



## Suzano Petroquímica Announces 3<sup>rd</sup> Quarter 2005 Earnings Results

**Suzano Petroquímica takes the control of the largest polypropylene operation in Latin America and reaches a R\$672 million pro-forma net revenue in the quarter**

**São Paulo, November 3, 2005** – Suzano Petroquímica S.A. (a “Companhia”) (BOVESPA: SZPQ4; LATIBEX: XSUPT), the Latin American leader in the production of polypropylene and a joint controlling shareholder of relevant players in the petrochemical sector - Rio Polímeros S.A., Petroflex Indústria e Comércio S.A. and Politeño Indústria e Comércio S.A., announced today its earnings results for the third quarter 2005 (3Q05).

The Company's operational and financial information, unless otherwise indicated, is presented based on consolidated figures and in Reais, as per Corporate Legislation. All the comparisons made in this release take into account the same quarter of 2004 (3Q04), unless otherwise specified.

For consolidation purposes, the elements composing the financial statements of each jointly controlled company were grouped in the Company's consolidated financial statements in proportion to the share held by the Company in the the respective jointly controlled companies, through one or more of its intermediary companies (Suzano Química and SPQ), as follows: **50% in July and August and 100% in September** in Polibrasil Participações S.A. (holder of 98.% of Polipropileno S.A., which holds 99.9% of Polibrasil Resinas S.A., which is the operating company); 20.12% in Petroflex; 33.33% in Rio Polímeros; and 34.99% in Politeño. In the case of Politeño, the percentage applied differs from equity interest held in view of Politeño's class B preferred shares, which have a fixed annual dividend of 6% of the equity value of the shares.

### **Share Information**

(in 11/01/05)

	<b>SZPQ4</b>
<b>R\$/ share</b>	<b>5.01</b>
<b>Maximum – 52 weeks</b>	<b>7.73</b>
<b>Minimum – 52 weeks</b>	<b>4.05</b>

**Market value:** R\$ 1.1 billion (US\$ 504.6 million)

**Number of Shares:** 226,695,380

**Exchange rate:** 2.2508

### **Special Features of this Earnings Release:**

1. Pro-forma consolidation of i the company's financial statements, taking into consideration 100% stake in Polibrasil Participações for all periods presented, in order to allow a better analysis among the periods and results forecast;
2. Until September 1, Polibrasil's financial statements reflected the results of the polypropylene compounding business, which on that date was transferred to Basell. In the case of adjustments as to improve the comparison with future periods, we indicate that in the last 3 years polypropylene compound sales volume represented approximately 5% of Polibrasil's total sales volume, while net revenue from this sales volume were equivalent, in average, to 8% of Polibrasil's total net revenues.
3. Polypropylene business performance analysis, currently conducted by Suzano Petroquímica's PP unit, is concentrated at Suzano Petroquímica Parent Company section. The performance analysis of the companies where Suzano Petroquímica holds joint control are disclosed at the Suzano Petroquímica Consolidated section.
4. Consolidation of only two months of Petroflex's results (July and August), due to the implementation of the Company's new ERP – Enterprise Resource Planning system in September. The operational data of that month was not accounted in time to be booked this quarter, and therefore, the results of September will be incorporated in the last quarter of 2005. Thus, our consolidated result will reflect our stake in Petroflex taking into consideration two months of the period.

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## 3<sup>rd</sup> Quarter 2005 Highlights

### Suzano Petroquímica takes the control of the largest polypropylene operation in Latin America

- ✓ Suzano Petroquímica concluded, on September 1, the operation for the acquisition of Basell's stake in Polibrasil, for the amount of US\$ 276.8 million. This operation involved the simultaneous sale of Polibrasil's polypropylene compounding business to Basell, for US\$ 23.0 million, resulting in a net disbursement of US\$ 253.8 million by Suzano Petroquímica.
- ✓ Through this transaction, Suzano Petroquímica became the Latin American leader in the production of polypropylene and the second largest producer of thermoplastic resins in Brazil, with a production capacity of 625 thousand tons/year, which will be expanded to 875 thousand tons/year after the implementation of the already approved expansion project.

### Suzano Petroquímica implements Financial Restructuring

- ✓ Aiming at, not only, paying Basell for its stake at Polibrasil, but also funding the expansion project and refinancing the debt owed by Polibrasil with less competitive conditions, Suzano Petroquímica is negotiating a financial package already disclosed, which will allow, at the same time, an increase of the average debt maturity from 2.5 years to 6.6 years and a reduction in the cost of debt. More details at the "Recent Events" section.

### Suzano Petroquímica begins its Corporate Restructuring

- ✓ With the acquisition of Polibrasil's control, Suzano Petroquímica could start an important corporate restructuring process through which it will become an operational company. For that purpose, important steps for the corporate restructuring had already been accomplished. More details at the "Recent Events" section.

### Suzano Petroquímica conquers the National Quality Award - PNQ

- ✓ Suzano Petroquímica was awarded, on October 28, with the National Quality Award (PNQ). The National Quality Award was implemented in Brazil in 1992, using the same structure of the Malcolm Baldrige (USA), Deming (Japan) and European Quality Award (Europe) awards, as to disseminate best management practices. The award is a result of a selection process aiming at benefiting the Brazilian economy through the dissemination and experience exchange among the groups with management excellence. Since its implementation, only 19 companies that are known by adopting PNQ's excellence criteria, were granted with the award. However, among all winners, Suzano Petroquímica is the only one to win the PNQ Award having all of its units under assessment (Mauá, Duque de Caxias, Camaçari and its Headquarter).
- ✓ PNQ excellence criteria has as fundamentals: a) leadership and objective consistency; b) future vision; c) focus on the client and the market; d) social and ethical responsibility; e) decision based on facts; f) staff value; g) access to processes; h) focus on the results; i) innovation; j) agility; k) corporate learning; and l) system vision.
- ✓ This year, more than 40 companies participated in the process, out of which only 18 were approved to the second stage and only 8 went to the finals. The award ceremony will take place on November 27, at the Palácio dos Bandeirantes, where the main leaders of the country will be present and also shall have the presence of the Brazilian President.



