# *Suzano Petroquímica S.A.*

*Quarterly Financial Statements for the Quarter Ended June 30, 2006 and Independent Accountants' Review Report*

Deloitte Touche Tohmatsu Auditores Independentes

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Management and Shareholders of
Suzano Petroquímica S.A.
São Paulo - SP

1. We have performed a special review of the accompanying consolidated and individual quarterly financial statements of Suzano Petroquímica S.A. (the "Company"), and subsidiaries, consisting of the balance sheet as of June 30, 2006 and the related statements of income for the quarter and semester then ended and explanatory notes, all prepared in accordance with accounting practices adopted in Brazil under the responsibility of the Company's management. The statements of income for these periods include equity in earnings and participation in tax incentives, as well as the proportional consolidation of the operations, of the jointly controlled subsidiary Politeno Indústria e Comércio S.A. (participation alienated in April 2006) related to the quarter ended March 31, 2006, which had a net impact of R$3,585 thousand on the Company's results of operations, and whose quarterly financial information was reviewed by other independent auditors. Our special review report, insofar as it relates to the impacts on individual and consolidated results of operations of the Company, as well as to the amounts included in explanatory notes as originated from this jointly-controlled subsidiary, is based on the reports of these other auditors.

2. We conducted our review in accordance with specific standards established by the Brazilian Institute of Independent Auditors (IBRACON), together with the Federal Accounting Council, which consisted principally of: (a) inquiries of and discussions with persons responsible for the accounting, financial and operating areas as to the criteria adopted in preparing the quarterly financial statements, and (b) review of the information and subsequent events that had or might have had material effects on the financial position and results of operations of the Company.

3. Based on our special review and on the reports of other independent auditors on the investments in jointly controlled subsidiaries mentioned in paragraph 1, we are not aware of any material modifications that should be made to the quarterly financial statements referred to in paragraph 1 for them to be in conformity with accounting practices adopted in Brazil, as applied under the standards established by the Brazilian Securities Commission (CVM) specifically applicable to the preparation of mandatory quarterly financial statements.

4. As mentioned in Note 25 to the financial statements, as a result of: (i) the Company's acquisition of the remaining capital stock (50%) of Polibrasil Participações S.A. ("Polibrasil"), which has been consolidated since September 1st, 2005 and; (ii) the Company's alienation of the investment in the jointly-controlled subsidiary Politeno Indústria e Comércio S.A. ("Politeno") management decided to present additional financial information that was denominated pro forma balance sheet and pro forma statement of income, which presents the Company's results of operations as if Polibrasil had been acquired and merged as from January 1st, 2005 and the investment at Politeno did not exist since January 1, 2005. Note 25 describes the assumptions and resulting pro forma adjustments used to prepare the pro forma financial information. The "pro forma" financial information for the quarter and semester ended June 30, 2006 and 2005 has been subject to the same review procedures mentioned in paragraph 2 and, based on our special review, except for the omission of "pro forma" adjustments that would reflect the full participation on income, the finance costs that would have been incurred and the goodwill amortization, all retroactively computed to January 1st, 2005, we are not aware of any material modification that should be made to this pro forma financial information to made it consistent with Brazilian accounting practices.

5. The statement of cash flows and statements of changes in financial position for the quarters ended March 31 and June 30, 2006 are presented for purposes of additional analysis and are not a required part of the basic quarterly financial statements prepared in accordance with accounting practices adopted in Brazil. Such information has been subject to the review procedures applied in the special review of the quarterly financial statements and, based on our special review and on the reports of other auditors on the quarterly financial statements of the jointly controlled subsidiary mentioned in paragraph 1, we are not aware of any material modification that should be made to these additional statements to make them consistent with the quarterly financial statements taken as a whole.

6. Brazilian accounting practices vary in certain significant aspects from generally accepted accounting principles in the United States of America. The Company has presented the nature and effect of such differences in Note 26 to the financial statements.

7. We had previously reviewed the individual and consolidated balance sheets as of March 31, 2006, presented for comparative purposes, and issued unqualified review reports thereon, dated May 9, 2006. We had previously reviewed the individual and consolidated balance sheet and statements of income for the semester ended June 30, 2005, presented for comparative purposes, and issued unqualified review report thereon, dated August 3, 2005.

