousand professionals were trained, including collaborators and opinion makers as carpenters, hydraulic and laminated flooring installers, and attendants, among others, who represented investments of R$1.5 million.

As acknowledgement for the differentiated group of financial performance, corporate governance, human resources management, innovation, quality and social and environmental was granted to the Company the Award The Best of Money (As Melhores da Dinheiro), appointed by IstoÉ Dinheiro Magazine, as the best company in the decoration and construction material sector.

ADDED VALUE

The added value, represented by the difference between Revenues obtained, worth R$2,226.2 million, and the costs related to the acquisition of raw materials, services, depreciation, amortization and other operational and non-operational results, of R$1,089.6 million, summed R$1,136.6 million in 2007, a value 13% higher than the one generated in the previous year.

Off this amount, R$467.4 million, equivalent to 21% of the Revenues obtained and the 41% total added value, was destined to the federal, state and city governments in the form of taxes and contributions.

INDEPENDENT AUDITORS

Attending the Instruction CVM No. 381, dated of January 14, 2003, and the circular written notice CVM/SEP/SNC No. 02/2003, dated of March, 20, Duratex and its controlled companies inform that they have not hired other services from PricewaterhouseCoopers Independent Auditors Company, responsible for the external audit of the Company, in the period ended on December 31, 2007.

The Company's acting policy in contracting services not related to external audit jointly with our independent auditors is based on principles internationally accepted which preserve the independence of these auditors and consist of: (a) the auditor must not audit his own job; (b) the auditor must not perform management activities at his client; and (c) the auditor must not promote his client's interests.

ACKNOWLEDGEMENTS

The results achieved in 2007 reflect the constant search for improvement and creation of value, which has only been possible with the shareholder's support, dedication and commitment of our shareholders, partnership with suppliers and the clients and consumers' trust on us.

The Administration

REPORT OF INDEPENDENT AUDITORS

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

1 We have audited the accompanying balance sheets of Duratex S.A. and the consolidated balance sheets of Duratex S.A. and its subsidiaries as of December 31, 2007 and 2006 and the related statements of income, of changes in stockholders' equity and of changes in financial position of Duratex S.A., as well as the related consolidated statements of income and of changes in financial position, for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.

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

3 In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of Duratex S.A. and of Duratex S.A. and its subsidiaries at December 31, 2007 and 2006, and the results of operations, the changes in stockholders' equity and the changes in financial position of Duratex S.A., as well as the consolidated results of operations and changes in financial position, for the years then ended, in accordance with accounting practices adopted in Brazil.

4 Our audits were conducted for the purpose of forming an opinion on the basic financial statements, taken as a whole. The statements of cash flows and the statements of added value of Duratex S.A. and Duratex S.A. and its subsidiaries, included in Note 21, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information for the years ended December 31, 2007 and 2006 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the consolidated financial statements taken as a whole.

São Paulo, February 13, 2008.

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Valdir Renato Coscodai
Accountant
CRC 1SP165875/O-6

DURATEX S.A. AND DURATEX S.A. AND SUBSIDIARIES

BALANCE SHEETS AT DECEMBER 31

IN THOUSANDS OF REAIS

	Parent company		Consolidated	
Assets	2007	2006	2007	2006
Current assets				
Cash & cash equivalents (Note 5)	480,439	466,150	662,855	574,601
Clients (Note 6)	316,202	312,201	335,964	331,322
Inventories (Note 7)	175,786	138,944	217,086	174,562
Accounts receivable	15,249	6,566	10,508	19,562
Tax credits (Note 8)	27,738	23,882	36,893	35,037
Other credits	1,990	3,330	2,726	3,837
	1,017,404	951,073	1,266,032	1,138,921
Non-current assets				
Long-term receivables				
Subsidiaries (Note 9)		20,146		
Restricted deposits	5,297	9,717	7,324	11,468
Accounts receivable	2,471	114	4,641	3,786
Tax credits (Note 8)	20,670	16,831	22,370	18,354
	28,438	46,808	34,335	33,608
Permanent assets				
Investments (Note 10)	419,131	386,304	585	705
Property, plant and equipment (Note 11)	838,912	841,821	1,186,555	1,076,786
Forest reserves (Note 11)			130,679	111,302
Intangible assets	4,610	5,005	4,632	5,030
Deferred charges	7,655	8,886	7,655	8,886
	1,270,308	1,242,016	1,330,106	1,202,709
Non-current assets	1,298,746	1,288,824	1,364,441	1,236,317
Total assets	2,316,150	2,239,897	2,630,473	2,375,238