### **Polibrasil Resinas conquers the international award “BSC Hall of Fame”**

- ✓ Suzano Petroquímica was granted with the BSC Hall of Fame award that honors companies with the best cases of implementation of Balance Scorecard methodology, developed by the Harvard teachers, David Norton and Robert Kaplan. With the participation of national and international companies, the Hall of Fame Award is in its third edition and was created to highlight and reward companies considered outstanding for applying best practices as a strategy.
- ✓ Suzano Petroquímica was contemplated with the award because of its differential on the BSC effectiveness, once it is a management model that helps companies to translate strategies into operational goals driving behavior and performance. After the implementation of the BSC, by the end of 2003, the gains in agility and process improvement were optimized, reinforcing Suzano Petroquímica's drivers: growth, profitability and sustainability focusing on what is really important for the company's strategic activity.



## SUZANO PETROQUÍMICA PARENT COMPANY

### Industry and Economic Outlook

During the 3Q05 we observed a good recovery for local sales and prices of thermoplastic resins, mainly for polypropylene, reversing the behavior verified in 1H05, when local sales performed below the expectations prevailing by the end of 2004. During 1H05, converters primed for the consumption of inventories, built up by the end of last year, also stimulated by the high real interest rates verified in the market, which negatively impacted local sales of polypropylene resins in the period.

With the strong drop in converters inventory level, we observed a consistent recovery of resin purchase during 3Q05, which allowed readjustments in the polypropylene sales price, as they were negatively impacted in 1H05 due to a weak sales volume. Such readjustments in the polypropylene sales price aimed at, not only transferring the increase in raw material prices occurred in 1H05, but also aligning local prices to the current international scenario.

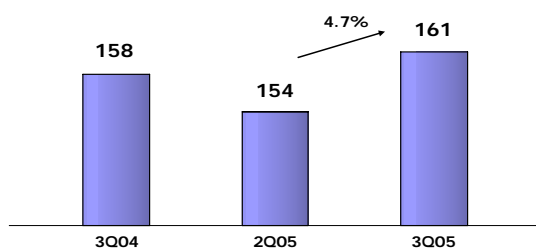
According to Coplast/Siresp data, domestic demand for polypropylene in 3Q05 recorded a 17.6% growth in comparison to 2Q05 and was only 0.8% below 3Q04. Brazilian polypropylene exports in 3Q05 were 67.9% higher than in 2Q05 and 160.9% above 3Q04. Polypropylene imports in 3Q05 were 21.9% above 2Q05 and 31.1% above 3Q04.

The favorable scenario in the international polypropylene market during 3Q05 provided good opportunities for Brazilian exports, as the recent natural disasters in the USA limited resin production in that region and opened new exports alternatives. On the other hand, the Real appreciation in the period stimulated an increase in Brazilian resin and final products imports.

In addition, the foreign exchange appreciation verified in the period negatively impacted sales revenues for petrochemical companies in general; as prices are based on US dollars. Therefore, with lower foreign exchange rates, the same amount of US dollars will be equivalent to a lower amount of Reais.

### Production

Suzano Petroquímica, which operates the polypropylene (PP) business, produced 160.9 thousand tons in the quarter, 1.7% above 3Q04 and 4.7% above 2Q05. The production accumulated in the first nine months of the year reached 439.3 thousand tons, a 1.7% growth in comparison to the same period of 2004, confirming the leadership position of the company in the production of polypropylene in Latin America.



#### Highlight

The average operating rate in the quarter was 99%, a record percentage since the start up of the Mauá unit in March 2003.

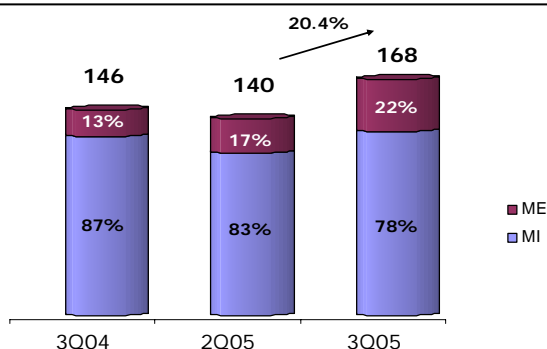




## Sales

### Highlight

Record sales in 3Q05: 168 thousand tons, being 78% in the domestic market

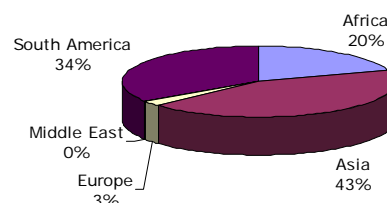


Suzano Petroquímica reached record sales in 3Q05, totaling 168 thousand tons of polypropylene, due to the recovery of local consumption, mainly led by the packaging industry. This volume was 15.2% higher 3Q04 and 20.4% above 2Q05, pointing out the sales recovery, especially in the food and cosmetics sectors. Sales volume accumulated in the first nine months of 2005 was 417.7 thousand tons, still 1.9% below the volume recorded in the same period of 2004, mainly due to the increase in resin and finished products imports, partially motivated by the Real appreciation in the period.

### Exports:

Polypropylene exports in 3Q05 totaled 37.4 thousand tons, volume 96.8% above the same period of 2004. In the first nine months, polypropylene exports went up by 25.6% in comparison to the same period of 2004. Such increase was motivated by better export opportunities during the year, due to insufficient resin supply coupled with the continued demand growth for polypropylene in the world, aggravated, this quarter, by natural disasters in the North American golf, an important petrochemical producer region in the USA.

### Exports per Region

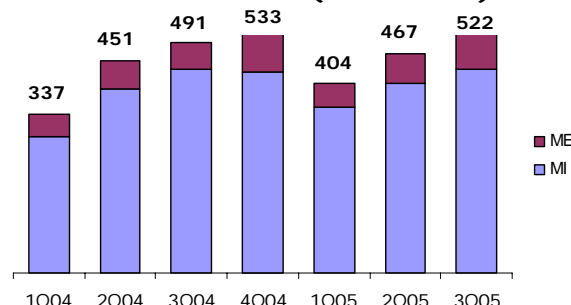


## Net Operating Revenue

In 3Q05, Polibrasil's net operating revenue reached R\$ 521.6 million, a 6.3% increase versus the same period of 2004, as a result of higher sales volume, despite the average price was still 7.8% lower than the same quarter of 2004, due to higher exports and to the Real appreciation in 2005. In comparison to the previous quarter, the average sales price was 7.3% lower in Reais, behavior that is being reverted by successive readjustments in prices during the quarter.

Net revenues for the first nine months reached R\$ 1.4 billion, 8.9% higher than the amount recorded in the same period of 2004. The average sales price practiced in 9M05 remains 11% higher than the sales price practiced in the same period of 2004.