8. Except for Note 26 on U.S. GAAP information, the accompanying financial statements and complementary data reflect a translation and partial compilation from the quarterly financial information issued in the Portuguese language. Certain schedules of the original quarterly financial information have not been included in the accompanying statements.

São Paulo, August 4, 2006

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|---|---|
| DELOITTE TOUCHE TOHMATSU | João Eugenio Leitão Filho |
| Auditores Independentes | Engagement Partner |

**01.01- IDENTIFICATION**

| 1-CVM CODE | 2-COMPANY NAME | 3-Federal Taxpayers' Code |
|---|---|---|
| 01926-7 | SUZANO PETROQUÍMICA S.A. | 04.705.090/0001-77 |

## BALANCE SHEET - ASSETS (IN THOUSANDS OF REAIS - R$)

| 1-CODE | 2-DESCRIPTION | 3- 6/30/2006 | 4- 3/31/2006 |
|---|---|---|---|
| 1 | TOTAL ASSETS | 2,280,517 | 2,400,473 |
| 1.01 | CURRENT ASSETS | 468,843 | 614,913 |
| 1.01.01 | CASH AND CASH EQUIVALENTS | 49,231 | 14,471 |
| 1.01.01.01 | CASH AND BANK ACCOUNTS | 34,188 | 8,985 |
| 1.01.01.02 | TEMPORARY CASH INVESTIMENTS | 15,043 | 5,486 |
| 1.01.02 | CREDITS | 237,930 | 353,186 |
| 1.01.02.01 | TRADE ACCOUNTS RECEIVABLE | 138,368 | 208,945 |
| 1.01.02.02 | RECOVERABLE TAXES | 41,760 | 66,964 |
| 1.01.02.03 | DEFERRED TAXES | 1,746 | 18,686 |
| 1.01.02.04 | OTHER CREDITS | 56,056 | 58,591 |
| 1.01.03 | INVENTORIES | 179,713 | 243,889 |
| 1.01.04 | OTHER | 1,969 | 3,367 |
| 1.01.04.01 | PREPAID EXPENSES | 1,969 | 3,367 |
| 1.02 | NONCURRENT ASSETS | 163,150 | 119,566 |
| 1.02.01 | MISCELLANEOUS CREDITS | 159,853 | 116,389 |
| 1.02.01.01 | RECOVERABLE TAXES | 53,821 | 40,855 |
| 1.02.01.02 | DEFERRED TAXES | 70,986 | 37,533 |
| 1.02.01.03 | JUDICIAL DEPOSITS | 311 | 239 |
| 1.02.01.04 | TRADE ACCOUNTS RECEIVABLE | 9,381 | 10,254 |
| 1.02.01.05 | OTHER CREDITS | 25,354 | 27,508 |
| 1.02.02 | LOANS DUE FROM RELATED PARTIES | 3,297 | 3,177 |
| 1.02.02.01 | LOANS DUE FROM AFFILIATES | 0 | 0 |
| 1.02.02.02 | LOANS DUE FROM SUBSIDIARIES | 3,297 | 3,177 |
| 1.02.02.03 | LOANS DUE FROM OTHER RELATED PARTIES | 0 | 0 |
| 1.02.03 | OTHER | 0 | 0 |
| 1.03 | PERMANENT ASSETS | 1,648,524 | 1,665,994 |
| 1.03.01 | INVESTMENTS | 754,138 | 756,531 |
| 1.03.01.01 | IN AFFILIATED COMPANIES | 0 | 0 |
| 1.03.01.02 | IN SUBSIDIARIES | 739,393 | 741,786 |
| 1.03.01.02.01 | SPQ INVESTIMENTOS E PARTICIPAÇÕES LTDA. | 172,622 | 171,031 |
| 1.03.01.02.02 | RIO POLÍMEROS S.A. | 468,607 | 485,135 |
| 1.03.01.02.03 | PETROFLEX IND E COMÉRCIO S..A. | 66,873 | 64,669 |
| 1.03.01.02.04 | SUZANOPAR PETROQUÍMICA LTDA | 827 | 828 |
| 1.03.01.02.05 | POLIPROPILENO PARTICIPAÇÕES S.A. | 30,464 | 20,123 |
| 1.03.01.03 | OTHER INVESTMENTS | 14,745 | 14,745 |
| 1.03.01.03.01 | UNAMORTIZED NEGATIVE GOODWILL | (20,452) | (20,452) |
| 1.03.01.03.02 | OTHER | 35,197 | 35,197 |
| 1.03.02 | PROPERTY AND EQUIPMENT | 462,493 | 461,767 |
| 1.03.02.01 | OTHER ASSETS | 462,493 | 461,767 |
| 1.03.03 | DEFERRED CHARGES | 431,893 | 447,696 |