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

	Parent company		Consolidated	
Liabilities and stockholders' equity	2007	2006	2007	2006
Current liabilities				
Suppliers	51,851	47,758	51,074	43,425
Personnel	56,252	46,367	65,181	49,779
Accounts payable	19,938	16,752	54,045	31,149
Subsidiaries (Note 9)	23,642	63,858		
Taxes and contributions	45,583	49,170	69,017	61,662
Financial institutions (Note 12)	101,237	72,740	246,155	157,405
Debentures		202,025		202,025
Dividends and profit sharing (Note 15(d))	55,311	55,599	55,480	55,606
	353,814	554,269	540,952	601,051
Non-current liabilities				
Long-term liabilities				
Subsidiaries (Note 9)	9,089	1,155		
Financial institutions (Note 12)	344,176	216,151	424,581	258,762
Provision for contingencies (Note 14)	73,191	72,273	121,645	119,036
	426,456	289,579	546,226	377,798
Minority interest			7,456	600
Stockholders' equity (Note 15)				
Capital	943,626	916,084	943,626	916,084
Capital reserves	200,505	200,505	200,505	200,505
Revaluation reserve	120,277	128,599	120,277	128,599
Revenue reserves	271,472	150,861	271,431	150,601
	1,535,880	1,396,049	1,535,839	1,395,789
Total liabilities and stockholders' equity	2,316,150	2,239,897	2,630,473	2,375,238

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

DURATEX S.A. AND DURATEX S.A. AND SUBSIDIARIES

STATEMENTS OF INCOME YEARS ENDED DECEMBER 31

IN THOUSANDS OF REAIS, EXCEPT FOR NET INCOME AND BOOK VALUE PER SHARE

	Parent company		Consolidated	
	2007	2006	2007	2006
Gross sales	2,133,751	1,839,114	2,226,200	1,965,174
Taxes and contributions on sales	(549,912)	(473,141)	(555,649)	(475,981)
Net sales	1,583,839	1,365,973	1,670,551	1,489,193
Cost of sales	(958,505)	(810,307)	(918,821)	(845,566)
Gross profit	625,334	555,666	751,730	643,627
Selling expenses	(164,266)	(145,138)	(190,890)	(179,645)
General and administrative expenses	(57,929)	(52,367)	(63,857)	(59,260)
Management fees	(11,997)	(11,418)	(17,098)	(12,785)
Other operating expenses	(5,784)	(9,594)	(4,508)	(12,838)
Operating profit before financial result	385,358	337,149	475,377	379,099
Financial income	64,906	61,395	63,693	69,933
Financial expenses	(55,774)	(81,505)	(62,235)	(99,414)
CPMF/IOF/PIS and COFINS taxes	(9,896)	(9,333)	(11,823)	(10,455)
Equity in the results of subsidiaries (Note 10)	42,701	22,321		
Operating profit	427,295	330,027	465,012	339,163
Non-operating income (expenses) (Note 16)	622	2,080	(3,510)	7,756
Income before income tax and social contribution and profit sharing	427,917	332,107	461,502	346,919
Income tax and social contribution (Note 13(a))	(80,712)	(80,937)	(111,523)	(92,269)
Profit sharing	(28,559)	(27,834)	(30,723)	(28,637)
Minority interest			(389)	(25)
Net income for the year	318,646	223,336	318,867	225,988
Net income per share at the end of the year – R$	2.46	1.74		
Book value per share – R$	11.84	10.90		

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

DURATEX S.A.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

IN THOUSANDS OF REAIS

	Capital	Capital reserves	Revaluation reserve	Revenue reserves	Retained earnings	Total
At December 31, 2005	325,000	272,578	131,743	324,463		1,053,784
Treasury shares				(11,221)		(11,221)
Capital increase						
Issue of shares	208,204					208,204
Capitalization of reserves	382,880	(72,076)		(310,804)		
Realization of reserves			(3,144)		1,962	(1,182)
Fiscal incentives		3				3
Net income for the year					223,336	223,336
Legal reserve				11,167	(11,167)	
Interest on own capital					(76,875)	(76,875)
Revenue reserves				137,256	(137,256)	
At December 31, 2006	916,084	200,505	128,599	150,861		1,396,049
Treasury shares				(48,896)		(48,896)
Capital increase (Note 15(a))						
Issue of shares	27,542					27,542
Realization of reserves			(8,322)		5,429	(2,893)
Fiscal incentives						
Net income for the year					318,646	318,646
Legal reserve				15,932	(15,932)	
Interest on own capital/ dividends (Note 15(d))					(154,568)	(154,568)
Revenue reserves				153,575	(153,575)	
At December 31, 2007	943,626	200,505	120,277	271,472		1,535,880

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

DURATEX S.A. AND DURATEX S.A. AND SUBSIDIARIES
STATEMENTS OF CHANGES IN FINANCIAL POSITION
YEARS ENDED DECEMBER 31
IN THOUSANDS OF REAIS