### Net Revenues (R\$ million)

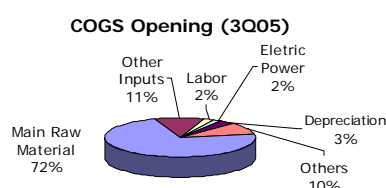




## Cost of Goods Sold (COGS)

Polypropylene cost of goods sold in the quarter was R\$ 451.7 million, corresponding to a 15.7% increase versus the same period of 2004 and a 6.2% increase in comparison to the previous quarter. The increase in comparison to the same quarter of the previous year is mainly due to higher sales volume, as the cost per ton remained stable between the periods. In comparison to 2Q05, there was an 11.8% drop in sales costs per tons, being COGS increase an exclusive result of higher sales volume (+20.4%).

Highlight: 19% decrease in the average propylene price, the main raw material, in comparison to 2Q05



With the 19% decrease in the average propylene price this quarter, versus 2Q05, the propylene cost per ton sold in this quarter was 17% below the propylene cost per ton sold in COGS in 2Q05, and 4% below the cost per tons produced in the same period of 2004. Propylene represented 72% in COGS in the quarter, versus 76% in 3Q04 and 2Q05.

## Operational Expenses

Polibrasil's selling, general and administrative expenses reached R\$ 43.2 million, 6% above the same quarter of 2004 and 30.5% higher than 2Q05. The main factor that contributed for this increase in operating expenses was the increase in freight expenses, due to the higher sales volume. The increase in comparison to 2Q05 was due to the reversion for bad debt provision in the amount of R\$ 3.8 million, non-recurring, realized during that quarter.

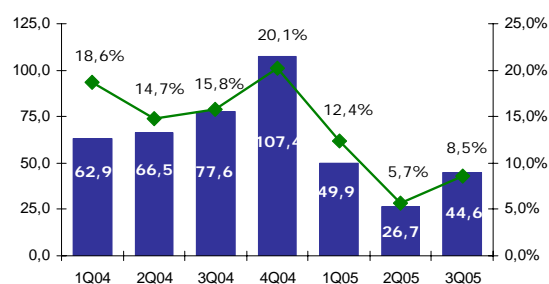
When consolidating polypropylene operational expense with Suzano Petroquímica Parent Company's expenses, which totaled R\$4.6 million in 3Q05, the total operational expense amounts to R\$47.8 million.

## EBITDA

67% EBITDA growth for the polypropylene business in comparison to 2Q04

The EBITDA for the polypropylene business in 3Q05 was R\$ 44.6 million,

a 42.6% drop in comparison to the same period of 2004, but 66.7% above the amount recorded in 2Q05. This EBITDA decrease in the last twelve months is due to margin reduction mainly because of lower average prices in Reais. During 3Q05 we observed the consistent reversion of this scenario, with sales price recovery and drop in propylene price. EBITDA margin was 8.5% in the quarter, 8.3 b.p. below the 3Q04 margin, but 2.8 b.p. above the 2Q05 margin. The margin decrease is also a result of higher exports, therefore, reducing margin per ton sold. The accumulated EBITDA for the polypropylene business in the first nine months of 2005 was R\$ 121.2 million, with an 8.7% margin, a 41.4% decrease in comparison to the same period in 2004.



When consolidating polypropylene EBITDA including Suzano Petroquímica Parent Company's expenses, the R\$44.6 million recorded in 3Q05 would change to R\$40.9 million. The accumulated EBITDA for the year would be R\$ 111.3 million, with an 8% margin.



## Financial Result and Debt

Our Net Financial Result for the PP business was positive R\$ 4.1 million, in comparison to a positive R\$ 27.0 million in 2Q05, mainly due to a lower positive impact of the Real appreciation in the US dollar denominated debt in the quarter. The company had, on September 30, a R\$ 430.7 million net debt, out of which 68% were denominated in foreign currency.

The parent company's net financial result was a negative R\$ 4.7 million this quarter, as a result of the interest of new debt made by the company for the acquisition of Basell's stake in Polibrasil, and also to the restructuring of the debt profile of the "new Suzano Petroquímica parent company", in accordance to the table below. On September 30, the company had a R\$ 611.8 million net debt, out of which 68% were denominated in foreign currency, versus a cash position of R\$ 11.3 million recorded on June 30, 2005.

Therefore, the "new Suzano Petroquímica parent company" net debt, or the net debt for Polibrasil Participações together with Suzano Petroquímica parent company totaled R\$ 1.0 billion on September 30, 2005. The increase in the leverage ratio does not represent any risk due to the expressive increase in the debt amortization schedule, as the strategy for this reduction was based, mainly, in the PP business cash generation recovery, as well as, the additional cash generation coming from the announced expansion projects.

## Net Income

Net income for the PP business was R\$ 16.5 million in the quarter, recording a drop of 62.5% in comparison to the same period of 2004 and of 9.1% in comparison to 2Q05. The drop in comparison to the same period of 2004 is a result of lower gross income, due to the increase in propylene cost, to a financial revenue result R\$ 5.4 million lower and, in a lower scale, to the increase in administrative and selling expenses.

When consolidating administrative and financial expenses of Suzano Petroquímica Parent Company, which totaled R\$13.3 million in 3Q05, net income for the new Suzano Petroquímica parent company results in R\$15.4 million in the quarter, including equity for the joint controlled companies.

## CAPEX and Market Performance

Suzano Petroquímica's PP unit invested R\$ 37.5 million during the first nine months of the year, being approximately 60% of this amount applied to the expansion project, as the beginning of the production capacity expansion at the Duque de Caxias unit, which will be expanded from 200 to 300 thousand tons/year, and the construction of the polypropylene compound unit in Pindamonhangaba, as negotiated with Basell during the acquisition of Polibrasil.

According to its policy for new markets development, Suzano Petroquímica will launch products based on nanotechnology, being the first petrochemical company in Latin America to develop a portfolio of products using nanotechnology. Studies, in partnership with well known Brazilian universities and some strategic clients, are at an advanced stage and the expectation is that, between this year end and the beginning of 2006, two important markets for Suzano will be contemplating with this innovation. The segments where the Company intends to act in this first stage is the packing and car manufacturing industry, which together accounts for approximately 55% of the PP market.

Another segment where Suzano is investing is packaging for the shoe industry. The project, named "Polibrasil Shoe Collection", presented the new shoe packaging concepts for men, women and children, a market that trades R\$7 billion per year. The investment in this sector is tied to the company's target of acting close to the final consumer through researches in new appliance niches. Therefore, identify partners for the development of projects that use polypropylene in replacement to traditional materials, as polypropylene allows new possibilities and adds value to the product, having as a goal the concept of package will be treated as part of the product, inducing consumer's behavior.



