



# Fact Sheet 3Q2011



## CORPORATE GOVERNANCE

Electronic address to communicate corporate governance matters with the executive level: [corporate.governance@duratex.com.br](mailto:corporate.governance@duratex.com.br)

- » Shares listed on the Novo Mercado of BM&FBOVESPA
- » Common shares only, which give to each shareholder the right to one share one vote at the Shareholders General Assemblies
- » Tag-Along of 100% to all shares
- » 3 independent members in the Board of Directors
- » Committees of the Board of Directors: People, Nomination and Governance; Sustainability; Audit and Risk Management; Negotiation; and Evaluation of Transactions with Related Parties
- » Dividend Policy granting a minimum pay-out ratio of 30% over the adjusted Net Income
- » Securities Trading Policies and Disclosure of Relevant Fact in place
- » Adhered to the ABRASCA Arbitration Code
- » Duratex stock included on the BM&FBOVESPA Sustainability Index – ISE, 2011
- » Number of outstanding shares: 550,035,331
- » Free float of 42.3% of the total outstanding shares
- » Brokerage houses that follow the stock: Ativa, Banco Fator Corretora, BTG Pactual, Citibank, Coinvalores, Deutsche Bank, Itaú Corretora, JP Morgan, Lopes Filho, Merrill Lynch, Morgan Stanley, Safra, Santander and Votorantim.

## CONFERENCE CALL

The English speaking Conference Call regarding the 3Q11 results will be conducted on November 4 as follows:

Time: 09:00 am local time (07:00 am Eastern time)

Dial in numbers:

+55 11 4688-6361 (Brazil)

+1 888 700-0802 (USA)

+1 786 924-6977 (other countries)

PIN: Duratex

Webconference: [www.duratex.com.br](http://www.duratex.com.br)

The support material will be posted on the Company's website, on November 3, at 03:00 pm.

The conference call audio will be accessible on a playback mode through +55 11 4688-6312, access code 7016038, one hour after the end of the event. The web cast will be made available for consultation through this phone until November 10. After this period, it can be found on the Company's website ([www.duratex.com](http://www.duratex.com)).

## INVESTOR RELATIONS

Flavio Marassi Donatelli – CFO and Director of Investor Relations  
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## SCENARIO AND MARKET

During the last period the domestic economy has been affected by the slowdown in industrial activity, mainly due to the implementation of measures to contain inflation, adopted by the monetary authority. Notably among these measures are the increase of the basic interest rate, the increment in the Tax on Financial Operations (IOF) and the raising of the level of compulsory deposit required on deposits on demand. In this new scenario, the predicted expansion of Brazil's GDP was revised down and the availability of credit to the retail trade became more expensive and was offered with an option of fewer installments.

On the external front, a series of unfavorable reports contributed to uncertainty about the condition of more developed economies liquidity. The European Union, in its current configuration, is threatened. Greece, Italy, Portugal and Spain have caused concerns in global markets due to the high level of existing and recurrent debt, as well as high levels of fiscal deficits. The financial system's exposure to sovereign debt of these same countries has also caused concerns, including the downgrading, by risk rating agencies, of important European institutions credit notes, which creates speculation for the existence of systemic risk. Not only that, the U.S. risk rating was downgraded to AA by S&P Rating Agencies in the wake of poorly conducted negotiations between Democrats and Republicans on raising the debt ceiling of the country, which is already considered high.

The growing nervousness of the markets indirectly affects Brazil. Although it had its rating improved by the Fitch and Moody's Rating Agencies to BBB and BBB+, respectively, the country now faces an acute devaluation of the Real, in a short period of time, that may be a source of additional pressure on inflation. The currency rate closed in September at R\$1.8544 per US dollar, a devaluation equivalent to 18.8% and 11.3% to its share price at the end of June 2011 and December 2010 respectively, R\$1.5611 and R\$1.6662.

## STRATEGIC MANAGEMENT

Although set in a more challenging scenario, the Company remains attentive to the present opportunities in its segment, and maintains the planned investments. This is possible due to the high level of employment in the country coupled with increased real income and the existence of structural conditions favorable to stimulate domestic consumption.

In the year to date, the Company has invested R\$423.3 million, the highlights being: (i) the down payment made for acquisition of equipment geared to the installation of new lines of MDF and execution of infrastructure work in the unit Itapetininga/SP, the location for the implementation of the first of two projected plants; (ii) completion of the installation and start-up of a new low pressure finishing line (BP), located in Agudos/SP, which already contributed to the increase in the mix of sales of panels; (iii) opening of a new line of laminated flooring in Agudos/SP, which allows for meeting for the growing demand for this type of product; (iv) completion of the acquisition of Elizabeth Loucas Sanitárias; and (v) conclusion of assemble and the beginning of the activity of new equipment for electroplating, in the metal fittings segment located in Jundiá/SP, and a new furnace with a firing capacity of 800 thousand pieces per year of sanitary wares, in the unit of Cabo de Santo Agostinho/PE. Also in progress, in the Deca Division, are installations in the Queimados/RJ unit, which will allow greater geographic diversification in the segment of bathroom fixtures and with the addition of 2.4 million pieces of annual production capacity by the end of 2012.

## CONSOLIDATED PERFORMANCE

Financial statements made available at this time, with the CVM and BM&FBOVESPA, contemplate the international reporting standard IFRS (International Financial Reporting Standards) in accordance with CVM Instructions 457/07 and 485/10.

As will be seen throughout this report, the result of the 3Q11 and accumulated year to date, was strongly affected by inflation, on costs and economic measures, that inhibited a larger growth of the consumption of panels, mainly. This is due to the fact that these panels are the widely used in furniture manufacturing and sold to the retail, that depends on credit, which has become more expensive and has been offered with a reduced number of installments.

In addition, two non-cash factors affected the outcome of the 2011 result compared with the 2010 period. The first one is related to the impact on the result of the variations in biological assets due to an increase in wood prices, especially in the third quarter of 2010. This factor contributed to the result of biological assets that was R\$27.9 million higher than in the 3Q11, and year to date, R\$35.6 million above the 2011 result (respectively (+) R\$42.3 million and (+) R\$53.9 million before the effect of income tax. It is worth mentioning that in this year, 2011, there was an increase of depreciation (+) R\$7.5 million in the 3Q11 over the same quarter of the prior year, and (+) R\$22.9 million in the year to date (R\$11.3 million and R\$3.7 million before the effect of income tax). This increase results from the entry into operation of the Low Pressure finishing line, paper saturation machine and the laminated flooring line, which are aimed at

enriching the sales mix of panels. In the Deca Division the highlights of the nine-month period are, besides the acquisition of Elizabeth Louças Sanitárias, the contribute to the start-up of a new furnace in Pernambuco, as well as other equipment that is aimed at improving production capacity of metal fittings. All of the above events explain the variation between the 2010 and 2011 results.

The main changes in the financial statements, resulting from the adoption of IFRS, are related to the following events: Business

Combinations, Biological Assets and Employee Benefits. Below are shown the reconciliation tables of Total Assets, Equity and Net Income due to the adoption of new accounting standard. It is worth noting that the analyses contained herein are of a spontaneous character, in line with best governance practices and transparency. However, they do not replace the official statements, available, with the CVM, pursuant to applicable law, therefore, they should be examined together.

| TOTAL ASSETS                                | 3Q11             | 2Q11             | 3Q10             |
|---|------------------|------------------|------------------|
| <b>Before IFRS Adjustments (in R\$'000)</b> | <b>5,553,312</b> | <b>5,503,248</b> | <b>4,821,099</b> |
| Business Combination                        | 733,919          | 744,274          | 763,790          |
| Biological Assets                           | 327,275          | 326,188          | 329,614          |
| Employee Benefits                           | 77,274           | 69,881           | 64,061           |
| Other Adjustments                           | 2,873            | 2,873            | (8,473)          |
| <b>After IFRS Adjustments</b>               | <b>6,694,653</b> | <b>6,646,464</b> | <b>5,970,091</b> |
| Variation                                   | 1,141,341        | 1,143,216        | 1,148,992        |

| EQUITY                                      | 3Q11             | 2Q11             | 3Q10             |
|---|------------------|------------------|------------------|
| <b>Before IFRS Adjustments (in R\$'000)</b> | <b>2,800,726</b> | <b>2,732,339</b> | <b>2,544,143</b> |
| Business Combination                        | 550,514          | 549,068          | 560,191          |
| Biological Assets                           | 216,001          | 215,284          | 217,545          |
| Employee Benefits                           | 51,001           | 46,121           | 42,280           |
| Other Adjustments                           | 19,795           | 19,450           | 37,109           |
| <b>After IFRS Adjustments</b>               | <b>3,638,037</b> | <b>3,562,262</b> | <b>3,401,268</b> |
| Variation                                   | 837,311          | 829,923          | 857,125          |

| NET INCOME                                  | 3Q11           | 2Q11           | 3Q10           | Jan-Sep/11     | Jan-Sep/10     |
|---|----------------|----------------|----------------|----------------|----------------|
| <b>Before IFRS Adjustments (in R\$'000)</b> | <b>117,257</b> | <b>108,268</b> | <b>118,385</b> | <b>303,420</b> | <b>310,878</b> |
| Business Combination                        | (4,639)        | (2,919)        | (3,931)        | (11,630)       | (11,264)       |
| Biological Assets                           | 717            | (5,481)        | 28,611         | (3,228)        | 32,368         |
| Employee Benefits                           | 4,879          | 515            | 1,808          | 6,911          | 5,426          |
| Other Adjustments                           | 0              | 0              | 7,564          | 0              | (13,614)       |
| <b>After IFRS Adjustments</b>               | <b>118,214</b> | <b>100,383</b> | <b>152,437</b> | <b>295,473</b> | <b>323,794</b> |
| Extraordinary Events                        | (15,881)       | (9,284)        | (3,962)        | (25,165)       | (3,962)        |
| <b>IFRS Recurrent Net Income</b>            | <b>102,333</b> | <b>91,099</b>  | <b>148,475</b> | <b>270,308</b> | <b>319,832</b> |