	Parent company		Consolidated	
	2007	2006	2007	2006
Financial resources were provided by				
Operations				
Net income for the year	318,646	223,336	318,867	225,988
Items not affecting working capital	28,475	36,466	95,273	83,989
Depreciation, amortization and depletion	59,869	57,466	82,754	78,971
Equity in the results of subsidiaries	(42,701)	(22,321)		
Exchange variation of permanent assets			371	488
Realization of permanent assets	11,307	1,321	11,759	4,505
Minority interest			389	25
	347,121	259,802	414,140	309,977
Stockholders	27,542	208,204	27,542	208,204
Capital payment	27,542	208,204	27,542	208,204
Third parties				
Increase in long-term liabilities	136,877		168,428	
Decrease in long-term receivables	18,370			9
Dividends received	9,807	1,043		
Fiscal incentives		3		3
	165,054	1,046	168,428	12
Total funds provided	539,717	469,052	610,110	518,193
Financial resources were used for				
Long-term receivables		8,301	727	
Permanent assets				
Investments		23,454	36	
Property, plant and equipment	65,560	42,932	186,562	77,071
Forest reserves			34,665	27,554
Intangible assets	1,009	768	1,015	777
Deferred charges	5		5	
Decrease in long-term liabilities		248,228		182,222
Interest on own capital/dividends	154,568	76,875	154,568	76,875
Treasury shares	48,896	11,221	48,896	11,221
Income tax on realization of revaluation reserve	2,893	1,182	2,893	1,182
Minority interest			(6,467)	11,461
Total funds used	272,931	412,961	422,900	388,363
Current assets	66,331	343,780	127,111	412,187
Current liabilities	(200,455)	287,689	(60,099)	282,357
Changes in working capital	266,786	56,091	187,210	129,830

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

1 OPERATIONS

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

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

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

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

On March 12, 2007, Duratex publicly disclosed a new Capital expenditures plan (Plano de Aplicações de Recursos – PAR) which will enable the Company to expand its leadership in its chosen markets, as well as maintain its sustainable growth, by availing itself of its competitive edge and positive momentum seen in its major consumer markets – civil construction and furniture manufacturing.

The PAR totals R$850 million, of which R$630 million will be applied to increase the production capacity and develop the Wood Division, R$200 million will be used to expand the Deca Division production, and approximately R$20 million will be appropriated to corporate, including the implementation of an ERP system.

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 Corporate Law and the rules established by the Brazilian Securities Commission (CVM), consistently with those used in the previous year.

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

3 SIGNIFICANT ACCOUNTING PRACTICES

(a) Determination of results of operations

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

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

(b) Current assets and long-term receivables

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

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

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

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

(c) Permanent assets

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

All other items are recorded at acquisition cost, monetarily restated up to 1995, taking into consideration:

(i) Depreciation of machinery, equipment and facilities is recorded on the units-of-production method. All other property, plant and equipment items are depreciated on the straight-line method, considering the assets' useful lives (Note 11).

(ii) Depletion of forest reserves is based on the volume of wood extracted in the period.

(iii) Software is amortized in accordance with the expected amortization rate of 20% p.a.

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

(d) Current and long-term liabilities

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

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 and indirect control.

The financial statements of foreign-based subsidiaries were translated into reais based on the exchange rate at the balance sheet date, and adjusted to the accounting practices adopted in Brazil in all relevant respects.

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

Intercompany investments between the consolidated companies, in proportion to their equity interests, as well as intercompany assets, 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	
	2007	2006	2007	2006
Parent company	318,646	223,336	1,535,880	1,396,049
Unrealized results on inventories, net of tax effects	221	2,652	(41)	(260)
Consolidated	318,867	225,988	1,535,839	1,395,789

5 CASH AND CASH EQUIVALENTS

	Parent company		Consolidated	
	2007	2006	2007	2006
Cash	172	153	175	157
Bank current accounts	7,338	7,041	10,525	14,951
Fixed income funds	128,945	77	144,852	14,264
Bank deposit certificates	137,859	279,723	266,383	333,957
Investments in foreign currency	206,125	179,156	240,920	211,272
	480,439	466,150	662,855	574,601

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

6 CLIENTS

	Parent company		Consolidated	
	2007	2006	2007	2006
Local	355,808	348,898	355,614	343,267
Foreign			27,896	46,868
Discounted drafts			(7,185)	(21,372)
Allowance for doubtful accounts	(39,606)	(36,697)	(40,361)	(37,441)
	316,202	312,201	335,964	331,322

7 INVENTORIES

	Parent company		Consolidated	
	2007	2006	2007	2006
Finished products	61,049	32,151	96,310	64,725
Work in progress	26,779	25,471	26,789	25,481
Raw materials	45,248	35,098	51,276	37,042
General warehouse	41,431	41,626	41,432	42,716
Advances to suppliers	2,110	4,598	2,110	4,598
Provision for obsolescence	(831)		(831)	
	175,786	138,944	217,086	174,562

8 TAX CREDITS

	Parent company		Consolidated	
	2007	2006	2007	2006
Deferred income tax and social contribution	18,846	15,481	20,387	17,862
Income tax and social contribution recoverable			6,209	7,353
ICMS/PIS/COFINS on the acquisition of property, plant and equipment	8,844	8,396	10,249	9,817
IPTU	48	5	48	5
Current	27,738	23,882	36,893	35,037
Deferred income tax and social contribution	7,428	4,191	7,428	4,191
ICMS/PIS/COFINS on the acquisition of property, plant and equipment	13,242	12,640	14,942	14,163
Non-current	20,670	16,831	22,370	18,354