## Guidance for the Polypropylene Business

This positive environment in 3Q05 provides a strong indication that both in the short and long run it will occur the expected good performance of the petrochemical sector will occur, mainly for the polypropylene business. In the short run, we are already noticing an important recovery in the polypropylene price at local and international markets, and also in the polypropylene demand, as by the end of the year end there is a higher consumption motivated by the holidays and the summertime in Brazil.

In the long run, taking into consideration that most of the big expansions are concentrated in the Middle East are not for polypropylene production, and that the demand for polypropylene usually presents strong annual growth, at higher levels than the production expansion rates, the balance between supply and demand for polypropylene should remain stable in the next years, creating a favorable environment for the business in the long run.

This positive environment in 3Q05 provides a strong indication that the expected good performance of the petrochemical sector will occur, mainly for PP, both in the short and long run.

## Recent Events

### ✓ Financial Restructuring:

Aiming at, not only paying Basell for its stake at Polibrasil, but also funding the expansion project and replacing debt owed by Polibrasil with less competitive conditions, Suzano Petroquímica is negotiating a financial package, already disclosed, taking the opportunity provided by a better liquidity in the local and international financial markets.

As announced in Relevant Notice, dated September 1, the company raised US\$ 265 million through Export Credit Note in the amount of US\$ 40 million, through Banco Votorantim S.A., with a 10 years maturity, and R\$ 540 million in Promissory Notes ("NPs"), with a 180 days maturity, renewable for more 180 days

As to settle the promissory notes, Suzano Petroquímica issued the Export Credit Note, in Reais, with Banco Bradesco S.A., having already accomplished a R\$ 96 million withdrawal, being R\$ 88 million used to partially settle promissory notes on October 10. With this same purpose, and to finance part of the investments, an IFC financing will be disbursed shortly in the amount of US\$ 200 million. In addition, other financial operations with other financing banks are also in the final stage of negotiation,

Finally, on October 13, Suzano Petroquímica, with the funding raised through an Export Credit Note with Banco Votorantim, in the amount of US\$ 60 million, had anticipated pre-paid US\$ 61 million debt with FMO (Financierings-Maatschappij voor Ontwikkelingslanden N.V.) and syndicate of banks.



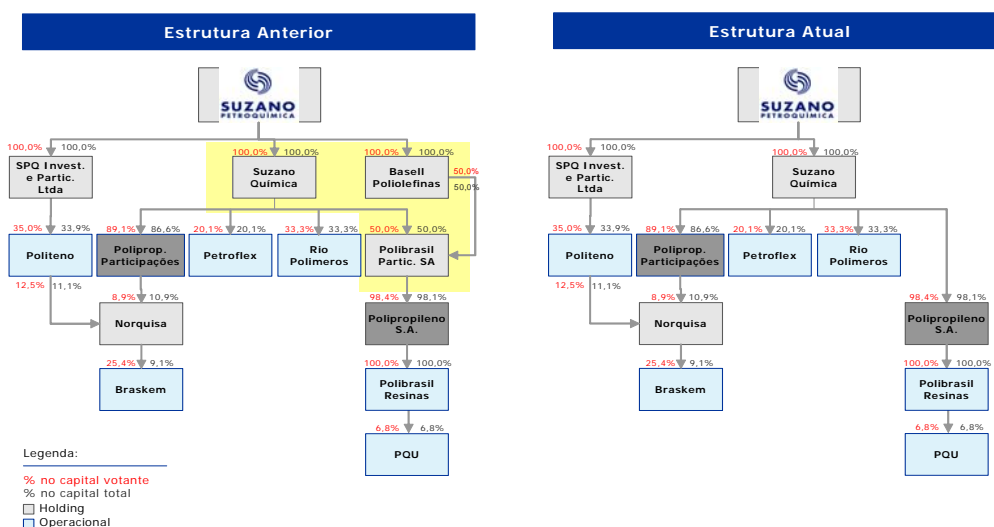


✓ Corporate Restructuring Implementation:

Aiming at simplifying its structure and formally becoming an operational company, important steps towards the corporate restructuring process were implemented. On September 6, Suzano Química, controlled by Suzano Petroquímica, filed at CVM (Brazilian Securities Commission) a request for the cancellation of publicly-held company register of Polipropileno S.A. and Polipropileno Participações S.A., through a Public Offerings for the acquisition of the shares.

On October 26, CVM approved the public offering register for both companies, and the respective call notices were published on October 27. As established in the call notices, the period for minority shareholders exercise their request started on October 28 and will end on November 28. The financial settlements for these two public offerings are expected to occur on November 29. The public offering for the cancellation of the publicly-held company register of Polipropileno Participações S.A. and Polipropileno S.A already counts with 79.8% and 76.3% favorable manifestation from its common and preferred shares, respectively.

At the same time, on September 30, Suzano Química Ltda. had incorporated Suzano Poliolefinas Ltda (former Basell Poliolefinas), becoming the only shareholder of Polibrasil Participações S.A.. By that, Suzano Química incorporated Polibrasil Participações and now directly controls Polipropileno S.A.



After the fulfillment of all stages of Suzano Petroquímica's corporate restructuring process, the Company's organization chart will be dramatically simplified, providing more transparency and facilitating the understanding of its activities by market in general. The next steps will involve the incorporation of Suzano Química Ltda., Polipropileno S.A. and Polibrasil Resinas S.A. by Suzano Petroquímica. SPQ Investimentos e Participações Ltda. shall incorporate Polipropileno Participações S.A..

Suzano Petroquímica hopes to reach this new





- ✓ Suzano Petroquímica will be participating at the Brazil Day, on November 14, 2005, at the Embassy Suites Hotel, NY. We will be part of the Panel 6, from 2:30pm to 4pm, discussing the oil and petrochemical sector in Brazil.
- ✓ The company will also be participating in the 7th Latibex Forum, to be held on November 16 to 18, at the Intercontinental Hotel, in Madrid. We will be part of the panel that will discuss the oil, gas and petrochemical sector, on November 16, from 12:15pm to 1:30 pm.