In order to make a transparent transition between accounting standards, we provide below a comparative table containing values before IFRS.

| <b>Before IFRS Adjustments</b><br>(in R\$ '000, unless otherwise indicated) | 3Q11      | 2Q11      | 3Q10      | Jan-Sep/11 | Jan-Sep/10 |
|---|-----------|-----------|-----------|------------|------------|
| <b>BALANCE SHEET</b>  |           |           |           |            |            |
| Total Assets  | 5,553,312 | 5,503,248 | 4,821,099 | 5,553,312  | 4,821,099  |
| Stockholders' Equity  | 2,800,726 | 2,732,339 | 2,544,143 | 2,800,726  | 2,544,143  |
| <b>INCOME STATEMENT</b>   |           |           |           |            |            |
| Gross Profit  | 283,003   | 267,559   | 281,331   | 776,013    | 788,687    |
| Gross Margin  | 35.8%     | 35.6%     | 40.0%     | 35.3%      | 39.0%      |
| EBITDA  | 260,221   | 231,966   | 245,432   | 681,675    | 666,249    |
| EBITDA Margin   | 32.9%     | 30.9%     | 34.9%     | 31.0%      | 32.9%      |
| Net Income  | 117,258   | 108,268   | 118,385   | 303,420    | 310,878    |
| <b>INDICATORS</b>   |           |           |           |            |            |
| ROE   | 17.0%     | 16.0%     | 18.9%     | 14.9%      | 17.1%      |

The following are the financial highlights in IFRS for the period ended September of 2011, as well as the comparison with the same nine-month period of the previous year, and the prior quarter of the previous year.

| (in IFRS and R\$ '000)                  | 3Q11      | 2Q11      | 3Q10      | Jan-Sep11 | Jan-Sep10 |
|---|-----------|-----------|-----------|-----------|-----------|
| <b>BALANCE SHEET</b>                    |           |           |           |           |           |
| Cash                                    | 710,992   | 759,763   | 452,899   | 710,992   | 452,899   |
| Current Assets                          | 1,958,858 | 1,924,822 | 1,493,094 | 1,958,858 | 1,493,094 |
| Total Assets                            | 6,694,653 | 6,646,464 | 5,970,091 | 6,694,653 | 5,970,091 |
| Current Liabilities                     | 998,666   | 945,373   | 749,165   | 998,666   | 749,165   |
| Total Financial Debt                    | 1,907,769 | 1,929,836 | 1,500,800 | 1,907,769 | 1,500,800 |
| Stockholders' Equity                    | 3,638,037 | 3,562,262 | 3,401,268 | 3,638,037 | 3,401,268 |
| <b>INCOME STATEMENT</b>                 |           |           |           |           |           |
| Net Revenue                             | 789,775   | 751,181   | 703,313   | 2,200,821 | 2,022,196 |
| Domestic Market                         | 754,725   | 718,134   | 674,534   | 2,104,159 | 1,938,753 |
| Foreign Market                          | 35,050    | 33,047    | 28,779    | 96,662    | 83,443    |
| Gross Profit                            | 276,644   | 253,856   | 322,790   | 755,518   | 829,229   |
| Gross Margin                            | 35.0%     | 33.8%     | 45.9%     | 34.3%     | 41.0%     |
| EBITDA <sup>(1)</sup>                   | 242,094   | 225,954   | 231,812   | 650,568   | 637,994   |
| EBITDA Margin                           | 30.7%     | 30.1%     | 33.0%     | 29.6%     | 31.5%     |
| Net Income                              | 118,214   | 100,383   | 152,437   | 295,473   | 323,794   |
| Net Margin                              | 15.0%     | 13.4%     | 21.7%     | 13.4%     | 16.0%     |
| <b>INDICATORS</b>                       |           |           |           |           |           |
| Current ratio <sup>(2)</sup>            | 1.96      | 2.04      | 1.99      | 1.96      | 1.99      |
| Net Debt <sup>(3)</sup>                 | 1,196,777 | 1,170,073 | 1,047,901 | 1,196,777 | 1,047,901 |
| Net Debt / EBITDA last 12 months        | 1.32      | 1.31      | 1.28      | 1.32      | 1.28      |
| Average Equity                          | 3,600,150 | 3,541,398 | 3,355,646 | 3,543,340 | 3,264,806 |
| ROE <sup>(4)</sup>                      | 13.1%     | 11.3%     | 18.2%     | 11.1%     | 13.2%     |
| <b>SHARES</b>                           |           |           |           |           |           |
| Earnings per Share (R\$) <sup>(5)</sup> | 0.2156    | 0.1828    | 0.2774    | 0.5390    | 0.5893    |
| Closing Price (R\$) <sup>(6)</sup>      | 8.61      | 13.21     | 15.29     | 8.61      | 15.29     |
| Book Value per Share (R\$)              | 6.61      | 6.48      | 6.18      | 6.61      | 6.18      |
| Treasury Shares                         | 1,849,486 | 1,199,486 | 579,257   | 1,849,486 | 579,257   |
| Market Value (R\$1.000) <sup>(7)</sup>  | 4,719,880 | 7,250,121 | 8,401,183 | 4,719,880 | 8,401,183 |

(1) EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization): measurement of EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization): measurement of operational performance provided by Earnings before Interest, Taxes, Depreciation and Amortization (LAJIDA).

(2) Current liquidity: result from the division of current assets by current liabilities and reflects the amount of Reais available to face the short-term requirements.

(3) Net Indebtedness: Total Financial Debts (-) Cash.

(4) ROE (Return on Equity): performance measurement provided by the division of Net Income for the period annualized by average Net Equity.

(5) Earnings per share: calculated by dividing the profit attributable to stockholders by the weighted average number of ordinary shares issued during the year, net of shares held in treasury. This indicator was adjusted for periods prior to the second quarter of 2011 as a result of the 20% stock dividend that occurred on May 5, 2011, allowing thereby, comparability between periods.

(6) The share price prior to June 2011 was adjusted due to stock dividend of May 5, 2011, equivalent to 20%.

(7) The Market Value was calculated from the share price at the end of the period multiplied by the number of shares (550,035,331), net of treasury shares and adjusted by the previously mentioned stock dividend, for periods prior to June 2011.

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

- **3Q11:** the period results have non-recurrent events of (+) R\$25,820 thousand in EBITDA, equivalent to an effect of (+) R\$15,881 thousand in Net Income. These values derive mainly from fixed asset sales.
- **2Q11:** (+) R\$14,068 thousand in EBITDA, equivalent to an effect of (+) R\$9,284 thousand in Net Income. These values derive mainly from fixed asset sales.
- **3Q10:** (+) R\$6,004 thousand in EBITDA and (+) R\$3,962 thousand in Net Income due to recovery of allowance for doubtful accounts and sales of assets.

**CONSOLIDATED FINANCIAL HIGHLIGHTS**

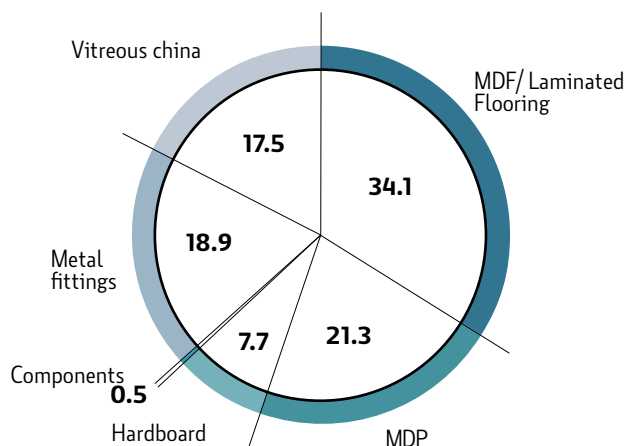
**Net Revenue**

Net revenue totaled R\$2,200.8 million in the year, which represents an expansion of 8.8% compared to the same period of 2010. During the quarter the Net Revenue amounted R\$789.8 million, representing an expansion of 5.1% on sales compared to the previous quarter and 12.3% over the same period of 2010. The improvement seen in 2011 is based on the better shipped volume growth, mainly in Deca Division, better price basis, and the consolidation of Elizabeth Louças Sanitárias operations, whose acquisition was completed in February of this year. The domestic market remains the main destination of sales, accounting for more than 95% of its total.

| R\$'000                     | 3Q11           | 2Q11           | %          | 3Q10           | %           | Jan-Sep/11       | Jan-Sep/10       | %           |
|-----------------------------|----------------|----------------|------------|----------------|-------------|------------------|------------------|-------------|
| <b>Net Revenue</b>          | <b>789,775</b> | <b>751,181</b> | <b>5.1</b> | <b>703,313</b> | <b>12.3</b> | <b>2,200,821</b> | <b>2,022,196</b> | <b>8.8</b>  |
| <b>Domestic Market</b>      | <b>754,725</b> | <b>718,134</b> | <b>5.1</b> | <b>674,534</b> | <b>11.9</b> | <b>2,104,159</b> | <b>1,938,753</b> | <b>8.5</b>  |
| <b>International Market</b> | <b>35,050</b>  | <b>33,047</b>  | <b>6.1</b> | <b>28,779</b>  | <b>21.8</b> | <b>96,662</b>    | <b>83,443</b>    | <b>15.8</b> |

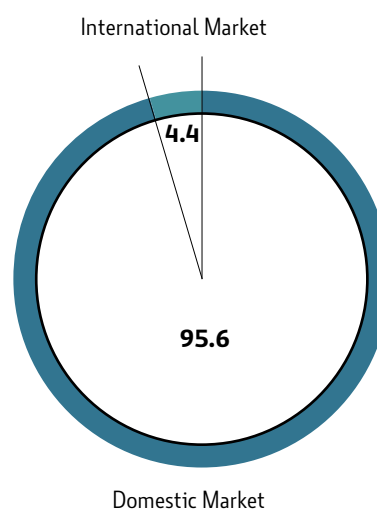
**Net Revenue Breakdown (3Q11)**

in %



**Geographical Distribution of Net Revenues (3Q11):**

in %



### Cost of Goods Sold

Cost of goods sold, net of depreciation and the change in fair value of biological assets resulted in a cash cost of R\$450.5 million during the quarter, representing an annual growth of 22.0%. This increase was due to increased costs in the period, mainly those related to labor, metals, and resin, and is evidenced in the cash margins.