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## BALANCE SHEET - LIABILITIES (IN THOUSANDS OF REAIS - R$)

| 1-CODE | 2-DESCRIPTION | 3- 06/30/2006 | 4- 03/31/2006 |
|---|---|---|---|
| 2 | TOTAL LIABILITIES | 2,280,517 | 2,400,473 |
| 2.01 | CURRENT LIABILITIES | 291,956 | 384,263 |
| 2.01.01 | LOANS | 145,689 | 181,205 |
| 2.01.02 | DEBENTURES | 0 | 0 |
| 2.01.03 | SUPPLIERS | 78,919 | 128,121 |
| 2.01.04 | TAXES AND CONTRIBUTIONS | 8,894 | 9,125 |
| 2.01.05 | DIVIDENDS PAYABLE | 43 | 4,393 |
| 2.01.06 | PROVISIONS | 159 | 159 |
| 2.01.06.01 | INCOME TAXES | 159 | 159 |
| 2.01.07 | DEBT WITH RELATED COMPANIES | 0 | 0 |
| 2.01.08 | OTHER | 58,252 | 61,260 |
| 2.01.08.01 | SALARIES AND PAYROLL TAXES | 10,620 | 8,774 |
| 2.01.08.02 | ACCOUNTS PAYABLE | 40,159 | 31,594 |
| 2.01.08.03 | ADVANCES FROM CUSTOMERS | 7,473 | 20,892 |
| 2.01.08.04 | SECURITIZATION FUND OBLIGATION | 0 | 0 |
| 2.02 | LONG TERM LIABILITIES | 1,027,998 | 1,028,434 |
| 2.02.01 | LOANS | 1,007,596 | 996,176 |
| 2.02.02 | DEBENTURES | 0 | 0 |
| 2.02.03 | PROVISIONS | 9,548 | 12,032 |
| 2.02.03.01 | OTHER | 9,548 | 12,032 |
| 2.02.04 | LOANS DUE TO RELATED COMPANIES | 0 | 0 |
| 2.02.05 | OTHER | 10,854 | 20,226 |
| 2.02.05.01 | DEFERRED TAXES | 0 | 0 |
| 2.02.05.02 | PENSION PLAN PROVISION | 0 | 0 |
| 2.02.05.03 | ACCOUNTS PAYABLE | 10,854 | 20,226 |
| 2.02.05.04 | TAX PAYABLE | 0 | 0 |
| 2.02.05.05 | ACCOUNTS PAYABLE TRADE | 0 | 0 |
| 2.03 | DEFERRED INCOME | 23,068 | 23,967 |
| 2.05 | SHAREHOLDERS' EQUITY | 937,495 | 963,809 |
| 2.05.01 | PAID-IN CAPITAL | 826,283 | 826,283 |
| 2.05.02 | CAPITAL RESERVES | 0 | 0 |
| 2.05.03 | REVALUATION RESERVES | 0 | 0 |
| 2.05.03.01 | ON OWN ASSETS | 0 | 0 |
| 2.05.03.02 | FROM SUBSID. /AFFIL. COMPANIES | 0 | 0 |
| 2.05.04 | PROFIT RESERVES | 140,271 | 140,271 |
| 2.05.04.01 | LEGAL RESERVE | 10,207 | 10,207 |
| 2.05.04.02 | STATUTORY RESERVES | 130,064 | 130,064 |
| 2.05.04.03 | RESERVE FOR CONTINGENCIES | 0 | 0 |
| 2.05.04.04 | RESERVE FOR UNREALIZED PROFITS | 0 | 0 |
| 2.05.04.05 | RETAINED EARNINGS | 0 | 0 |
| 2.05.04.06 | RESERVE FOR NON DISTRIBUTED DIVIDENDS | 0 | 0 |
| 2.05.04.07 | OTHERS PROFIT RESERVES | 0 | 0 |
| 2.05.05 | ACCUMULATED PROFIT (LOSS) | (29,059) | (2,745) |