## SUZANO PETROQUÍMICA CONSOLIDATED

### Highlights of the Consolidated Result\*

Consolidated Highlights* (R\$ million)	3Q05	3Q04	Δ% year	9M05	9M04	Δ%
Net Revenues	672.0	693.3	(3.1)	1,927.5	1,798.6	7.2
Gross Income	92.8	142.9	(35.0)	286.2	357.7	(20.0)
Gross Margin	13.8	20.6	- 6.8 b.p.	14.8	19.9	- 5.1 b.p.
Ebitda	49.7	102.5	(51.6)	169.6	265.8	(38.6)
<i>Ebitda Margin</i>	<i>7.4</i>	<i>14.8</i>	<i>- 7.4 b.p.</i>	<i>8.8</i>	<i>14.8</i>	<i>- 6.3 b.p.</i>

\* Pro-forma consolidated results taking into consideration 100% stake in Polibrasil Participações S.A.

### Industry and Economic Outlook

As mentioned for Suzano Petroquímica Parent Company, in 3Q05 a recovery for thermoplastic resins demand was noticed, due to the decrease in converters inventory level during 1H05.

According to Coplast/Siresp data, domestic demand for polyethylene in 3Q05 recorded an 18.4% increase in comparison to 2Q05 and a 1.0% drop in comparison to 3Q04. Brazilian polypropylenes exports in 3Q05 were 5.3% above the 2Q05 exports and 29.4% above 3Q04. Resin imports were 10.6% higher than in 2Q05 and 9.6% above 3Q04.

The polyethylene market presented a recovery in the quarter, in comparison to the previous quarter, mostly due to the seasonal increase in demand by this time of the year. In addition to that, the natural disasters occurred in the USA reduced the PE supply in the domestic market, as Dow Argentina moved an important part of its sales to the USA, which are usually directed to the Brazilian market. Therefore, with the shortage in supply and the recovery of the domestic market, polyethylene producers managed to place price increases, starting by the end of September, aiming at recovering the domestic market margin. With the reduction in converters inventory levels, this movement of prices recovery shall be even stronger during 4Q05, also causing a decrease in export levels for the sector.

The synthetic rubber industry presented a small decrease in demand, as a result of the the builddown inventory movement during the 3Q05, in the tires segment and the increased volume of Chinese products for the in the shoe industry. The synthetic rubber destined to the asphalt segment presented a slight improvement due to the intensification of governmental initiatives regarding the national highway network.



## Operational Performance of our Jointly Controlled Companies

The following information regards exclusively the companies where Suzano Petroquímica is a jointly controlling shareholder.

It is important to highlight that all information disclosed for Petroflex in 3Q04 considers only two months (July and August), and the 9M05 represents information accumulated in the first eight months of the year (from January to August).

Production (000 ton)	3Q05	3Q04	Δ% year	9M05	9M04	Δ%
Politeno	90.1	93.2	(3.3)	266.3	239.6	11.1
Petroflex	48.5*	95.1	-	219.9	267.0**	-
Rio Polímeros	NA	NA	-	NA	NA	-

Sales (000 ton)	3Q05	3Q04	Δ% year	9M05	9M04	Δ%
Politeno	95.9	92.5	3.7	270.4	249.4	8.4
Domestic Market	75.8	80.2	(5.5)	215.2	222.4	(3.2)
Exports Market	20.1	12.3	62.8	55.2	27.0	104.2
Petroflex	52.6*	92.5	-	219.1**	267.9	(5.0)
Domestic Market	34.4*	65.7	-	137.5**	189.3	-
Exports Market	18.2*	26.8	-	81.6**	78.6	-
Rio Polímeros (MI)	6.2	12.2	(49.0)	28.1	35.0	(19.9)

\* July and August 2005

\*\* Accumulated between January and August 2005

## Riopol

- ✓ Riopol faced some operational difficulties normally expected for to the start up of a complex of its size, which has 2 thousand equipments and more than 10 thousand digital control instruments, that are already under control and **will not compromise Riopol's future performance**

In October the specification of the ethylene production was met and some ethylene storage has been made in order to start up the operation of the two polyethylene facilities. Riopol already has ethane and ethylene stored and has already sold hydrogen, and polymer grade propylene.

In the second half of October, Riopol shut down the ethylene unit and will restart its operations by mid November. After that, the two polyethylene facilities will be started up. The polyethylene production should begin in November, when the performance and reliability testes for three facilities will be done, lasting approximately one month. We highlight that this start up operation and the tests will be conducted by the building consortium, as foreseen in the agreement.

- ✓ In the quarter, Riopol recorded a 6.2 thousand tons sales volume, still as a pre-marketing activity result. This result was 22.0% below the sales volume recorded in the same period of 2004 and 17.2% below sales volume in the previous quarter, already as a reflection of the final stage of this activity for Riopol. The pre-marketing program shall last until Riopol has its own production to supply its clients.
- ✓ **The results from the pre-marketing activities are not related to the Company's future expectations, as it is exclusively a result of the purchase and sale of polyethylene.**



## Politeno

- ✓ Politeno's production was 90.1 thousand tons in the quarter, 3.3% lower than the same period of 2004, and 2.0% lower in comparison to the previous quarter, operating in average 100% production capacity utilization rate, versus 104% and 102% in 3Q04 and 2Q05, respectively. The accumulated production in the year was 266.3 thousand tons, 11% higher than the same period of 2004. The average operating rate in this period was 98.6% versus 88.7% in the same period of 2004 due to a higher ethylene supply and also to some productivity improvements in the production facilities. Politeno recorded sales volume of 95.9 thousand tons, a 3.6% increase in comparison to the same period of 2004, being 21% of the total sales directed to the export market, versus 13% in 3Q04. The higher exports were motivated by the Company's policy to maintain low inventories for finished products. In comparison to the previous quarter, sales volume grew by 8.2%, as a result of the local demand recovery, with a 7% increase in local sales.

## Petroflex

- ✓ Petroflex produced 48.5 thousand tons of synthetic elastomers between July and August (two months), working with an average operating rate of 71% in the period. The accumulated production between January and August was 219.9 thousand tons. **Such figures are not comparable to 3Q04 and 9M04, respectively, as it was not booked the production for September.**
- ✓ The Company's sales volume, between July and August was 52.6 thousand tons, being 65% of this amount directed to local market, and the remaining amount directed to exports. The increase in exports is also a result of the Company's migration to products with better added value, whose main market is outside Brazil.

## Net Revenues

In 3Q05, **pro-forma** consolidated net revenues reached R\$ 672.0 million, corresponding to a 3.1% drop in comparison to 3Q04 pro-forma, pointing out that this difference contemplates the consolidation of only two months for Petroflex. This drop in net revenues is also due to lower average price, in Reais, practiced by the companies between these two specific quarters, and also to the higher exports parcel in total sales volume and the Real appreciation in the period. Even so, pro-forma net revenues accumulated in the first nine months of the year was 7.2% higher than in the same period of 2004, mainly due to 2005 prices, which in average remained above 2004 prices.