9 RELATED PARTIES

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

	Subsidiaries									
	Duratex Coml. Exportadora		Duraflora		Duratex Empreend.		TCI Trading		Total	
Description – parent company	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Assets										
Clients	2,624	6,105	15	1					2,639	6,106
Dividends receivable	573	861	9,234	182					9,807	1,043
Accounts receivable	7	4	65	63			2		74	67
Subsidiaries		1,208		18,935				3		20,146
Liabilities										
Suppliers			10,759	11,729			2,726	451	13,485	12,180
Accounts payable	23,642	63,849		9					23,642	63,858
Subsidiaries	2,749		5,138		1,202	1,155			9,089	1,155
Results										
Sales	111,851	106,213	157	64					112,008	106,277
Purchases	1,036	10	166,931	98,551			66,036	25,044	234,003	123,605
Financial	9,859	3,511	632	425	(136)	(124)		25	10,355	3,837

10 INVESTMENTS

(a) Changes

	Direct				Indirect (i)				
	Duratex Coml. Exp.	Duraflora	Duratex Empreend.	Total	Deca Piazza	North America	Duratex Overseas	Duratex Europe	TCI Trading
Shares/quotas held (thousand)									
Common	231	120			10,446	500	50	1	1,230
Preferred	369	35							1,230
Quotas			2,874						
Holding – %	99.94	100.00	100.00		100.00	100.00	100.00	100.00	82.00
Capital	33,437	157,712	2,874		5,874	886	89	252	3,000
Stockholders' equity	71,378	347,017	5,064		10,303	13,434	37,950	9,920	3,108
Net income (loss) for the period	2,999	38,877	371		3,182	2,685	9,048	4,013	1,952
Changes in investments									
At January 1, 2006	61,609	275,280	4,102	340,991	6,048	11,549	45,423	7,372	80
Capital increase		11,000		11,000					2,380
Purchase of shares/quotas		12,454		12,454					
Equity in the results	4,799	16,931	591	22,321	3,663	2,618	11,964	3,672	107
Foreign exchange variation					(578)	(1,098)	(3,934)	137	
Dividends received	(861)	(182)		(1,043)		(215)	(107)	(1,285)	(25)
At December 31, 2006 (ii)	65,547	315,483	4,693	385,723	9,133	12,854	53,346	9,896	2,542
Equity in the results	3,956	38,375	370	42,701	3,182	2,685	9,048	4,013	1,766
Foreign exchange variation					(1,772)	(2,118)	(8,256)	(830)	
Dividends received	(573)	(9,234)		(9,807)	(240)	13	(16,190)	(3,159)	(1,759)
At December 31, 2007	68,930	344,624	5,063	418,617	10,303	13,434	37,948	9,920	2,549
Other investments stated at cost (ii)				514					
At December 31, 2007	68,930	344,624	5,063	419,131	10,303	13,434	37,948	9,920	2,549

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

(ii) The Company has unamortized goodwill and other investments stated at cost, totaling R$514 (R$581 in December 2006). In the consolidated, these investments amount to R$585 (R$705 in December 2006).

(b) Duraflora forest reserves

During 2007, the wholly-owned subsidiary Duraflora S.A. allocated a portion of its forest reserves, in the amount of R$54,550, to the formation of three joint ventures (JVs), with a view to maximizing the planting and forest growing performance, and consequent marketing of the wood.

Duraflora's investment is equal to 90.1% of the capital of the JVs, while the contribution of the minority stockholder, with a 9.9% interest, amounted to R$14,337, or R$7,518 above book value, to account for the appreciation of the forest reserves. This amount will be amortized by Duraflora based on the depletion of the forest reserves. Extraction of wood is expected to start in 2008.

11 PROPERTY, PLANT AND EQUIPMENT AND FOREST RESERVES

	Parent company				Consolidated				
			2007	2006			2007	2006	
	Cost	Accumulated depreciation	Residual value	Residual value	Cost	Accumulated depreciation	Residual value	Residual value	Annual depreciation rates – %
Land and buildings	59,120		59,120	58,419	347,757		347,757	270,797	
Structures and improvements	292,308	(152,125)	140,183	152,346	296,707	(154,352)	142,355	154,180	4
Machinery, equipment and facilities	1,059,120	(481,606)	577,514	561,500	1,103,004	(509,599)	593,405	577,940	4.88
Construction in progress	36,853		36,853	42,983	72,112		72,112	43,713	
Furniture and fixtures	18,205	(13,543)	4,662	4,431	19,172	(14,250)	4,922	4,750	10
IT equipment	19,637	(15,067)	4,570	4,152	20,304	(15,564)	4,740	4,324	20
Vehicles	10,402	(6,540)	3,862	4,217	19,927	(12,040)	7,887	6,999	20 and 25
Other assets	19,507	(7,359)	12,148	13,773	20,893	(7,516)	13,377	14,083	10 to 20
	1,515,152	(676,240)	838,912	841,821	1,899,876	(713,321)	1,186,555	1,076,786	
Forest reserves					130,679		130,679	111,302	
	1,515,152	(676,240)	838,912	841,821	2,030,555	(713,321)	1,317,234	1,188,088	

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

In connection with the PAR disclosed on March 12, 2007, the Company signed agreements for the acquisition of various equipment and services, totaling approximately R$200 million in commitments assumed.