**FEDERAL PUBLIC SERVICE**
**SECURITIES AND EXCHANGE COMMISSION (CVM)** **CORPORATION LAW**
**QUARTERLY INFORMATION** **Base Period - 06/30/2006**
**COMMERCIAL AND MANUFACTURING COMPANIES AND OTHER (1)**

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## STATEMENTS OF INCOME (IN THOUSANDS OF REAIS - R$)

| 1-CODE | 2-DESCRIPTION | 3- FROM 04/01/2006 TO 06/30/2006 | 4- FROM 01/01/2006 TO 06/30/2006 | 5- FROM 04/01/2005 TO 06/30/2005 | 6- FROM 01/01/2005 TO 06/30/2005 |
|---|---|---|---|---|---|
| 3.01 | GROSS REVENUE (SALES AND SERVICES) | 565,994 | 1,112,351 | 0 | 0 |
| 3.02 | DEDUCTIONS OF GROSS REVENUE | (132,988) | (266,697) | 0 | 0 |
| 3.03 | NET REVENUE (SALES AND SERVICES) | 433,006 | 845,654 | 0 | 0 |
| 3.04 | COST OF GOODS AND SERVICES SOLD | (392,840) | (764,070) | 0 | 0 |
| 3.05 | GROSS PROFIT | 40,166 | 81,584 | 0 | 0 |
| 3.06 | OPERATING REVENUES (EXPENSES) | (83,344) | (127,476) | 14,853 | 41,746 |
| 3.06.01 | SELLING EXPENSES | (33,392) | (64,709) | 0 | 0 |
| 3.06.02 | GENERAL AND ADMINISTRATIVE | (12,736) | (28,154) | (4,287) | (8,708) |
| 3.06.03 | FINANCIAL | (27,023) | (9,086) | 906 | 1,604 |
| 3.06.03.01 | INTEREST INCOME | 3,281 | 14,294 | 1,372 | 2,402 |
| 3.06.03.02 | INTEREST EXPENSE | (30,304) | (23,380) | (466) | (798) |
| 3.06.04 | OTHER OPERATING INCOME | 6,211 | 6,251 | 132 | 132 |
| 3.06.05 | OTHER OPERATING EXPENSES | (14,860) | (32,449) | (167) | (334) |
| 3.06.05.01 | GOODWILL AMORTIZATION | (14,860) | (32,449) | (167) | (334) |
| 3.06.06 | EQUITY PICK UP FROM INVESTEES | (1,544) | 671 | 18,269 | 49,052 |
| 3.07 | OPERATING INCOME | (43,178) | (45,892) | 14,853 | 41,746 |
| 3.08 | NON OPERATING INCOME | 350 | (417) | 0 | 5 |
| 3.08.01 | INCOME | 0 | 0 | 0 | 5 |
| 3.08.02 | EXPENSES | 350 | (417) | 0 | 0 |
| 3.09 | INCOME (LOSS) BEFORE TAXES AND PROFIT SHARING | (42,828) | (46,309) | 14,853 | 41,751 |
| 3.10 | PROVISIONS FOR INCOME TAX AND SOCIAL CONTRIBUTION | 0 | 0 | 0 | 0 |
| 3.11 | DEFERRED INCOME TAX | 16,512 | 17,250 | (435) | (291) |
| 3.12 | STATUTORY PROFIT SHARING | 0 | 0 | 0 | 0 |
| 3.12.01 | STATUTORY PROFIT SHARING | 0 | 0 | 0 | 0 |
| 3.12.02 | CONTRIBUTIONS | 0 | 0 | 0 | 0 |
| 3.13 | REVERSAL OF INTEREST ON CAPITAL | 0 | 0 | 0 | 0 |
| 3.15 | NET INCOME (LOSS) FOR THE PERIOD | (26,316) | (29,059) | 14,418 | 41,460 |
| | QUANTITY OF SHARES (EXCEPT TREASURY SHARES - IN THOUSANDS) | 226,695 | 226,695 | 226,695 | 226,695 |
| | INCOME PER SHARE | | | 0,06360 | 0,18289 |
| | LOSS PER SHARE | (0,11609) | (0,12819) | | |

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL INFORMATION**
(In thousands of Reais, unless otherwise indicated)

## 1) OPERATIONS

The operations of Suzano Petroquímica S.A. (the "Company"), a publicly-owned company, include: (a) manufacturing, development, importation and exportation of polypropylene used in the production of auto parts, household appliances, containers, bottles, packaging, carpets, furniture and other; (b) holding company of investments in any company or enterprise; (c) leasing or granting the use of its assets relating to the above activities referred to in item (a) above; and (d) rendering of services relating to the activities described above.