Net Revenues						
R\$ million	3Q05	3Q04	Chg. %	9M05	9M04	Chg. %
Polibrasil	521.6	490.7	6.3	1,392.5	1,279.0	8.9
Politeno	288.8	342.1	(15.6)	893.4	852.0	4.9
Petroflex	212.5*	344.1	-	943.8**	921.6	-
Rio Polímeros	19.9	40.9	(51.3)	97.6	108.3	(9.9)
<b>Consolidated***</b>	<b>672.0</b>	<b>693.3</b>	<b>(3.1)</b>	<b>1,927.5</b>	<b>1,798.6</b>	<b>7.2</b>

\* July and August 2005

\*\* Accumulated between January and August 2005

\*\*\* Pro-forma, taking into consideration 100% stake in Polibrasil Participações. The full acquisition took place on September 1, 2005.

- **Riopol:** Riopol's net revenues reached R\$ 19.9 million, a 51.3% drop compared to 3Q04, as a result of the drop in pre-marketing total sales volume, due to the proximity to its start up.





- Politeno:** Politeno's net revenue reached R\$ 288.8 million, a 15.6% drop compared to 3Q04, as a result of lower average prices, in Reais (-18.5%), mainly because of export prices, despite the small increase in sales volume. Accumulated net revenue in the year, reached R\$ 893.4 million, 4.9% above the same period of 2004, as a consequence of higher sales volume, despite the small drop in the average price.
- Petroflex:** Petroflex's net revenue reached R\$ 212.5 million in July and August, practicing average price approximately 30% above 3Q04. Accumulated net revenue between January and August totaled R\$ 943.8 million, 2.4% above net revenues recorded for the first nine months of 2004, despite contemplating one month less from the result. Performance products (higher added value) represented 28% of the total sales in that period, in comparison to 18% in 3Q04.

## Cost of Goods Sold (COGS)

Pro-forma cost of goods sold in the quarter reached R\$ 579.2 million, a 5.2% increase in comparison to the same period of 2004, mainly explained by the increase in PP (Polibrasil) and PE (Politeno) sales volume. Pro-forma COGS was in line with 2Q05, despite the 7.7% increase in the consolidated sales volume, which is explained by the drop in the main raw material prices.

Cost of goods sold						
R\$ million	3Q05	3Q04	Chg. %	9M05	9M04	Chg. %
Polibrasil	451.7	390.2	15.7	1,212.0	1,023.8	18.4
Politeno	242.4	268.7	(9.8)	723.1	673.0	7.4
Petroflex	179.6*	269.1	-	722.1**	742.9	-
Rio Polímeros	19.8	36.0	(45.0)	93.3	96.5	(3.3)
<b>Consolidated***</b>	<b>579.2</b>	<b>550.4</b>	<b>5.2</b>	<b>1,641.3</b>	<b>1,440.8</b>	<b>13.9</b>

\* July and August 2005

\*\* Accumulated between January and August 2005

\*\*\* Pro-forma, taking into consideration 100% stake in Polibrasil Participações. The full acquisition took place on September 1, 2005.

- Riopol:** Riopol's cost of goods sold, a result of the polyethylene purchase for resale, totaled R\$ 19.8 million in the quarter, 45.0% lower than 3Q04, due to the decrease in the sales volume in the pre-marketing period.
- Politeno:** Politeno's cost of goods sold reached R\$ 242.4 million, 9.8% below the amount recorded in the same period of 2004, as an effect of ethylene price readjustment, calculated by the *margin share* formula between the crackers and resin producers, despite the higher sales volume in the quarter. The cost per ton was approximately 13% lower, as a result of the ethylene cost decrease and especially by the fixed costs dilution with higher sales volume. In comparison to 2Q05, COGS had also recorded a 1.7% drop, once again due to lower ethylene costs, the Company's main raw material.
- Petroflex:** Petroflex's cost of goods sold, in July and August, was R\$ 179.8 million, being the unitary cost 17.4% above than 3Q04 and 3.2% above 2Q05. This growth is a result of the increase in raw material prices, especially butadiene, which went up by 16.3% between the two periods. Other



factors that impacted COGS the most were, besides higher butadiene costs, the increase in acrylonitrile price and third party expenses.

## Gross Income

The Company's pro-forma consolidated gross income reached R\$ 92.8 million in the quarter, corresponding to a 35.0% reduction in comparison to the same quarter of 2004. Pro-forma consolidated gross margin was 13.8% in the quarter, a 6.8 b.p. drop versus 3Q04 and a 1.2 b.p. increase versus 2Q05. This drop in gross income is explained by lower net revenues, due to lower average prices, and increased consolidated COGS, as a result of the combined effect of higher sales and higher raw material costs. The accumulated gross income reached R\$ 286.2 million, a 20.0% drop in comparison to the gross income recorded in 9M04, due to the same reasons mentioned above.

## Selling, General and Administrative Expenses (SG&A)

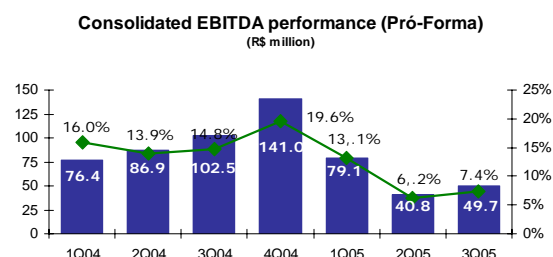
In 3Q05, selling, general and administrative expenses and other pro-forma operational expenses totaled R\$ 69.5 million, corresponding to a 14.3% increase versus the same period of 2004 and to a 25.7% increase versus 2Q05. Such increases are explained as follows:

- **Riopol:** Riopol's selling, general and administrative expenses totaled R\$ 2.3 million this quarter, down by 20.9% the same period of 2004, as a result of the lower traded volume.
- **Politeno:** Politeno's selling, general and administrative expenses totaled R\$ 28.6 million, up by 1.1% the same period of 2004, mainly due to higher export freight expenses.
- **Petroflex:** Petroflex's selling, general and administrative and other operating expenses totaled R\$ 20.0 million, in July and August, being the main lines freight, third-party services and personnel expenses.