Gross Profit for the quarter, according to the new accounting standard, considers the mark to market timber prices and its depletion, which are non-cash events. Because of the transit of such events on the result, there can be wide variation in gross margin between periods, which actually occurred in the analysis

of the cumulative nine months result. The net effect of biological assets mark to market is contributing with (+) R\$49.1 million in gross profit of 2010. Depreciation, amortization, and depletion also represents non-cash nature event. As a result of investment plan in progress, this item has increased (+) R\$27.7 million between 2010 and 2011. Since the use of new equipment is not fully in the initial stages, there is a negative bias in Gross Profit of 2011 due to this fact. Excluding the effect of biological assets increase in 2010 and increase of depreciation in 2011, nominal Gross Profit remained flat year over year by approximately R\$780 million. This analysis also applies to the Gross Profit comparison between third quarters that was stable at approximately R\$280 million.

| R\$'000                                       | 3Q11           | 2Q11           | %          | 3Q10           | %             | Jan-Sep/11     | Jan-Sep/10     | %            |
|---|----------------|----------------|------------|----------------|---------------|----------------|----------------|--------------|
| COGS (cash)                                   | (450,493)      | (422,538)      | 6.6        | (369,188)      | 22.0          | (1,254,479)    | (1,083,789)    | 15.7         |
| <b>GROSS CASH MARGIN <sup>(1)</sup></b>       | <b>43.0%</b>   | <b>43.8%</b>   | -          | <b>47.6%</b>   | -             | <b>43.0%</b>   | <b>46.4%</b>   | -            |
| Change in the Fair Value of Biological Assets | 37,194         | 27,693         | 34.3       | 72,509         | (48.7)        | 100,490        | 149,411        | (32.7)       |
| Depletion Portion of Biological Assets        | (36,108)       | (35,998)       | 0.3        | (29,159)       | 23.8          | (105,381)      | (100,369)      | 5.0          |
| Depreciation/Amortization/Depletion           | (63,725)       | (66,482)       | (4.1)      | (54,686)       | 16.5          | (185,934)      | (158,220)      | 17.5         |
| <b>Gross Profit</b>                           | <b>276,644</b> | <b>253,856</b> | <b>9.0</b> | <b>322,790</b> | <b>(14.3)</b> | <b>755,518</b> | <b>829,229</b> | <b>(8.9)</b> |
| <b>GROSS MARGIN</b>                           | <b>35.0%</b>   | <b>33.8%</b>   | -          | <b>45.9%</b>   | -             | <b>34.3%</b>   | <b>41.0%</b>   | -            |

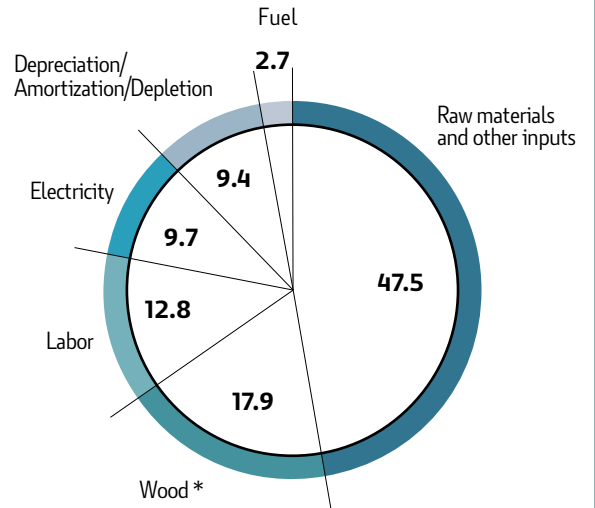
(1) Gross Cash Margin is given by the ratio of the difference between Net Revenue and COGS (cash) over Net Revenue.

### Net Revenue and Gross Cash Margin



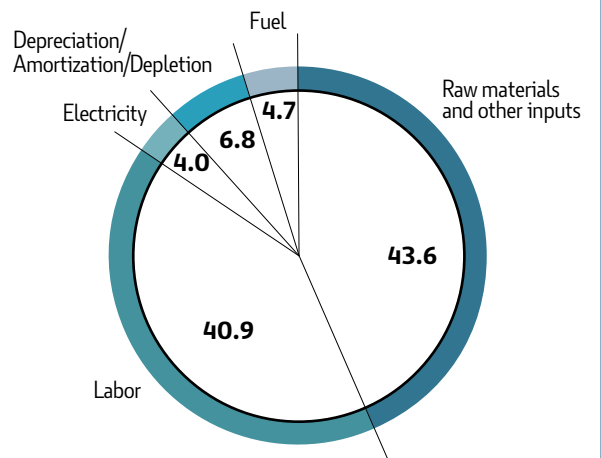
### Cost of Goods Sold 3Q2011 – Wood Division

in %



### Cost of Goods Sold 3Q2011 – Deca Division

in %



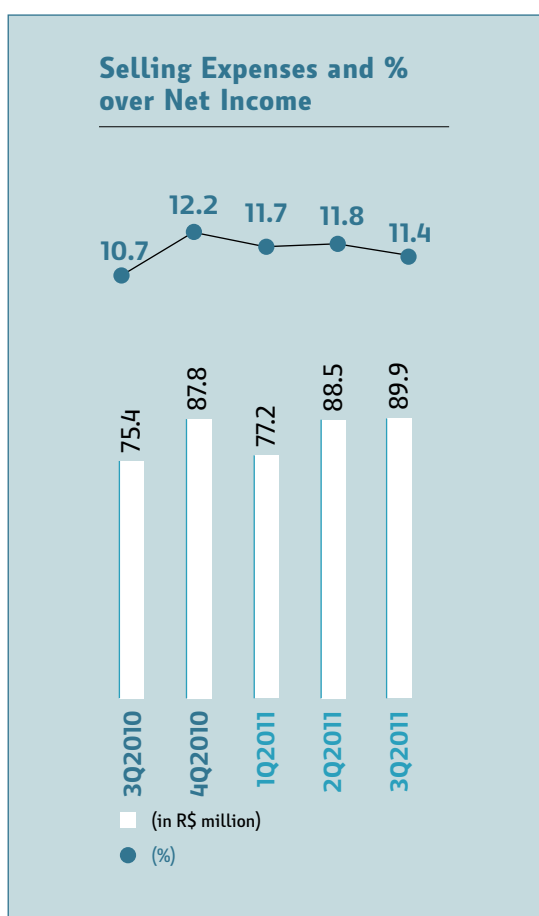
\* Includes depreciation, amortization and depletion incident in the wood costs.

## Selling Expenses

Selling expenses totaled R\$89.9 million in the quarter and, although they presented an increase of 1.6% over the previous period, there was

a dilution in earnings. This dilution occurs basically as a result of economies of scale and consequent dilution of the fixed portion.

| R\$'000                 | 3Q11         | 2Q11         | %   | 3Q10         | %    | Jan-Sep/11   | Jan-Sep/10   | %   |
|-------------------------|--------------|--------------|-----|--------------|------|--------------|--------------|-----|
| Selling Expenses        | (89,873)     | (88,470)     | 1.6 | (75,389)     | 19.2 | (255,501)    | (220,551)    | 2.2 |
| <b>% of NET REVENUE</b> | <b>11.4%</b> | <b>11.8%</b> | -   | <b>10.7%</b> | -    | <b>11.6%</b> | <b>10.9%</b> | -   |



## General and Administrative Expenses

General and Administrative Expenses totaled R\$27.7 million in the 3Q11. This level of expenses has remained stable in relation to prior periods and to expenses accumulated in the year. Since there was an evolution in revenue compared to past periods, there was a dilution of participation of this type of expenditure in relation to revenue.

| R\$'000                             | 3Q11        | 2Q11        | %   | 3Q10        | %     | Jan-Sep/11  | Jan-Sep/10  | %     |
|-------------------------------------|-------------|-------------|-----|-------------|-------|-------------|-------------|-------|
| General and Administrative Expenses | (27,721)    | (26,961)    | 2.8 | (27,803)    | (0.3) | (78,691)    | (78,756)    | (0.1) |
| <b>% of NET REVENUE</b>             | <b>3.5%</b> | <b>3.6%</b> | -   | <b>4.0%</b> | -     | <b>3.6%</b> | <b>3.9%</b> | -     |

## EBITDA

The basic difference between the results before and after the adoption of IFRS, disregarding the non-cash events linked to the biological assets and employees benefits, is in the reclassification of profit sharing and stock options, previously allocated after the

operating result, benefiting therefore EBITDA. After the adoption of IFRS, these events are allocated proportionally in the cost of goods sold, selling, general and administrative expenses, thus, reducing the EBITDA.

| <b>Before IFRS Adjustments</b>                     | 3Q11           | 2Q11           | %           | 3Q10           | %            | Jan-Sep/11     | Jan-Sep/10     | %            |
|--|----------------|----------------|-------------|----------------|--------------|----------------|----------------|--------------|
| R\$ '000   |                |                |             |                |              |                |                |              |
| <b>Operational Profit before Financial Results</b> | 194,471        | 163,524        | 18.9        | 190,668        | 2.2          | 489,859        | 507,781        | (3.5)        |
| Depreciation/Amortization/Depletion                | 65,750         | 68,442         | (3.9)       | 54,764         | 20.1         | 191,816        | 158,468        | 21.0         |
| <b>EBITDA</b>                                      | <b>260,221</b> | <b>231,966</b> | <b>12.2</b> | <b>245,432</b> | <b>6.0</b>   | <b>681,675</b> | <b>666,249</b> | <b>2.3</b>   |
| <b>EBITDA Margin</b>                               | <b>32.9%</b>   | <b>30.9%</b>   | -           | <b>34.9%</b>   | -            | <b>31.0%</b>   | <b>32.9%</b>   | -            |
| Extraordinary Events <sup>(1)</sup>                | (25,820)       | (14,068)       | -           | (6,004)        | -            | (39,888)       | (6,004)        | -            |
| <b>Recurrent EBITDA</b>                            | <b>234,401</b> | <b>217,898</b> | <b>7.6</b>  | <b>239,428</b> | <b>(2.1)</b> | <b>641,787</b> | <b>660,245</b> | <b>(2.8)</b> |
| <b>Recurrent EBITDA Margin</b>                     | <b>29.7%</b>   | <b>29.0%</b>   | -           | <b>34.0%</b>   | -            | <b>29.2%</b>   | <b>32.6%</b>   | -            |

(1) 2Q11, 3Q11 and 3Q10: fixed asset sale, mainly.