Up to November 30, 2005, the Company was a holding company which held certain investments in jointly-controlled companies. The Company began to have its own operations after the acquisitions described in Note 2 below.

The Company holds investments in the following jointly-controlled subsidiaries:

Petroflex Indústria e Comércio S.A. ("Petroflex")

Production of emulsion and solution elastomers used for production of tires, tread bands and rubber for shoes, televisions, refrigerators, hoses, gaskets, pads, bushing, carpets and other.

Rio Polímeros S.A. ("Rio Polímeros")

On October 31, 2005, Rio Polímeros completed its premarketing operations, which included purchasing and resale of polyethylene manufactured by third parties, the objectives of which were the training of sales, logistics and technical assistance teams, and testing of distribution systems, to prepare for the operating phase of the plant. These pre-marketing operations were contemplated in the business plan and were reflected in results of operations for the first semester of 2005. All expenses not related to pre-marketing operations were capitalized during the pre-operating phase.

The operating phase began on March 31, 2006 after the conclusion of tests performed in accordance with the construction agreement. As a result, the income statement includes the results of the period from April 1$^{st}$, 2006 through June 30, 2006.

The net loss incurred by Rio Polímeros during the three months ended June 30, 2006, amounting to R$57,592, contemplate the impact of currency exchange loss on the loans in such period. Additionally, the sales of polyethylene resulted in a loss of R$11,568 for the quarter, due to the beginning of the operation and commercialization. The assessment of the management of Rio Polímeros is that the course of the operation will be stabilized in the near future. Based on projected positive results of operations, management expects to realize both the investments in permanent assets and the deferred income tax recorded on tax losses for this period.

## 2) CHANGE IN OPERATIONS AND CORPORATE STRUCTURE

On September 1st, 2005, the Company acquired all capital stock of Brasil Poliolefinas Ltda. from Basell International Holdings BV ("Basell"). Brasil Poliolefinas Ltda.'s sole asset was 50% of the capital stock of Polibrasil Participações S.A. ("Polibrasil"). As a result of this acquisition, the Company held 100% of the capital stock of Polibrasil, which in turn held 98.1% of the capital stock of Polipropileno S.A., which in turn owns 100% of the capital stock of Polibrasil Resinas S.A., an operating company with total annual production capacity of 625,000 tons of polypropylene and 25,000 tons of polypropylene compounds. At the same time the Company agreed to sell 100% of polypropylene compound business unit to Basell.

The price of the acquisition of Basell Brasil Poliolefinas Ltda., subsequently renamed Suzano Poliolefinas Ltda., amounted to R$668,493, generating goodwill of R$418,460, representing expectation of future profitability.

On September 30, 2005, the indirect subsidiaries Suzano Poliolefinas Ltda. and Polibrasil Participações S.A. were merged into the direct subsidiary Suzano Química Ltda., which became a direct shareholder of Polipropileno S.A.

On November 29, 2005, the subsidiary Suzano Química Ltda. acquired an additional 1.38% of Polipropileno S.A. for R$17,927 in a public offering, generating goodwill of R$10,320. Polipropileno S.A. then redeemed its remaining capital stock (less than 5% of total stock) by means of a deposit of R$6,582 to make future liquidation payments to the remaining minority shareholders that did not participate in the public offering. As a result, Suzano Química Ltda. became the owner of 100% of the capital stock of Polipropileno S.A.

On November 30, 2005, Suzano Química Ltda., Polipropileno S.A., Polibrasil Resinas S.A. and Polibrasil Compostos S.A. were merged into the Company, which became an operating company, a manufacturer of polypropylene.