12 FINANCIAL INSTITUTIONS

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

Loans and financing have the following characteristics:

				2007		2006	
Type	Charges	Amortization	Guarantees	Short-term	Long-term	Short-term	Long-term
Resolution 2.770 with swap	105.4% of CDI	2008 to 2010	Promissory note	36,421	176,261	10,266	128,280
National Bank for Economic and Social Development (BNDES)	TJLP + 3.2% p.a.	Monthly and quarterly	Surety	25,169	121,858	24,385	76,217
Industrial credit	98% of CDI	March 2008	Surety	21,823		22,358	
Discount – Rural Promissory Note (NPR)	6.75% p.a.	April 2008	Surety	9,794		9,850	
Industrial credit – Workers Assistance Fund (FAT)	TJLP + 2.5% p.a.	September 2008	Surety	4,071		1,467	3,638
Government Agency for Machinery and Equipment Financing (FINAME)	TJLP + 2.8% p.a.	Monthly and quarterly	Chattel mortgage and promissory note	591	612	938	760
Local currency				97,869	298,731	69,264	208,895
BNDES	Currency basket + 2.9% p.a.	Monthly and quarterly	Surety	2,757	10,019	3,476	7,256
Resolution 2.770	US$ + 6.6% p.a.	September 2012	Surety	611	35,426		
Foreign currency				3,368	45,445	3,476	7,256
Total – parent company				101,237	344,176	72,740	216,151

Type	Charges	Amortization	Guarantees	2007 Short-term	2007 Long-term	2006 Short-term	2006 Long-term
BNDES – Exim	TJLP + 2.7% p.a.	Up to October 2008	Promissory note	34,399		17,016	26,193
Industrial credit – FAT	TJLP + 2.5% p.a.	Up to November 2008	Surety	8,548		1,571	8,583
Finame	TJLP + 4.0% p.a.	Monthly and quarterly	Chattel mortgage and promissory note	940	405	941	1,336
Rural Credit Note	TR + 9.5% p.a.	October 2009	Surety	1,230	80,000		
Fund for the Development of Port Activities (FUNDAP)	1% p.a.	Monthly	Surety	502		242	
Local currency				45,619	80,405	19,770	36,112
Advances against Exchange Contracts (ACC)	US$ + 5.5% p.a.	Up to November 2008		57,169		60,997	
Import financing	US$ + 6.2% p.a.	Up to December 2008		34,958			
BNDES – Exim	US$ + 9.6% p.a.	Up to October 2008	Promissory note	7,172		3,898	6,499
Foreign currency				99,299		64,895	6,499
Total – other companies				144,918	80,405	84,665	42,611
Total – consolidated				246,155	424,581	157,405	258,762

Sureties for Duratex S.A. loans were provided by Itaúsa S.A. in the amount of R$157,745 (December 2006 – R$104,891) and Duratex Comercial Exportadora S.A. in the amount of R$37,745 (December 2006 – R$37,313).

Sureties for loans obtained by subsidiaries were provided by Duratex S.A. in the amount of R$166,307 (December 2006 – R$63,760).

Long-term maturities

				2007
	Parent company		Consolidated	
Year	Local currency	Foreign currency	Local currency	Foreign currency
2009	64,846	2,727	145,186	2,727
2010	146,769	1,399	146,834	1,399
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
	298,731	45,445	379,136	45,445

				2006
	Parent company		Consolidated	
Year	Local currency	Foreign currency	Local currency	Foreign currency
2008	53,305	3,279	89,012	9,778
2009	72,846	3,279	73,185	3,279
2010	55,415	698	55,481	698
2011	1,143		1,143	
2012	5,819		5,819	
Thereafter	20,367		20,367	
	208,895	7,256	245,007	13,755

13 INCOME TAX AND SOCIAL CONTRIBUTION

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

	Parent company		Consolidated	
	2007	2006	2007	2006
Income before income tax, social contribution and profit sharing	427,917	332,107	461,502	346,919
Income tax and social contribution on net income at the rates of 25% and 9%, respectively	(145,492)	(112,916)	(156,911)	(117,952)
Income tax and social contribution on additions and deductions in results				
Non-deductible provisions	(986)	(555)	(3,067)	(618)
Foreign investment			(2,254)	372
Interest on own capital – paid	33,666	17,635	33,666	17,635
Shareholdings	945	1,317	981	1,317
Equity in the results	14,518	7,589		
Yield of foreign securities	7,372	851	7,372	851
Other additions and deductions	9,265	5,142	8,690	6,126
Income tax and social contribution on net income for the year	(80,712)	(80,937)	(111,523)	(92,269)