In IFRS, the Company's operating profit, measured as EBITDA, underwent major changes with the adoption of the new accounting standards. The main changes are related to biological assets and the benefit to employees. Since they are accounting events with a non-cash nature, they will be disregarded for the purpose of formation of this indicator. In order to give a greater transparency to the calculation, a table below provides a reconciliation of operating performance.

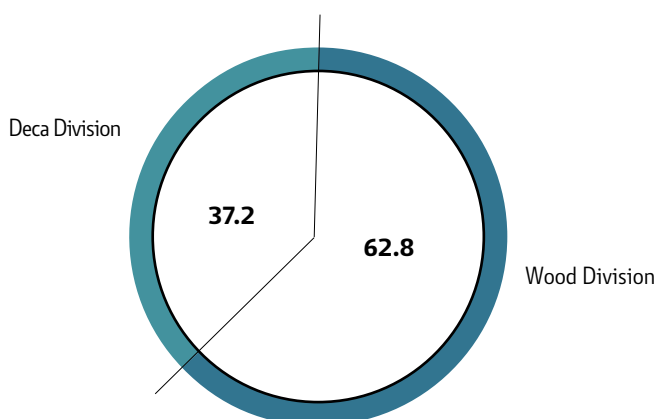
Note that, unlike in Gross Profit and Net Income, whose results were impacted by a change of the biological assets, besides the effect of depreciation, amortization and depletion that are not taken into account in the formation of EBITDA, the result was stable compared to the year 2010. The margins of 2011, on the other hand, were pressured by the increased cost of inputs and labor.

| <b>After IFRS Adjustments</b>                      | 3Q11           | 2Q11           | %          | 3Q10           | %            | Jan-Sep/11     | Jan-Sep/10     | %            |
|--|----------------|----------------|------------|----------------|--------------|----------------|----------------|--------------|
| R\$ '000   |                |                |            |                |              |                |                |              |
| <b>Operational Profit before Financial Results</b> | 178,560        | 143,411        | 24.5       | 217,182        | (17.8)       | 445,148        | 518,939        | (14.2)       |
| Depreciation/Amortization/Depletion                | 72,013         | 75,018         | (4.0)      | 60,720         | 18.6         | 211,000        | 176,319        | 19.7         |
| Change in the Fair Value of Biological Assets      | (37,194)       | (27,693)       | 34.3       | (72,509)       | (48.7)       | (100,490)      | (149,411)      | (32.7)       |
| Depletion Portion of Biological Assets             | 36,108         | 35,998         | 0.3        | 29,159         | 23.8         | 105,381        | 100,369        | 5.0          |
| Employee Benefits                                  | (7,393)        | (780)          | -          | (2,740)        | -            | (10,471)       | (8,222)        | -            |
| <b>EBITDA</b>                                      | <b>242,094</b> | <b>225,954</b> | <b>7.1</b> | <b>231,812</b> | <b>4.4</b>   | <b>650,568</b> | <b>637,994</b> | <b>2.0</b>   |
| <b>EBITDA Margin</b>                               | <b>30.7%</b>   | <b>30.1%</b>   | -          | <b>33.0%</b>   | -            | <b>29.6%</b>   | <b>31.5%</b>   | -            |
| Extraordinary Events <sup>(1)</sup>                | (25,820)       | (14,068)       | -          | (6,004)        | -            | (39,888)       | (6,004)        | -            |
| <b>Recurrent EBITDA</b>                            | <b>216,274</b> | <b>211,886</b> | <b>2.1</b> | <b>225,808</b> | <b>(4.2)</b> | <b>610,680</b> | <b>631,990</b> | <b>(3.4)</b> |
| <b>Recurrent EBITDA Margin</b>                     | <b>27.4%</b>   | <b>28.2%</b>   | -          | <b>32.1%</b>   | -            | <b>27.7%</b>   | <b>31.3%</b>   | -            |

(1) 2Q11, 3Q11 and 3Q10: fixed asset sale, mainly.

## EBITDA Profile in IFRS (3Q11)

in %



### Net Income

Net income totaled R\$118.2 million in the quarter, representing an increase of 17.8% over the previous quarter, but with a decrease of 22.5% over the same period of 2010, reflecting cost pressures discussed above, besides of non-cash effect related to biological assets mark to market that presented a contribution of (+) R\$49.0

million in the accumulated 2010 result and (+) R\$43.4 million to the result of the 3<sup>rd</sup> quarter of that year.

The 2011 result is benefited by fixed assets sale, mainly, which contributed with (+) R\$15.9 million in the third quarter and (+) R\$25.2 million in accumulated of the nine-month period.

### NET INCOME

| R\$ '000                            | 3Q11           | 2Q11           | %           | 3Q10           | %             | Jan-Sep/11     | Jan-Sep/10     | %             |
|-------------------------------------|----------------|----------------|-------------|----------------|---------------|----------------|----------------|---------------|
| <b>Before IFRS Adjustments</b>      | <b>117,257</b> | <b>108,268</b> | <b>8.3</b>  | <b>118,385</b> | <b>(0.9)</b>  | <b>303,420</b> | <b>310,878</b> | <b>(2.4)</b>  |
| <b>ROE</b>                          | <b>17.0%</b>   | <b>16.0%</b>   | <b>-</b>    | <b>18.9%</b>   | <b>-</b>      | <b>14.9%</b>   | <b>17.1%</b>   | <b>-</b>      |
| Business Combination                | (4,639)        | (2,919)        |             | (3,931)        |               | (11,630)       | (11,264)       |               |
| Biological Assets                   | 717            | (5,481)        |             | 28,611         |               | (3,228)        | 32,368         |               |
| Employee Benefits                   | 4,879          | 515            |             | 1,808          |               | 6,911          | 5,426          |               |
| Others Adjusts                      | 0              | 0              |             | 7,564          |               | 0              | (13,614)       |               |
| <b>After IFRS Adjustment</b>        | <b>118,214</b> | <b>100,383</b> | <b>17.8</b> | <b>152,437</b> | <b>(22.5)</b> | <b>295,473</b> | <b>323,795</b> | <b>(8.7)</b>  |
| <b>ROE</b>                          | <b>13.1%</b>   | <b>11.3%</b>   | <b>-</b>    | <b>18.2%</b>   | <b>-</b>      | <b>11.1%</b>   | <b>13.2%</b>   | <b>-</b>      |
| Extraordinary Events <sup>(1)</sup> | (15,881)       | (9,284)        |             | (3,962)        |               | (25,165)       | (3,962)        |               |
| <b>Recurrent Net Income</b>         | <b>102,333</b> | <b>91,099</b>  | <b>12.3</b> | <b>148,475</b> | <b>(31.1)</b> | <b>270,308</b> | <b>319,833</b> | <b>(15.5)</b> |
| <b>Recurrent ROE</b>                | <b>11.4%</b>   | <b>10.3%</b>   | <b>-</b>    | <b>17.7%</b>   | <b>-</b>      | <b>10.2%</b>   | <b>13.1%</b>   | <b>-</b>      |

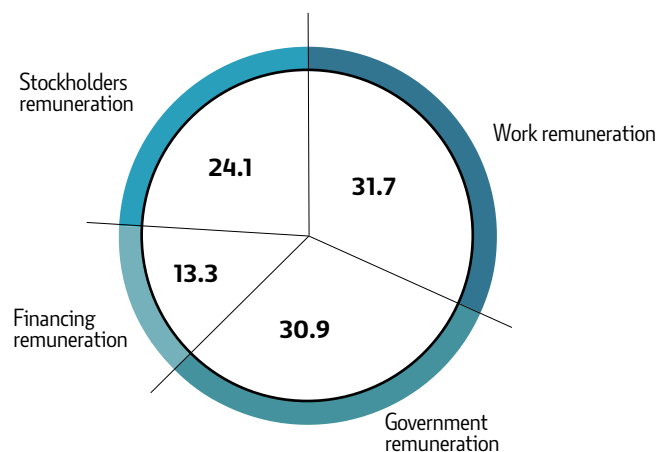
(1) 2Q11, 3Q11 and 3Q10: fixed asset sale, mainly.

### Added Value

The value added in the quarter totaled R\$481.1 million, 19.2% higher in relation to the previous quarter. Year to date, the Added Value amounted R\$1,226.6 million. Of this amount R\$379.4 million, representing 12.7% of revenues and 30.9% of total value added, were paid to federal, state and municipal governments in the form of taxes and contributions.