On April 4, 2006, the subsidiary SPQ Investimentos e Participações Ltda. ("SPQ"), together with Sumitomo Chemical Company Limited and Itochu Corporation ("Japanese Group"), established a stock sale and purchase agreement with Braskem, in order to sell their total capital stock in the jointly-controlled subsidiary Politeno. For the stock of Politeno's capital, the Company received an initial amount of R$129,704 plus an agreement for the additional collection or payment dependent on the behavior of the difference between the net price of polyethylene and the price of ethylene (the so-called spread of polyethylene), being ethylene referred to the price of naphtha, during the 18 months subsequent to the sale. This agreement for the future collection or payment of additional consideration was characterized as an hybrid derivative financial instrument and, accordingly, recorded at the fair market value computed on the basis of projections of the behavior of its variables in that future period, as determined by independent finance consultants. As a result, the Company recognized in the quarterly financial statements a gain of R$5,176, which was classified as equity in earnings of subsidiaries in the individual income statement, and as non-operating income in the consolidated income statement, for the quarter ended June 30, 2006.

The Company, through its subsidiary Polipropileno Participações S.A., exchanged with Braskem S.A. 75,669,544 shares issued by Nordeste Química S.A. - Norquisa, which represents 8.9% of the voting capital and 10.9% of total capital, for 2,129,324 preferred "A" shares issued by Braskem, which represent 0.6% of total Braskem's capital. On April 6, 2006, the market value of such shares was R$33.5 million (R$15.74 per share at Bovespa) and the book value of Norquisa's stock was R$24 million, resulting in a gain of R$9.5 million, which was classified as equity in earnings of subsidiaries and as non-operating income, in the individual and consolidated income statements, respectively, for the quarter ended June 30, 2006.

3) PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Brazilian accounting practices and the rules and regulations of the Brazilian Securities Exchange Commission (CVM).

The Company's consolidated financial statements as of June 30, 2006, which reflect the 100% ownership interest in the Polibrasil companies, are not comparable to the financial statements as of and for the quarter ended June 30, 2005, which reflected the 50% ownership of that jointly-controlled subsidiary.

Note 25 includes a "pro forma" income statement as of June 30, 2005 as if Polibrasil Participações S.A. had been consolidated by the Company as from January 1, 2005 and considering the seller's interest (Basell) as minority interest as well as eliminating the proportional consolidation of Politeno in March 2006 (balance sheet) and in June 2005 (income statement), as if the investment in Politeno had not existed.

The preparation of financial statements requires the use of estimates. Accounting estimates were based on objective and subjective factors, including management's judgment in determining the adequate amount to be recorded in the financial statements. Significant items subject to estimates and assumptions include the allowance for doubtful accounts, provisions for losses on other current assets, useful lives of fixed assets, goodwill and its amortization, deferred income tax assets, provision for contingencies and the fair value of financial instruments. The Company reviews estimates and assumptions regularly. Although these estimates are based on management's knowledge of current events and actions that may be undertaken in the future, actual results may differ from the estimates included in these financial statements.

The financial statements for the quarter ended March 31, 2006 were restated to reflect the interpretation mentioned in Note 2 as to the accounting treatment of the agreement for the collection or payment of additional consideration in the sale of Politeno's capital shares as a hybrid derivative financial instrument. Accordingly, the restatement reflected the reversal of the accrual for loss recorded previously, which was represented by the difference between the book value of Politeno's capital shares and the initial amount received as part of the price for the sale of the participation in Politeno's capital.

## 4) DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES

### a) Recognition of revenues and expenses

Results of operations are determined on the accrual basis. Sales revenue is recognized when all related risks and benefits of products are transferred to the customer. Revenue is not recognized if there is significant uncertainly as to its realization.

### b) Items denominated in foreign currencies

Monetary assets and liabilities denominated in foreign currencies are recorded based on the exchange rate at the balance-sheet date. Changes in exchange rates result in transaction gains and losses which are recognized currently in income.

### c) Rights and obligations

Monetarily restated according to contractual financial charges or exchange rates, to reflect amounts accrued through the balance sheet date.

### d) Cash and cash equivalents

Cash and cash equivalents include petty cash, bank accounts and highly-liquid temporary cash investments with original maturities of less than 90 days. Temporary cash investments are recorded at cost plus income accrued to the balance sheet date, which does not exceed market value.