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

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

	Parent company		Consolidated	
	2007	2006	2007	2006
Tax credits				
Income tax and social contribution losses			420	1,099
Temporarily non-deductible provisions	26,274	19,672	27,395	20,954
Provisions for sundry labor charges	6,220	4,782	6,577	5,041
Allowance for doubtful accounts	3,227	2,933	3,381	3,033
Provision for adjustment of assets to market value	1,069	892	1,069	892
Provision for commissions payable	748	667	748	667
Sundry provisions	3,288	3,327	3,898	4,250
Swap result (cash vs accrual basis)	30,489	12,955	30,489	12,955
Deferred exchange variation expense	(18,767)	(5,884)	(18,767)	(5,884)
Total tax credits (*)	26,274	19,672	27,815	22,053

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

14 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.

Their 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	
Lawsuits	2007	2006	2007	2006
Tax	65,616	63,915	112,394	109,152
Labor	1,526	2,493	3,077	3,903
Civil	6,049	5,865	6,174	5,981
	73,191	72,273	121,645	119,036

(b) Changes

								Parent company
	Tax		Labor		Civil		Total	
Description	2007	2006	2007	2006	2007	2006	2007	2006
Opening balance at January 1	63,915	65,891	2,493	3,557	5,865	5,240	72,273	74,688
Monetary restatement and interest	3,961	4,717	552	527	717	1,019	5,230	6,263
Appropriation	6,895	9,706		183	623	348	7,518	10,237
Reversal	(2,104)	(646)	(1,121)	(339)	(991)	(700)	(4,216)	(1,685)
Payment	(3,326)	(3,618)	(637)	(1,135)	(274)	(103)	(4,237)	(4,856)
Judicial deposits	(3,725)	(12,135)	239	(300)	109	61	(3,377)	(12,374)
Closing balance at December 31	65,616	63,915	1,526	2,493	6,049	5,865	73,191	72,273

								Consolidated
	Tax		Labor		Civil		Total	
Description	2007	2006	2007	2006	2007	2006	2007	2006
Opening balance at January 1	109,152	109,578	3,903	5,503	5,981	5,328	119,036	120,409
Monetary restatement and interest	6,239	8,161	949	796	724	1,047	7,912	10,004
Appropriation	8,869	15,280		201	625	348	9,494	15,829
Reversal	(2,637)	(1,220)	(1,353)	(827)	(991)	(700)	(4,981)	(2,747)
Payment	(3,646)	(9,079)	(820)	(1,588)	(274)	(103)	(4,740)	(10,770)
Judicial deposits	(5,583)	(13,568)	398	(182)	109	61	(5,076)	(13,689)
Closing balance at December 31	112,394	109,152	3,077	3,903	6,174	5,981	121,645	119,036

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, 2007, the Company recorded a provision of R$42,876 (December 31, 2006 – R$41,369) for the offset of income tax and social contribution on net income already carried out.

PIS – Semi-annual basis

Refers to a declaratory action aimed at recognizing the right to pay PIS under the terms of Supplementary Law 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 IRPJ, CSLL, IPI, PIS and COFINS amounts already offset, which totaled R$49,135 at December 31, 2007 (December 31, 2006 – R$46,060).

Furthermore, the Company and its subsidiaries are parties to other tax, labor and civil lawsuits, amounting to R$30,945 (December 31, 2006 – R$29,605) and, since an unfavorable outcome is not regarded as probable by the legal advisors, no provisions are being recorded for them.

(c) Contingent assets

The Company and its subsidiaries are discussing, at the judicial level, the reimbursement of PIS, COFINS and Income Tax on Net Income (ILL) credits, totaling R$31,933 (December 31, 2006 – R$29,337), 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 No. 489 of October 3, 2005).

15 STOCKHOLDERS' EQUITY

(a) Capital

In accordance with a Board of Directors meeting held on March 5, 2007, the stockholders approved a capital increase of R$27,542, through the issue of 1,569,655 book-entry shares, comprising 288,455 common and 1,281,200 preferred shares. Accordingly, the capital went from R$916,084 to R$943,626, represented by 129,695,415 book-entry shares, comprising 53,555,963 common and 76,139,452 preferred shares.

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.

(b) Treasury shares

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

	Number	
	2007	2006
Preferred	550,000	26
Common		18,600

				Price
Type	Minimum	Maximum	Weighted average	Last quotation
Preferred	41.40	60.30	49.39	43.50
Common	18.00	26.50	25.64	38.99

Based on the most recent market quotation on December 28, 2007, the value of treasury shares is R$23,925 (December 28, 2006 – R$496).

During the year, the Company repurchased a total of 1,620,274 preferred and 4,900 common shares, most of which were used to cover the exercise of its share option program (Note 20).