#### Distribution of Added Value (Jan-Sep/2011)

in %



### Debt

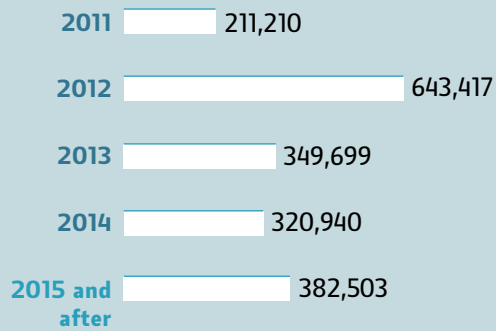
Total Debt at the end of September was R\$1,907.8 million, equivalent to a Net Debt of R\$1,196.8 million, representing an increase of 27.1% over the same period of 2010. This is mainly due to investments made in the period in the amount of R\$423.3 million, which include the concluded acquisition of Elizabeth Louças Sanitárias, among

others. This level of Net Debt amounts to 1.32x EBITDA for the last 12 months and 32.9% of the Equity at the end of the period, which is considered low. During this year, R\$510.2 million new loans were contracted and R\$333.2 million was amortized.

| R\$'000                         | 30.Sep.2011      | 30.Jun.2011      | Variation       | 30.Sep.2010      | Variation      |
|---------------------------------|------------------|------------------|-----------------|------------------|----------------|
| Short Term                      | 584,854          | 531,969          | 52,885          | 410,432          | 174,422        |
| Long Term                       | 1,322,915        | 1,397,867        | (74,952)        | 1,090,368        | 232,547        |
| <b>Total Debt</b>               | <b>1,907,769</b> | <b>1,929,836</b> | <b>(22,067)</b> | <b>1,500,800</b> | <b>406,969</b> |
| Cash                            | 710,992          | 759,763          | (48,771)        | 452,899          | 258,093        |
| <b>Net Debt</b>                 | <b>1,196,777</b> | <b>1,170,073</b> | <b>26,704</b>   | <b>1,047,901</b> | <b>148,876</b> |
| <b>Net Debt / Equity (in %)</b> | <b>32.9%</b>     | <b>32.8%</b>     | <b>-</b>        | <b>30.8%</b>     | <b>-</b>       |

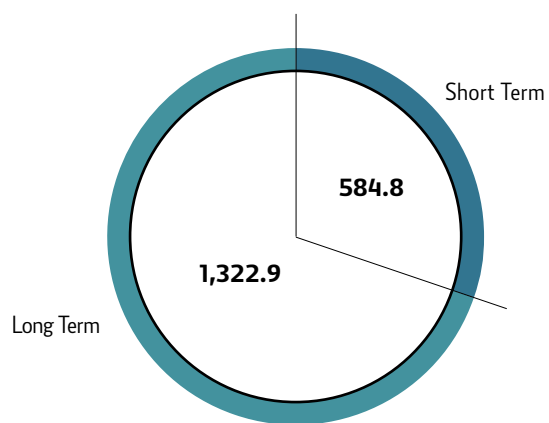
### Amortization Schedule

in R\$'000



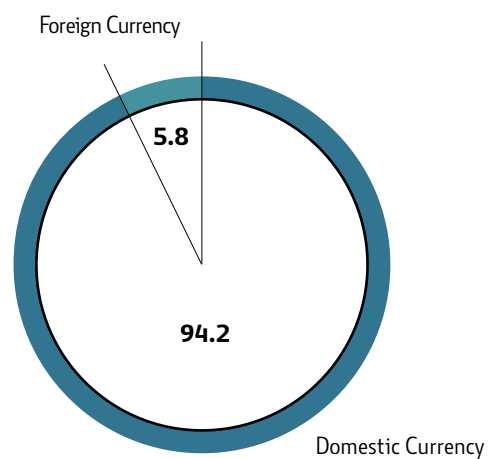
### Total Debt by the End of September 2011

in R\$ million



### Debt Profile

in %



## FINANCIAL REVENUES AND EXPENSES

| R\$ '000             | 3Q11     | 2Q11     | Var.     | 3Q10     | Var.     | Jan-Sep/11 | Jan-Sep/10 | Var.     |
|----------------------|----------|----------|----------|----------|----------|------------|------------|----------|
| Financial Revenues   | 39,096   | 16,473   | 22,623   | 10,857   | 28,239   | 74,714     | 35,790     | 38,924   |
| Financial Expenses   | (68,582) | (48,597) | (19,985) | (34,983) | (33,599) | (165,410)  | (109,834)  | (55,576) |
| Financial Net Income | (29,486) | (32,124) | 2,638    | (24,126) | (5,360)  | (90,696)   | (74,044)   | (16,652) |

## OPERATIONS

### Wood Division

The performance during the year has shown progress in the level of volume shipped and the Net Revenue result. In comparison with the previous quarter there was an increase of 5.1%, of panels shipped, totaling 611.7 thousand m<sup>3</sup> in the 3Q11, and an increase of 4.5% of Net Revenue to R\$502.1 million in relation to the previous quarter of 2011. During the nine-month period, there was 1,713,200 m<sup>3</sup> of wood panels shipped, which is equivalent to a revenue of R\$1,396.5 million. The Company has seen a gradual improvement in volumes since the end of the first quarter for the year to date performance. At that period, in response to the inflationary pressure in 1Q11, there was a reduction of inventory levels in the chain of furniture manufacturers, in addition to the shortening of the financing terms offered to the retail trade.

The increase in Unit Net Revenue was insufficient to offset the cost pressure associated mainly with the price of resin, which is based on methanol and urea. There was also pressure associated with the existing energy contracts indexed to IGPM, and labor, whose annual negotiation with unions resulted in increases in real wages. These factors are evidenced in the comparative evolution, in relation to the previous quarter and the same period in 2010, Unit Cash Cost increased 2.3% and 7.8% respectively. During the year to date, this indicator has evolved 9.6%.

In this environment, the operating result measured by EBITDA totaled R\$173.1 million in the 3Q11 and R\$443.3 million in the nine-month period of this year equivalent to respective margins of 34.5% and 31.7%. Events of an extraordinary nature, associated with the sale of fixed assets, mainly contributed to these results. Excluding them, the 3Q11 EBITDA is R\$147.3 million, with a margin of 29.3%, and for the 9M11 is R\$403.4 million with a margin of 28.9%. The nominal result of the 3rd quarter of 2011 remained stable compared to the previous quarter and the same period in 2010.

One way to alleviate cost pressures is associated with the constant search for improvement of sales. In this regard investments have been completed that allowed the growth of capacity of coating panels and production of laminate flooring, Durafloor. The main strategy of this action is to expand and strengthen the product line in order to meet an increasing number of consumers. This should happen when the degree of occupation of these new lines increases.

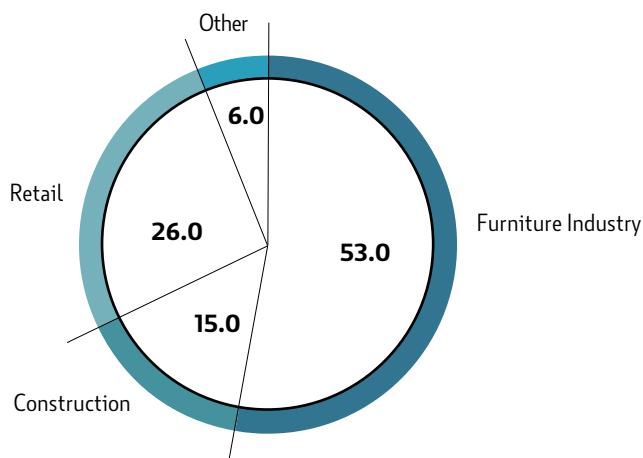
Among the recognitions in the period, we highlight the award for best company in the Plant Exploration and Reforestation of the 7th Best Awards of Agro Business 2011. It is worth mentioning that Duratex has a business model that has a high degree of integration of timber production and supply to its panel production lines. There are approximately 230 thousand hectares of land, of which 140 thousand planted forests, mainly eucalyptus.