## EBITDA

The Company's pro-forma consolidated EBITDA reached R\$ 49.7 million in the quarter, recording a 51.6% drop in comparison to the EBITDA recorded in 3Q04, due to the reduction in the Ebitda of the jointly controlled companies. In comparison to 2Q05, pro-forma consolidated EBITDA recorded a 21.8% increase, mainly due to the 42.7% increase in Polibrasil's EBITDA versus the previous quarter. Consolidated EBITDA margin in the quarter was 7.4%, 7.4 p.p. below the margin recorded in the same period of 2004.

Accumulated pro-forma EBITDA was R\$ 169.6 million, with an 8.8% margin.





EBITDA						
R\$ million	3Q05	3Q04	Chg. %	9M05	9M04	Chg. %
Polibrasil <sup>1)</sup>	44.6	77.6	(59.8)	121.2	206.9	(41.4)
Politeno	22.9	52.4	(56.3)	100.3	130.0	(22.8)
Petroflex	15.6*	50.7	-	149.3**	125.2	-
Rio Polímeros	(2,2)	2.0	-	(6.6)	4.2	-
<b>Consolidated***</b>	<b>49.7</b>	<b>102.5</b>	<b>(51.6)</b>	<b>169.6</b>	<b>265.8</b>	<b>(36.2)</b>

\* July and August 2005

\*\* Accumulated between January and August 2005

\*\*\* Pro-forma, taking into consideration 100% stake in Polibrasil Participações. The full acquisition took place on September 1, 2005.

- Riopol:** Riopol had a negative EBITDA of R\$ 2.2 million in 3Q05, which is an expected result to the pre-marketing activity that consists of reselling third parties' products. In the same period of 2004 cash generation of R\$ 2.0 million was possible due to the favorable market condition.
- Politeno:** Politeno recorded a 56.3% drop in EBITDA in the quarter, compared to 3Q04, due to a strong drop in gross income, as a result of the lower net revenues, generated by lower average prices, not being fully offset by COGS decrease. Politeno's EBITDA margin was 7.9% in the quarter, posting a 7.4 b.p. drop in comparison to 3Q04.
- Petroflex:** EBITDA for July and August was R\$ 15.6 million, corresponding to an EBITDA/ton of approximately R\$ 300, in comparison to an Ebitda/ton of approximately R\$ 550 in 3Q04. Petroflex's EBITDA margin was 7.4%, a 7.3 b.p. drop versus 3Q04. Such drop is a result of increased production cost, due to the increase in the main raw materials cost, associated to a strong increase in selling expenses.

## Financial Result and Debt

The Company's **pro-forma** consolidated net financial result was negative at R\$ 2.5 million, in comparison to a positive R\$ 7.1 million in the same period of 2004, mainly due to the positive impact of the 8.1% Real appreciation for the US dollar denominated debt of our jointly controlled companies in 3Q04, despite the negative result on the cash of Suzanopar Ltd. overseas in the same period. Suzanopar's cash on September 30, 2005 was approximately US\$ 14 million. Suzano Petroquímica invested R\$ 34 million in the Riopol project during the quarter, and the equity contributions are already in a final stage.

Consolidated net debt on September 30, 2005 reached R\$ 1,472.3 million, compared to R\$ 609.8 million in June 2005, recording a 140% increase in the period. This increase is mainly explained by the issuance of new debt for the acquisition of Polibrasil by Suzano Petroquímica. New issuance totaled approximately R\$ 635 million in the quarter.

## Income Tax and Social Contribution

In the quarter, the **pro-forma** consolidated income tax and social contribution were R\$ 9.5 million, compared to the income tax and social contribution of R\$ 28.6 million in the same period of 2004. The drop is due to a lower taxable amount in the period.



## Net Income/Loss for the Period

In the quarter, **pro-forma** consolidated net income was R\$ 6.7 million, in comparison to a R\$ 31.6 million net income recorded in the same period of 2004. Net income decrease in the quarter was due to a drop in the net income of our jointly controlled companies.





## Conference Call

**Tomorrow**, 11/04, we will host our conference call in English, as follows:

**English Presentation**  
**Friday, November 4, 2005**  
 9:30 am – US EST  
 12:30 pm – Brasília time  
 Phone: (+ 1 973) 935-2100  
**ID Code: 6610295 or Suzano Petroquímica**

The slide presentation will be available at the conference call webcast, available on our website [www.suzanopetroquimica.com.br](http://www.suzanopetroquimica.com.br)

## Apimec Meeting

**The Company will host public meeting with analysts to present 3rd quarter 2005 earnings result, as follow:**

### **São Paulo**

Monday, November 7, 2005 – at 6pm (local time)  
 Hotel Renaissance - Alameda Santos, 2233 – Salas Andes e Pampas  
 RSVP: (55 11) 3107-1571

### **Porto Alegre**

Tuesday, November 8, 2005 – at 9am (local time)  
 Salão Nobre do Palácio do Comércio - Largo Visconde do Cairú, 17 – 7º andar  
 RSVP: (55 51) 3224-3121

### **Brasília**

Tuesday, November 8, 2005 – at 6pm (local time)  
 Manhattan Plaza Hotel - SHN, Quadra 2, Bloco A – Sala Brooklin  
 RSVP: (55 61) 3443-4003

### **Belo Horizonte**

Wednesday, November 9, 2005 – at 9am (local time)  
 Liberty Palace - Rua Paraíba, 1465 - Savassi  
 RSVP: (55 31) 3213-0693

### **Rio de Janeiro**

Wednesday, November 9, 2005 – at 6pm (local time)  
 Auditório da Firjan - Rua Graça Aranha, 1 – 13º andar  
 RSVP: (55 21) 2507-6345



## Suzano Petroquímica - Parent Company Balance Sheet

R\$ 000

	9/30/2005	6/30/2005
Cash and cash equivalents	32,466	21,012
Other current assets	4,460	3,700
Long-term assets	10,750	10,719
Other permanent assets	1,658,147	973,340
Property, plant and equipment	1,264	859
<b>Total Assets</b>	<b>1,707,087</b>	<b>1,009,630</b>
Suppliers	-	-
Short-term loans	555,357	6,510
Other short-term liabilities	58,151	2,117
Long-term loans	88,888	3,152
Other long-term liabilities	819	729
Future Periods Results	-	-
Minority interest	-	-
Shareholders' equity	1,003,872	997,122
<b>Total liabilities</b>	<b>1,707,087</b>	<b>1,009,630</b>