(c) Stockholders' equity reserves

Stockholders' equity reserves are as follows:

	Parent company		Consolidated	
	2007	2006	2007	2006
Capital reserves	200,505	200,505	200,505	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
Article 297 – Law No. 6.404				
Prior to Law No. 6.404	18,426	18,426	18,426	18,426
Option premium – own shares				
Revaluation reserve	120,277	128,599	120,277	128,599
Revenue reserves	271,472	150,861	271,431	150,601
Legal	29,721	13,788	29,721	13,788
Special statutory (Article 15 of the by-laws)	268,961	137,547	268,920	137,287
Treasury shares	(27,210)	(474)	(27,210)	(474)

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

(d) Dividends

The Company's by-laws assure stockholders of a minimum mandatory dividend corresponding to 30% of adjusted net income. According to Law No. 9.249/95, as proposed by the Board of Directors, the amount of R$104,567 was appropriated for the distribution of dividends, comprising R$78,527 of interest on own capital and R$26,040 of dividends, of which R$52,000 refers to the second half of the year, corresponding to R$0.80 per share in the year (R$0.40 in the half year).

At December 31, 2007, dividends were calculated as follows:

Net income for the year	318,646
Legal reserve	(15,932)
Realization of revaluation reserve	5,429
Adjusted net income	308,143
Dividends – (30%)	92,443
Dividends declared for the year	
Dividends	26,040
Interest on own capital	78,527
Income tax	(11,779)
Net remuneration of statutory dividends for the year	92,788
Composition of gross remuneration of statutory dividends for the year	
Dividends	26,040
Interest on own capital	78,527
Extraordinary dividends paid on November 14, 2007	50,001
Gross remuneration for the year	154,568

16 NON-OPERATING RESULTS

Non-operating results, amounting to an expense of R$3,510 in 2007, are substantially comprised of indemnification paid by the Company to third parties, in connection with a repossession claim filed by INCRA – National Institute of Colonization and Agrarian Reform for a farm sold in 1997. The 2006 amount refers to proceeds of the sale of fixed assets.

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.

18 FINANCIAL INSTRUMENTS

(a) Credit risks

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

(b) Foreign exchange risks

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

At December 31, 2007, the main assets and liabilities in foreign currency are:

		Consolidated
Description	2007	2006
Financial investments	45,353	52,310
Accounts receivable	20,443	25,496
Inventories	28,812	24,081
Importation of machinery and equipment	34,907	
Other accounts receivable	1,550	
Total assets	131,065	101,887
Financing	148,091	82,126
Suppliers	8,905	3,186
Accounts payable	6,376	10,296
Total liabilities	163,372	95,608
Net exposure	(32,307)	6,279

(c) Financial instruments

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

19 PRIVATE PENSION PLAN

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

(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.

On February 5, 2005, in accordance with Ordinance No. 945 of the Supplementary Pension Office, the BD DX (Duratex), BD Itautec and BD Itaúsa plans were combined to form a new plan – Defined Benefit Plan (BD).

As required by CVM Resolution No. 371, following the combination of the plans, the independent actuary, Towers, Perrin, Forster & Crosby Ltda., calculated that Fundação Itaúsa Industrial had an overall actuarial surplus of R$47,288 at December 31, 2007 (February 2007 – R$42,156), under the projected unit credit method.

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

		2007
	December	February
Retirement plan		
Current value of the actuarial liability	56,656	56,439
Fair value of the plan assets	103,944	98,595
Surplus coverage	47,288	42,156

	2008	2007
Annual estimated actuarial gains		
Net cost of current service	(118)	(85)
Interest on actuarial liability	(4,983)	(4,378)
Earnings expected on the plan assets	10,156	9,780
Actuarial gain	5,055	5,317

		2007
	December	February
Economic assumptions		
Discount rate – % *per annum*	9.20	9.73
Investment return rate – % *per annum*	10.01	12.20
Salary increase – % *per annum*	7.12	7.64
Benefits adjustment – % *per annum*	4.00	4.50
Inflation – % *per annum*	4.00	4.50
Capacity factor		
Salaries – %	100	100
Benefits – %	100	100
Demographic assumptions		
Mortality table	AT – 1983	AT – 1983
Mortality table of disabled persons	RRB – 1983	RRB – 1944
Inception of disability table	RRB – 1944	RRB – 1944

Actuarial surplus

The actuarial surplus of the Defined Benefit Plan – BD is primarily attributable to the appreciation of assets above the actuarial target, as well as the turnover of 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$1,208 (February 2007 – R$1,056) for all Duratex companies.

(b) Defined Contribution Plan – CD-PAI

This plan is offered to all employees and had 5,077 participants at December 31, 2007 (December 31, 2006 – 4,931).

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$12,366 at December 31, 2007 (December 2006 – R$11,637).

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.

As from 2005, the option price is calculated based on the minimum of 5 and the maximum of 60 trading sessions prior to the option issue date, with a 20% increase or decrease. This price will be adjusted up to the month prior to the option exercise by the IGP-M or by another index determined by the Duratex Stock Option Committee.