| <b>AFTER IFRS ADJUSTMENTS</b>   | 3Q11           | 2Q11           | %            | 3Q10           | %             | Jan-Sep/11       | Jan-Sep/10       | %             |
|---|----------------|----------------|--------------|----------------|---------------|------------------|------------------|---------------|
| <b>SHIPMENT (in m<sup>3</sup>)</b>                                      |                |                |              |                |               |                  |                  |               |
| Standard  | 364,054        | 346,908        | 4.9          | 372,331        | (2.2)         | 1,031,837        | 1,055,354        | (2.2)         |
| Coated  | 247,642        | 235,238        | 5.3          | 217,788        | 13.7          | 681,328          | 687,599          | (0.1)         |
| <b>TOTAL</b>  | <b>611,696</b> | <b>582,146</b> | <b>5.1</b>   | <b>590,119</b> | <b>3.7</b>    | <b>1,713,165</b> | <b>1,742,953</b> | <b>(1.7)</b>  |
| <b>FINANCIAL HIGHLIGHTS (R\$1.000)</b>                                  |                |                |              |                |               |                  |                  |               |
| <b>NET REVENUE</b>  | <b>502,085</b> | <b>480,680</b> | <b>4.5</b>   | <b>472,566</b> | <b>6.2</b>    | <b>1,396,473</b> | <b>1,356,229</b> | <b>3.0</b>    |
| Domestic Market   | 478,066        | 457,031        | 4.6          | 453,824        | 5.3           | 1,328,300        | 1,301,230        | 2.1           |
| Foreign Market  | 24,019         | 23,649         | 1.6          | 18,742         | 28.2          | 68,173           | 54,999           | 24.0          |
| <b>Unit Net Revenue (in R\$ per m<sup>3</sup> shipped)</b>              | <b>820.81</b>  | <b>825.70</b>  | <b>(0.6)</b> | <b>800.80</b>  | <b>2.5</b>    | <b>815.14</b>    | <b>778.12</b>    | <b>4.8</b>    |
| <b>Unit Cash Cost <sup>(1)</sup> (in R\$ per m<sup>3</sup> shipped)</b> | <b>468.60</b>  | <b>458.14</b>  | <b>2.3</b>   | <b>434.52</b>  | <b>7.8</b>    | <b>465.97</b>    | <b>425.15</b>    | <b>9.6</b>    |
| <b>Operational Profit before Financial Results</b>                      | <b>119,165</b> | <b>90,353</b>  | <b>31.9</b>  | <b>150,017</b> | <b>(20.6)</b> | <b>271,688</b>   | <b>338,616</b>   | <b>(19.8)</b> |
| Change in the Fair Value of Biological Assets                           | (37,194)       | (27,693)       | 34.3         | (72,509)       | (48.7)        | (100,490)        | (149,411)        | (32.7)        |
| Depletion Portion of Biological Assets                                  | 36,108         | 35,998         | 0.3          | 29,159         | 23.8          | 105,381          | 100,369          | 5.0           |
| Depreciation/Amortization/Depletion                                     | 59,872         | 61,802         | (3.1)        | 50,728         | 18.0          | 173,522          | 146,836          | 18.2          |
| Employee Benefits   | (4,808)        | (546)          | -            | (1,841)        | -             | (6,795)          | (5,519)          | -             |
| <b>EBITDA</b>   | <b>173,143</b> | <b>159,914</b> | <b>8.3%</b>  | <b>155,554</b> | <b>11.3</b>   | <b>443,306</b>   | <b>430,891</b>   | <b>2.9</b>    |
| Extraordinary Events  | (25,820)       | (14,068)       | -            | (6,004)        | -             | (39,888)         | (6,004)          | -             |
| <b>Recurrent EBITDA</b>   | <b>147,323</b> | <b>145,846</b> | <b>1.0</b>   | <b>149,550</b> | <b>(1.5)</b>  | <b>403,418</b>   | <b>424,887</b>   | <b>(5.1)</b>  |
| <b>Recurrent EBITDA Margin</b>  | <b>29.3%</b>   | <b>30.3%</b>   | <b>-</b>     | <b>31.6%</b>   | <b>-</b>      | <b>28.9%</b>     | <b>31.3%</b>     | <b>-</b>      |
| <b>BEFORE IFRS ADJUSTMENTS</b>  |                |                |              |                |               |                  |                  |               |
| Recurrent EBITDA  | 158,052        | 147,930        | 6.8          | 157,789        | 0.2           | 420,182          | 441,555          | (4.8)         |
| Recurrent EBITDA Margin   | 31.5%          | 30.8%          | -            | 33.4%          | -             | 30.1%            | 32.6%            | -             |

(1) Unit Cash Cost is given by the ratio of cost of goods sold net of depreciation, amortization and depletion over the volume shipped.

### Wood Division – Market segments

in %



## Deca Division

Deca's performance remains strong. There was an increase in shipments when compared to the previous quarter and to the same period of 2010 of 8.3% and 22.6%, respectively, to 6,780 million pieces. The accumulated annual sales expanded by 15.7% and the volume reached 18,776 million parts. Net revenues followed this movement increasing 6.4% and 24.7% in the quarterly comparison, to R\$287.7 million. The accumulated annual revenue reached R\$804.3 million, an increase of 20.8%. This performance is based on the strong pace of construction, which sector, in turn, finds support in offering secured credit lines and terms of funding. It is noteworthy that this performance in the year and in the 3Q11 is a record. In comparison, Deca had a performance superior to twice that of the industry, according to the ABRAMAT Index. This index measures the performance of domestic sales of a selection of manufacturers of finishing building materials. From January to September, this index showed a change of 9.1% over 2010, while Deca's Net Sales in the domestic market grew by 21.7%.

Operating performance, EBITDA totaled R\$68.9 million in the quarter, equivalent to a margin of 24.0%, and R\$207.3 million in the nine-month period, with a margin of 25.8%. With regard to the annual

comparison of EBITDA margin, there was a decrease due to the unfavorable cost environment, mainly due to the level of copper prices and the restitution of wage, as a result of an inflationary environment. There was also the conclusion of the acquisition of Elizabeth Louças Sanitárias, which presents a composite of sales of products focused on the specific economic sector and, therefore, lower operating margins. The opening of a new furnace in Pernambuco and the subsequent hiring of labor, also contributed to the observed decline.

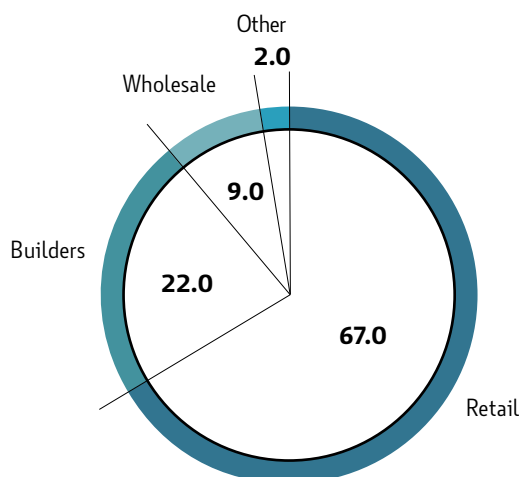
It is worth noting that while the EBITDA margin for the nine-month period of 2011 has presented a retraction, there were marginal changes in nominal cash generation, which reinforces the positioning of Deca in the market.

The highlight of the period was the recognition of the Deca trademark. The brand won for another year the award of Top of Mind of the magazine "Casa e Mercado" (Home & Market), in the category of brand projection, as the most remembered brand in the segments of sanitary wares and metals, and has been elected Company of the Year 2011.

| <b>AFTER IFRS ADJUSTMENTS</b>                      | 3Q11           | 2Q11           | %           | 3Q10           | %             | Jan-Sep/11     | Jan-Sep/10     | %            |
|--|----------------|----------------|-------------|----------------|---------------|----------------|----------------|--------------|
| <b>SHIPMENT (in 1,000 pieces)</b>                  |                |                |             |                |               |                |                |              |
| Basic  | 2,321          | 2,224          | 4.4         | 2,058          | 12.8          | 6,522          | 6,113          | 6.7          |
| Finishing  | 4,459          | 4,035          | 10.5        | 3,471          | 25.5          | 12,254         | 10,113         | 21.2         |
| <b>TOTAL</b>                                       | <b>6,780</b>   | <b>6,259</b>   | <b>8.3</b>  | <b>5,529</b>   | <b>22.6</b>   | <b>18,776</b>  | <b>16,226</b>  | <b>15.7</b>  |
| <b>FINANCIAL HIGHLIGHTS (R\$1.000)</b>             |                |                |             |                |               |                |                |              |
| <b>NET TREVENUE</b>                                | <b>287,690</b> | <b>270,501</b> | <b>6.4</b>  | <b>230,747</b> | <b>24.7</b>   | <b>804,348</b> | <b>665,967</b> | <b>20.8</b>  |
| Domestic Market                                    | 276,659        | 260,103        | 6.4         | 220,940        | 25.2          | 775,859        | 637,523        | 21.7         |
| Foreign Market                                     | 11,031         | 9,398          | 17.4        | 9,807          | 12.5          | 28,489         | 28,444         | 0.2          |
| Unit Net Revenue (in R\$ per piece shipped)        | 42.43          | 43.22          | (1.8)       | 41.73          | 3.2           | 42.84          | 41.04          | 4.4          |
| Unit Cash Cost (in R\$ per piece shipped)          | 24.17          | 24.90          | (2.9)       | 20.23          | 21.3          | 24.30          | 21.12          | 15.1         |
| <b>Operational Profit before Financial Results</b> | <b>59,395</b>  | <b>53,057</b>  | <b>11.9</b> | <b>67,165</b>  | <b>(11.6)</b> | <b>173,460</b> | <b>180,323</b> | <b>(3.8)</b> |
| Depreciation/Amortization/Depletion                | 12,141         | 13,216         | (8.1)       | 9,992          | 21.5          | 37,478         | 29,483         | 27.1         |
| Employee Benefits                                  | (2,585)        | (233)          | -           | (899)          | -             | (3,676)        | (2,703)        | -            |
| <b>EBITDA</b>                                      | <b>68,951</b>  | <b>66,040</b>  | <b>4.4</b>  | <b>76,258</b>  | <b>(9.6)</b>  | <b>207,262</b> | <b>207,103</b> | <b>0.1</b>   |
| Extraordinary Events                               | 0              | 0              | -           | 0              | -             | 0              | 0              | -            |
| <b>Recurrent EBITDA</b>                            | <b>68,951</b>  | <b>66,040</b>  | <b>4.4</b>  | <b>76,258</b>  | <b>(9.6)</b>  | <b>207,262</b> | <b>207,103</b> | <b>0.1</b>   |
| <b>Recurrent EBITDA Margin</b>                     | <b>24.0%</b>   | <b>24.4%</b>   | <b>-</b>    | <b>33.0%</b>   | <b>-</b>      | <b>25.8%</b>   | <b>31.1%</b>   | <b>-</b>     |
| <b>BEFORE IFRS ADJUSTMENTS</b>                     |                |                |             |                |               |                |                |              |
| Recurrent EBITDA                                   | 76,349         | 69,968         | 9.1         | 81,639         | (6.5)         | 221,605        | 218,693        | 1.3          |
| Recurrent EBITDA Margin                            | 26.5%          | 25.9%          | -           | 35.4%          | -             | 27.6%          | 32.8%          | -            |

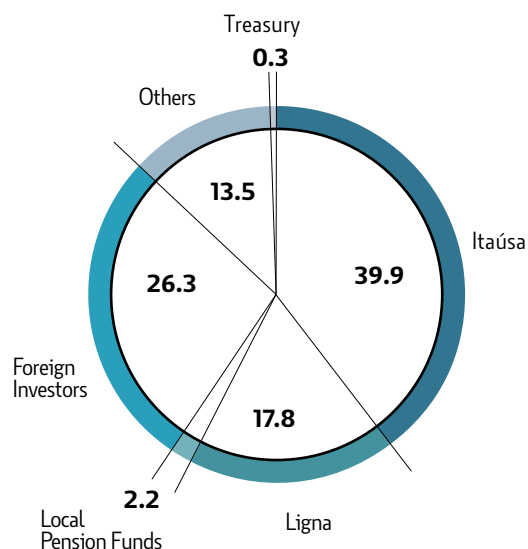
### Deca Division – Market segments

in %



### Shareholder Structure in September 2011

in %



### CAPITAL MARKET

At the end of September 2011, Duratex had a market value equivalent to R\$4,719.9 million, based on the share price of R\$8.61.