## Suzano Petroquímica - Consolidated Balance Sheet

R\$ 000

	9/30/2005	6/30/2005
Cash and cash equivalents	212,963	165,035
Other current assets	566,853	391,817
Long-term assets	218,134	143,645
Other permanent assets	721,180	196,949
Property, plant and equipment	1,460,844	1,179,766
<b>Total Assets</b>	<b>3,179,974</b>	<b>2,077,212</b>
Suppliers	164,590	77,761
Short-term loans	857,191	180,958
Other short-term liabilities	97,895	35,555
Long-term loans	828,084	593,882
Other long-term liabilities	169,423	150,900
Future Periods Results	45,617	33,034
Minority interest	13,302	8,000
Shareholders' equity	1,003,872	997,122
<b>Total Liabilities</b>	<b>3,179,974</b>	<b>2,077,212</b>



## Suzano Petroquímica - Consolidated Income Statement

R\$ thousand

	3Q05	3Q04	Actual Var. %	2Q05	Var. %	3Q05	3Q04	Pro Forma Var. %	2Q05	Var. %
Gross Revenues	645,878	565,503	14%	540,538	19%	865,429	887,342	-2%	848,505	2%
Gross Revenues Deductions	(142,253)	(117,594)	21%	(120,809)	18%	(193,388)	(194,075)	0%	(195,221)	-1%
<b>Net Revenues</b>	<b>503,625</b>	<b>447,909</b>	<b>12%</b>	<b>419,729</b>	<b>20%</b>	<b>672,041</b>	<b>693,267</b>	<b>-3%</b>	<b>653,284</b>	<b>3%</b>
Cost of Goods Sold	(434,077)	(355,257)	22%	(365,218)	19%	(579,218)	(550,371)	5%	(577,844)	0%
<b>Gross Income</b>	<b>69,548</b>	<b>92,652</b>	<b>-25%</b>	<b>54,511</b>	<b>28%</b>	<b>92,823</b>	<b>142,896</b>	<b>-35%</b>	<b>75,440</b>	<b>70%</b>
<i>Gross Margin</i>	<i>13.8%</i>	<i>20.7%</i>		<i>13.0%</i>		<i>13.8%</i>	<i>20.6%</i>		<i>11.5%</i>	
Selling Expenses	(35,308)	(26,592)	33%	(25,480)	39%	(47,524)	(42,750)	11%	(39,374)	21%
General and Administrative Expenses	(15,570)	(13,096)	19%	(14,778)	5%	(18,325)	(16,779)	9%	(19,412)	-6%
Other Net Operating Revenue (Expenses)	1,552	(791)	-	1,437	8%	2,289	(1,308)	-275%	3,506	-35%
<b>Activity Result</b>	<b>20,222</b>	<b>52,173</b>	<b>-61%</b>	<b>15,690</b>	<b>29%</b>	<b>29,263</b>	<b>82,059</b>	<b>-64%</b>	<b>20,160</b>	<b>45%</b>
Net Financial Revenues (Expenses)	4,067	(848)		10,051	-60%	(2,457)	7,094	-135%	23,568	-110%
Financial Revenues	190	-6334		4609	-96%	-555	-3450	-84%	7941	-107%
Financial Expenses	3,877	5,486	-29%	5,442	-29%	(1,902)	10,544	-118%	15,627	-112%
Equity Results	-	-	-	-	-	-	-	-	-	-
Goodwill amortization	(4,269)	(628)	580%	(628)	580%	(4,577)	(1,090)	320%	(1,089)	320%
Net non-Operating Revenues (Expenses)	(4,380)	(2,464)	78%	(3,416)	28%	(4,680)	(5,018)	-7%	(6,875)	-32%
<b>Income Before Income Tax and Social Contribution</b>	<b>15,640</b>	<b>48,233</b>	<b>-68%</b>	<b>21,697</b>	<b>-28%</b>	<b>17,549</b>	<b>83,045</b>	<b>-79%</b>	<b>35,764</b>	<b>-51%</b>
Income Tax and Social Contribution	(8,598)	(16,296)	-47%	(7,117)	21%	(9,473)	(28,540)	-67%	(11,927)	-21%
Minority Interest	(292)	(490)	-40%	(162)	80%	(1,326)	(22,912)	-94%	(9,419)	-86%
<b>Net Income/Loss for the Year</b>	<b>6,750</b>	<b>31,447</b>	<b>-79%</b>	<b>14,418</b>	<b>-53%</b>	<b>6,750</b>	<b>31,593</b>	<b>-79%</b>	<b>8,247</b>	<b>-18%</b>
EBITDA	34,652	63,732	-46%	27,405	26%	49,659	102,532	-51.6%	40,788	22%
<i>EBITDA Margin</i>	<i>6.9%</i>	<i>14.2%</i>		<i>6.5%</i>		<i>7.4%</i>	<i>14.8%</i>		<i>6.2%</i>	



## Suzano Petroquímica - Parent Company

### Income Statement

R\$ thousand

	3Q05	3Q04	Var. %	2Q05	Var. %
Gross Revenues	-	-	-	-	-
Gross Revenues Deductions	-	-	-	-	-
<b>Net Revenues</b>					
Cost of Goods Sold	-	-	-	-	-
<b>Gross Income</b>	-	-	-	-	-
Selling Expenses	-	-	-	-	-
General and Administrative Expenses	(4,972)	(3,980)	25%	(4,287)	16%
Other Net Operating Revenue (Expenses)	-	-		132	
<b>Activity Result</b>	<b>(4,972)</b>	<b>(3,980)</b>	<b>25%</b>	<b>(4,287)</b>	<b>16%</b>
<i>Activity Margin</i>	<i>n.m.</i>	<i>n.m.</i>		<i>n.m.</i>	
Net Financial Revenues (Expenses)	(4,737)	(219)	2063%	906	-623%
Financial Revenues	1,175	166	608%	1,372	-14%
Financial Expenses	(5,912)	(385)		(466)	
Equity Results	19,968	35,587	-44%	18,269	9%
Goodwill Amortization	(3,654)	(167)		(167)	
Net non-Operating Revenues (Expenses)	-	18		-	
<b>Income Before Income Tax and Social Contribution</b>	<b>6,605</b>	<b>31,239</b>		<b>14,853</b>	<b>-56%</b>
Income Tax and Social Contribution	145	354		(435)	-133%
Minority Interest	-	-		-	
<b>Net Income/Loss for the Year</b>	<b>6,750</b>	<b>31,593</b>	<b>-79%</b>	<b>14,418</b>	<b>-53%</b>
Number of shares	226,695,380	221,195,380		226,695,380	
Income (loss) per Share	0.03	0.14		0.06	