From January to December 2007, 2,663,455 stock options related to prior years were exercised. During this period, 1,095,250 stock options were granted (Note 15(b)).

In accordance with a Board of Directors meeting held on March 2007, 1,569,655 book-entry shares were issued, of which 288,455 are common and 1,281,200 are preferred shares, all with no par value. These shares were subscribed by the holders of stock options granted by the Option Committee, at the price determined for the exercise of options on the date of the grants (Note 15(a)).

21 SUPPLEMENTARY INFORMATION

(a) Statements of cash flows

	Parent company		Consolidated	
	2007	2006	2007	2006
Operating activities				
Net income for the year	318,646	223,336	318,867	225,988
Depreciation/amortization/depletion	59,869	57,466	82,754	78,971
Financial results	(764)	29,443	10,365	39,936
Provisions, write-off of assets	20,727	15,956	21,969	19,165
Equity in results	(42,701)	(22,321)		
Investments in working capital				
(Increase) decrease in assets				
Clients	(4,001)	(55,897)	(4,642)	(77,778)
Inventories	(36,842)	(7,321)	(42,524)	6,149
Other assets	(11,893)	(3,492)	6,981	79
Increase (decrease) in liabilities				
Suppliers	4,093	14,619	7,649	9,741
Personnel	9,885	9,061	15,402	8,927
Accounts payable	3,186	(44,666)	22,896	1,285
Subsidiaries	(40,216)	63,858		
Taxes and contributions	(3,587)	20,323	7,355	28,145
Other liabilities	918	(2,426)	2,609	(1,373)
Cash generated by operations before financial results	277,320	297,939	449,681	339,235
Other financial results	6,164	12,158	(7,617)	8,075
Cash generated by operations	283,484	310,097	442,064	347,310
Investing activities				
Investments in permanent assets	(56,767)	(42,657)	(222,281)	(105,402)
Cash used in investing activities	(56,767)	(42,657)	(222,281)	(105,402)
Financing activities				
Increase in financing	243,235	68,750	456,699	195,697
Financing amortization	(72,265)	(100,863)	(180,837)	(184,536)
Issue of shares	27,542	195,750	27,542	195,750
Borrowings from subsidiaries – loan	30,219	(41,861)		
Debentures	(224,012)	(31,528)	(224,012)	(31,528)
Dividends and profit sharing	(165,358)	(65,254)	(165,597)	(65,256)
Treasury shares and other	(51,789)	(12,400)	(45,324)	(11,407)
Cash generated by (used in) financing activities	(212,428)	12,594	(131,529)	98,720
Change in cash and cash equivalents for the year	14,289	280,034	88,254	340,628
Opening balance	466,150	186,116	574,601	233,973
Closing balance	480,439	466,150	662,855	574,601

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

(b) Statement of added value

	Parent company		Consolidated	
	2007	2006	2007	2006
Revenues	2,133,751	1,839,114	2,226,200	1,965,174
Allowance for doubtful accounts	(3,486)	(6,017)	(3,761)	(6,516)
Inputs purchased from third parties	(955,938)	(776,205)	(883,773)	(777,906)
Gross added value	1,174,327	1,056,892	1,338,666	1,180,752
Depreciation/amortization/depletion	(63,119)	(60,716)	(86,004)	(82,221)
Depreciation of revalued assets	3,250	3,250	3,250	3,250
Net added value	1,114,458	999,426	1,255,911	1,101,781
Operating and non-operating results	(45,291)	(52,770)	(119,295)	(100,241)
Added value to be distributed	1,069,167	946,656	1,136,617	1,001,540
Distribution of added value				
Employee compensation	257,538	239,941	287,711	261,122
Government remuneration	437,208	323,042	467,417	414,992
Stockholders' remuneration	154,568	101,986	154,568	76,875
Financing remuneration	55,775	135,226	62,233	99,413
Reinvestment of profits	164,078	146,641	164,688	149,138
Total added value distributed	1,069,167	946,656	1,136,617	1,001,540

Prepared in accordance with Circular Letter CVM/SNC/SEP No. 01/06 for the purpose of describing the results generated by the Company and how they were distributed.

22 CHANGES INTRODUCED BY LAW No. 11.638/07

Law No. 11.638, enacted on December 28, 2007, alters certain provisions of Law No. 6.404/1976 (Brazilian Corporate Law). In general terms, the new law is intended to harmonize the accounting practices adopted in Brazil and the international accounting standards derived from rules issued by the International Accounting Standard Board.

The Company voluntarily disclosed its statements of Cash Flows and Added Value, even before such disclosure became mandatory under the new law. With respect to the changes introduced by the new law regarding new criteria to recognize, measure and classify assets and liabilities, in particular the valuation of financial instruments and the concept of adjustment to present value of long-term asset and liability transactions, as well as significant short-term transactions, the Company is reviewing these matters and keeping abreast of discussions conducted by regulatory and professional bodies, in order to assess and measure the impacts.

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