In the year to date, 524.5 thousand negotiations were performed that handled 253.1 million DTEX3 shares, which represented a financial turnover equivalent to R\$3,401.2 million, which corresponds to an average daily trading volume equivalent to R\$18.1 million in the period. This level of liquidity ensured the presence of the share in the portfolio of the Ibovespa Index, composed of approximately 60 stocks, the main criterion for inclusion is the liquidity of the shares. Another important index that has included in its portfolio shares of the Company is the ISE – Corporate Sustainability Index. This index is comprised of approximately 40 stocks that stand out in the international application of the concept of Triple Bottom Line sustainability, assessing, in an integrated manner, social, environmental and economic-financial aspects, which were incorporated into practices related to corporate governance, business practices, nature of the product and climate change.

Duratex shares are listed on the “Novo Mercado” of BM&FBOVESPA’s differentiated segment list that includes those companies that spontaneously stand out in adopting the highest standards of corporate governance. In this context, the Company is subject to arbitration in the Chamber of Arbitration of the “Novo Mercado” of BM&FBOVESPA to solve any dispute or controversy arising between the Company, stockholders and directors.

In addition to the prerequisites of the “Novo Mercado”, the Company has a differentiated policy for dividend distribution, equivalent to 30% of adjusted net income, holds 1/3 of independent board members, and adopts level A from the international reporting standard known as GRI (Global Reporting Initiative). This report is available on the Company’s website: [www.duratex.com.br](http://www.duratex.com.br). It should be noted that the Company site has been redesigned to incorporate navigation solutions and the most modern search tools, and programming language that allows access on portable devices like smart phones and iPad. Please visit it and leave your opinion, so that we can make it even more interesting and catered to your needs.

In order to strengthen its commitment to best governance practices, Duratex pre adhered to the ABRASCA Code of Self-Regulation, which entered into force on August 15, 2011, and established within the Board a Committee for Evaluation of Transactions with Related Parties, composed only of independent Board members. The Company also has three other committees led by independent Board members, namely: (i) Audit and Risk Management; (ii) Sustainability; and (iii) People, Governance and Nominating Committee.

## 60 YEARS OF DURATEX

Since September Duratex has promoted the "Rino Mania Project" which assembled various rhinoceros-sculptures decorated by artists on exhibition in São Paulo and another 11 cities, where the Company has its operational units. The "Rino Mania" aimed to bring art to everyone, with easy access, viewing, and to promote interaction between people and their cities. All works were auctioned on October 27, and the money was donated to charities.

Also included in the celebrations of 60 years, the Company has been promoting concerts with the Philharmonic Bachiana SESI-SP, conducted by João Carlos Martins, in the cities of its operations. The concerts were opened to the public, with a focus on employees and the local communities. Up to the end of September 2011, events had taken place in São Leopoldo and Taquari, in Rio Grande do Sul; Estrela do Sul and Uberaba, in Minas Gerais; and Botucatu, Agudos, Lençóis Paulista and Jundiaí, in the State of São Paulo. In all, these events reached an audience of about 27,000 people, that at each concert were invited to donate books or food to local institutions. The conductor, in these towns, visited the social projects supported by the local mayors.

## SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

At the end of the 3Q11, the Company had 10,806 employees, who received wage amounting R\$90.8 million, in the quarter, which was 3.4% higher than for the previous quarter and 24.8% above that for the third quarter of 2010.

| (Amounts in R\$'000)           | 3Q11   | 2Q11   | 3Q10   | Jan-Sep/11 | Jan-Sep/10 |
|--------------------------------|--------|--------|--------|------------|------------|
| <b>EMPLOYEES (number)</b>      | 10,806 | 10,545 | 9,624  | 10,806     | 9,624      |
| <b>Remuneration</b>            | 90,765 | 87,765 | 72,742 | 256,257    | 211,241    |
| <b>Mandatory legal charges</b> | 45,609 | 44,842 | 40,016 | 134,321    | 115,557    |
| <b>Differentiated benefits</b> | 15,288 | 14,188 | 12,558 | 43,538     | 35,009     |

The Company invested R\$18.6 million in activities directed for the environment during the year, of which being highlighted the treatment of effluents, waste collection and maintenance of forest areas. Compared to 2010, this figure is roughly 50% above the R\$12.3 million invested in that year.

In the social-environmental scope and cultural and sporting incentives, from the estimated budget of R\$2.5 million, R\$1.7 million was invested, highlights being: (i) conducting 11 concerts of the Philharmonic Bachiana SESI-SP, under the baton of the conductor João Carlos Martins, with approximately 27 thousand people; (ii) "Morada Ecológica" exposure, which offered the public the opportunity to follow the latest developments in projects between architecture and ecology at the Museum of Modern Art of São Paulo; (iii) environmental education project "Water Planet – The Sustainable World", that through play conveyed notions of sustainability for children in public schools in the municipality of Estrela do Sul/MG and other neighboring municipalities; and (iv)

project "Arrastão Esportes", which aims to attend 850 students from 2 to 24 years of age, promoting skills development from education through sport.

Additionally, the Company has invested approximately R\$3.0 million in new projects of the same nature, which will run in the second half of 2011 and throughout 2012, highlights being: (i) establishment of three new Community Libraries "Reading is Necessary" in public schools in Botucatu/SP, Uberaba/MG and Cabo de Santo Agostinho/PE, and revitalization of two existing libraries, located in Estrela do Sul/MG and Taquari/RS; (ii) project "Singing for a Better World", composed of a workshop on music and musical affective memory, designed by students of public schools, and 12 musical events conducted by the Urban Troubadours in the capital and towns of the State of São Paulo; (iii) release of the book "Forest Trail", which illustrates and rescues the history of forest development in Brazil; (iv) donation of an Ecological library "Corner of Knowledge" to EMEF Prof. Zelia Camargo Prandini,

located in the city of Paulista/SP, a collection of 500 books and space for puppet theater and literary soiree; (v) project "Educational MAM", with educational activities that contribute to the learning process and stimulate the construction of new knowledge, enabling access to the exhibition and its contents to all public profiles, such as students, school groups, teachers, artists and researchers; (vi) project "Theatre in the Square" in four cities in the State of São Paulo, performing arts, theater, theater for children, telling stories, exhibits and film presentations by local artists; (vii) project "Circus... The World for All", which includes a documentary about the ability to overcome the disabilities and the importance of their cultural formation to break barriers, and a children's book about the history of the circus, emotions, joys and difficulties in assembling the shows, with emphasis on social responsibility, respect for diversity and inclusion; (viii) project "EX4 in Schools", which aims, through music, to present new perspective of life, social integration, a form of drug use prevention and eradication of violence, with better use of the school environment for artistic presentations.

In June an electronic journal was released entitled "Sustainability Duratex". This newsletter will be used for disclosure of issues related to sustainable practices realized by the Company in the social, economic and environmental areas.

As reported earlier in the Management Report, referring to the performance of the first semester of 2011, the Company completed the process of defining the new Mission, Vision and Values. As of June an internal program was started called "Somos Assim", that is being divulged through presentations and distribution of explanatory booklets. This material introduces elements that reflect part of our manner to be, is a reflection on how we think and provides orientation on how we act, all in simple language and with practical examples.

#### **ACKNOWLEDGEMENTS**

We appreciate the support from our stockholders, the dedication and commitment of our employees, the partnership with suppliers, and the confidence our costumers have placed in the Company.

#### **The Management**

## CONSOLIDATED FINANCIAL STATEMENTS

| <b>ASSETS</b><br>in R\$ '000  | 30.Sep.2011      | AV%          | 30.Jun.2011      | AV%          | 30.Sep.2010      | AV%          |
|-------------------------------|------------------|--------------|------------------|--------------|------------------|--------------|
| <b>CURRENT</b>                | <b>1,958,858</b> | <b>29.3</b>  | <b>1,924,822</b> | <b>29.0</b>  | <b>1,493,094</b> | <b>25.0</b>  |
| Cash and Cash Equivalents     | 710,992          | 10.6         | 759,763          | 11.4         | 452,899          | 7.6          |
| Accounts Receivable           | 700,378          | 10.5         | 629,726          | 9.5          | 581,996          | 9.7          |
| Inventory                     | 404,639          | 6.0          | 392,563          | 5.9          | 318,618          | 5.3          |
| Others                        | 142,849          | 2.1          | 142,770          | 2.1          | 139,581          | 2.3          |
| <b>NON CURRENT</b>            | <b>4,735,795</b> | <b>70.7</b>  | <b>4,721,642</b> | <b>71.0</b>  | <b>4,476,997</b> | <b>75.0</b>  |
| Long Term                     | 277,995          | 4.1          | 257,436          | 3.9          | 238,496          | 4.0          |
| Other Investments             | 652              | -            | 652              | -            | 652              | -            |
| Plant, Property and Equipment | 2,825,717        | 42.2         | 2,820,434        | 42.4         | 2,675,941        | 44.8         |
| Biological Assets             | 1,058,358        | 15.8         | 1,044,774        | 15.7         | 1,015,878        | 17.0         |
| Intangible                    | 573,073          | 8.6          | 598,346          | 9.0          | 546,030          | 9.1          |
| <b>TOTAL ASSETS</b>           | <b>6,694,653</b> | <b>100.0</b> | <b>6,646,464</b> | <b>100.0</b> | <b>5,970,091</b> | <b>100.0</b> |

| <b>LIABILITIES AND EQUITY CAPITAL</b><br>in R\$ '000 | 30.Sep.2011      | AV%          | 30.Jun.2011      | AV%          | 30.Sep.2010      | AV%          |
|--|------------------|--------------|------------------|--------------|------------------|--------------|
| <b>CURRENT LIABILITIES</b>                           | <b>998,666</b>   | <b>14.9</b>  | <b>945,373</b>   | <b>14.2</b>  | <b>749,165</b>   | <b>12.5</b>  |
| Loans and Financing                                  | 584,854          | 8.7          | 531,969          | 8.0          | 410,432          | 6.9          |
| Suppliers  | 122,232          | 1.8          | 121,816          | 1.8          | 105,211          | 1.8          |
| Taxes and Contributions                              | 78,836           | 1.2          | 77,492           | 1.2          | 94,641           | 1.6          |
| Dividends and IOC                                    | 43,797           | 0.7          | 66,954           | 1.0          | 741              | 0.0          |
| Others   | 168,947          | 2.5          | 147,142          | 2.2          | 138,140          | 2.3          |
| <b>NON CURRENT LIABILITIES</b>                       | <b>2,057,950</b> | <b>30.7</b>  | <b>2,138,829</b> | <b>32.2</b>  | <b>1,819,658</b> | <b>30.5</b>  |
| Loans and Financing                                  | 1,322,915        | 19.8         | 1,397,867        | 21.0         | 1,090,368        | 18.3         |
| Provisions for Contingencies                         | 142,743          | 2.1          | 138,641          | 2.1          | 174,309          | 2.9          |
| Taxes and Contribution                               | 472,422          | 7.1          | 485,232          | 7.3          | 437,174          | 7.3          |
| Other Accounts Payable                               | 119,870          | 1.8          | 117,089          | 1.8          | 117,807          | 2.0          |
| <b>EQUITY CAPITAL</b>                                | <b>3,638,037</b> | <b>54.4</b>  | <b>3,562,262</b> | <b>53.6</b>  | <b>3,401,268</b> | <b>57.0</b>  |
| Capital  | 1,550,000        | 23.2         | 1,550,000        | 23.3         | 1,288,085        | 21.6         |
| (-) IPO Cost   | (7,823)          | (0.1)        | (7,823)          | (0.1)        | (7,823)          | (0.1)        |
| Capital Reserves                                     | 306,701          | 4.6          | 304,854          | 4.6          | 302,228          | 5.1          |
| Revaluation Reserves                                 | 90,714           | 1.4          | 101,754          | 1.5          | 105,658          | 1.8          |
| Profit Reserve                                       | 1,300,601        | 19.4         | 1,214,966        | 18.3         | 1,305,534        | 21.9         |
| Treasury Stock                                       | (22,712)         | (0.3)        | (16,369)         | (0.2)        | (5,974)          | (0.1)        |
| Equity Adjustment                                    | 416,461          | 6.2          | 411,130          | 6.2          | 412,796          | 6.9          |
| Minority Interest                                    | 4,095            | 0.1          | 3,750            | 0.1          | 764              | 0.0          |
| <b>LIABILITIES AND EQUITY CAPITAL</b>                | <b>6,694,653</b> | <b>100.0</b> | <b>6,646,464</b> | <b>100.0</b> | <b>5,970,091</b> | <b>100.0</b> |

**INCOME STATEMENT**

in R\$ '000

|   | 3Q11           | 2Q11           | 3Q10           | Jan-Sep/11       | Jan-Sep/10       |
|---|----------------|----------------|----------------|------------------|------------------|
| <b>NET REVENUES</b>                               | <b>789,775</b> | <b>751,181</b> | <b>703,313</b> | <b>2,200,821</b> | <b>2,022,196</b> |
| Change in Biological Assets                       | 37,194         | 27,693         | 72,509         | 100,490          | 149,411          |
| Cost of Goods Sold                                | (550,325)      | (525,018)      | (453,032)      | (1,545,793)      | (1,342,378)      |
| <b>GROSS PROFIT</b>                               | <b>276,644</b> | <b>253,856</b> | <b>322,790</b> | <b>755,518</b>   | <b>829,229</b>   |
| Selling Expenses                                  | (89,873)       | (88,470)       | (75,389)       | (255,501)        | (220,551)        |
| General and Administrative Expenses               | (27,721)       | (26,961)       | (27,803)       | (78,691)         | (78,756)         |
| Management Fees                                   | (3,106)        | (3,453)        | (2,446)        | (10,513)         | (7,646)          |
| Other Operating Results                           | 22,616         | 8,439          | 30             | 34,335           | (3,337)          |
| <b>OPERATING PROFIT BEFORE FINANCIAL EXPENSES</b> | <b>178,560</b> | <b>143,411</b> | <b>217,182</b> | <b>445,148</b>   | <b>518,939</b>   |
| Financial Revenue                                 | 39,096         | 16,473         | 10,857         | 74,714           | 35,790           |
| Financial Expense                                 | (68,582)       | (48,597)       | (34,983)       | (165,410)        | (109,834)        |
| <b>OPERATING PROFIT</b>                           | <b>149,074</b> | <b>111,287</b> | <b>193,056</b> | <b>354,452</b>   | <b>444,895</b>   |
| I. Income Tax and Social Contribution             | (10,527)       | (42,808)       | (13,523)       | (63,973)         | (77,458)         |
| II. Deferred Income Tax and Social Contribution   | (20,333)       | 31,904         | (27,096)       | 4,994            | (43,643)         |
| <b>NET INCOME</b>                                 | <b>118,214</b> | <b>100,383</b> | <b>152,437</b> | <b>295,473</b>   | <b>323,794</b>   |

## CASH FLOW STATEMENT

in R\$ '000

|  | 3Q11             | 2Q11             | 3Q10             | Jan-Sep/11       | Jan-Sep/10       |
|--|------------------|------------------|------------------|------------------|------------------|
| <b>NET INCOME FOR THE PERIOD</b>                     | <b>118,214</b>   | <b>100,383</b>   | <b>152,437</b>   | <b>295,473</b>   | <b>323,794</b>   |
| <b>Non Cash Event</b>                                |                  |                  |                  |                  |                  |
| Depreciation, Amortization and Depletion             | 108,239          | 111,016          | 89,880           | 316,499          | 276,689          |
| Changes on Biological Assets Fair Value              | (37,194)         | (27,693)         | (72,509)         | (100,490)        | (149,411)        |
| Interest, Foreign Exchange and Monetary Changes, net | 59,816           | 37,799           | 28,437           | 136,961          | 95,591           |
| Provisions and Asset Write Down                      | (29,759)         | (8,262)          | 14,683           | (12,936)         | 44,905           |
| <b>Working Capital Investments</b>                   | <b>(44,261)</b>  | <b>(43,735)</b>  | <b>(21,563)</b>  | <b>(125,782)</b> | <b>16,894</b>    |
| <b>(Increase) Reduction in Assets</b>                |                  |                  |                  |                  |                  |
| Clients  | (69,237)         | (60,246)         | (80,941)         | (136,105)        | (159,794)        |
| Inventor   | (7,340)          | (8,540)          | (5,280)          | (39,936)         | (59,785)         |
| Other Assets   | 13,797           | (21,906)         | 10,196           | (3,918)          | 48,950           |
| <b>Increase (Reduction) in Liabilities</b>           |                  |                  |                  |                  |                  |
| Suppliers  | (2,040)          | (2,242)          | (10,840)         | (5,341)          | (1,941)          |
| Personnel Liabilities                                | 18,478           | 23,156           | 9,425            | 34,016           | 21,594           |
| Accounts Payable                                     | 3,961            | (7,569)          | 9,669            | 3,672            | 97,642           |
| Taxes and Contribution                               | (6,885)          | 28,143           | 41,468           | 11,328           | 64,848           |
| Other Liabilities                                    | 5,005            | 5,469            | 4,740            | 10,502           | 5,380            |
| <b>CASH PROVIDED BY OPERATING ACTIVITIES</b>         | <b>175,055</b>   | <b>169,508</b>   | <b>191,405</b>   | <b>509,725</b>   | <b>608,462</b>   |
| <b>Investing Activities</b>                          |                  |                  |                  |                  |                  |
| Investments in Fixed and Intangible Asset            | (79,673)         | (121,556)        | (216,951)        | (423,317)        | (363,351)        |
| <b>CASH USED IN INVESTING ACTIVITIES</b>             | <b>(79,673)</b>  | <b>(121,556)</b> | <b>(216,951)</b> | <b>(423,317)</b> | <b>(363,351)</b> |
| <b>Financing Activities</b>                          |                  |                  |                  |                  |                  |
| Issuance of New Debt                                 | 15,201           | 325,279          | 89,654           | 510,231          | 517,528          |
| Debt Amortization                                    | (96,948)         | (115,772)        | (252,422)        | (333,249)        | (494,869)        |
| Dividends, Interest on Capital                       | (57,839)         | (111)            | (76,177)         | (159,427)        | (112,140)        |
| Treasury Stock                                       | (6,343)          | 1,073            | 491              | (10,915)         | (3,159)          |
| <b>Cash Generated (Used) in Financing Activities</b> | <b>(145,929)</b> | <b>210,469</b>   | <b>(238,454)</b> | <b>6,640</b>     | <b>(92,640)</b>  |
| Exchange Rate Variation on Cash and Cash Equivalent  | 1,776            | (404)            | (833)            | 1,395            | (496)            |
| <b>Increase (Reduction) in Cash for the Period</b>   | <b>(48,771)</b>  | <b>258,017</b>   | <b>(264,833)</b> | <b>94,443</b>    | <b>151,975</b>   |
| Opening Balance                                      | 759,763          | 501,746          | 717,732          | 616,549          | 300,924          |
| Closing Balance                                      | 710,992          | 759,763          | 452,899          | 710,992          | 452,899          |