### e) Marketable securities

Represented by stock of listed companies recorded at the lower of cost or fair market value.

f) Allowance for doubtful accounts

Determined by means of an analysis of historic losses, assessment of balances with realization risks, specific risks of the portfolio, past experience and negotiations in process.

g) Inventories

Stated at the average cost of acquisition or production, which does not exceed market value. Production costs reflect the full absorption method based on normal utilization of production capacity; the impact of underutilization of capacity is charged to income currently. Spare parts are stated at acquisition cost and charged to manufacturing costs upon consumption or obsolescence.

h) Investments

The investment in jointly-controlled subsidiaries are stated under the equity method. All other investments are recorded under the cost method. Goodwill from acquisitions relates to the expectation of future profitability, which has been amortized over periods of seven to ten years. Participation in the capital stock of companies which have been made available for sale is reclassified to current assets and is carried at the lower of cost or market value. The Company reviews the accounting practices used by subsidiaries and, in case of differences with the Company's, makes adjustments to their shareholders' equity and results of operations, for purposes of application of the equity method.

i) Property, plant and equipment

Stated at acquisition or construction cost, plus interest and other financial charges incurred during construction, plus the impact of partial appraisal write-ups (revaluation). Depreciation is computed under the straight-line method at the rates based on the estimated useful lives of the assets (see Note 13).

j) Deferred charges

Expenditures incurred during the pre-operating phase are recorded at cost and deferred and amortized after the start-up for ten years. In the consolidated balance sheet and in the Company's individual balance sheet after the merger of subject companies, balances of goodwill resulting from the acquisition of subsidiaries mentioned in Note 2 are reclassified to deferred charges. Goodwill from acquisitions relates to the expectation of future profitability, which have been amortized over a period of seven to ten years.

k) Scheduled shutdown of plants

Costs incurred as a result of scheduled shutdown of plants for maintenance purposes are charged to income, as incurred.

l) Income and social contribution taxes

Recognized on the accrual basis. Deferred income taxes have been provided for on temporary differences between the tax basis and book basis of assets and liabilities. Deferred income taxes on tax losses and temporary differences were recognized taking into account the historical profitability and the expectations of generation of future taxable income based on feasibility studies. The plant located in the State of Bahia is entitled to a benefit of reduction and/or exemption of income tax which was granted in prior years. The benefit is deducted from income tax payable and recorded by the individual companies as capital reserves, directly in shareholders' equity. For purposes of the consolidated financial statements, income tax expense is stated at the amount net of the tax-incentive exemption or reduction.

m) Provisions

A provision is recorded in the balance sheet when the Company has an obligation by law or resulting from a past event and it is probable that funds or assets will be needed to settle such obligation. Provisions are recorded based on the best estimates of the risk involved which are supported by the external legal counsel's opinion.

n) Deferred income

Related to negative goodwill from prior acquisitions of shares of Polibrasil companies that have been merged into the Company, which have been amortized over a period of seven years, the same period of amortization of the goodwill paid in the last acquisition of Polibrasil companies.

o) Foreign subsidiary's currency translation method

Financial statements of foreign subsidiaries have been translated into local currency under the current rate method, i.e., assets, liabilities and shareholders' equity at the exchange rate in force at the balance sheet date and statement of income elements at the yearly average exchange rate. The effects from the changes in exchange rates on the opening equity and from the use of the average exchange rate to translate statement of income elements are recognized on income currently.

p) Interest on capital

Recorded originally in accounting records as finance income, when declared or paid by subsidiaries or affiliates, and as finance expense when interest is appropriated to shareholders. However, for purposes of the financial statements the Company uses the essence of the transaction and, accordingly, credits and charges for interest on capital are considered as dividends received and paid and do not flow through income. Consequently, interest on capital received from subsidiaries and affiliates is credited to the investment caption, and interest on capital paid or payable to shareholders is charged to retained earnings.

q) Pension plan contributions

Contributions to private defined-contribution pension plans, computed according to the rules of such plans, are charged monthly to income. For the few cases of employees who remain entitled to defined-benefit plans, a provision is recorded to recognize the possible deficit, if any, determined on the basis of studies developed by independent actuaries.

r) Financial instruments - derivatives

Derivative contracts are accounted for under the accrual basis at fair value. Gains and losses earned or incurred as from these instruments are recognized as adjustments to financial income and expense currently.

## 5) CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements include the Company and its direct and indirect subsidiaries, and the Company's jointly-controlled subsidiaries, which were proportionally consolidated, according to the following percentage shares:

| | 06/30/2006 | | 03/31/2006 | |
|---|---|---|---|---|
| | Voting % | Total % | Voting % | Total % |
| Suzanopar Petroquímica Ltd. | 100.00 | 100.00 | 100.00 | 100.00 |
| Polipropileno Participações S.A. | 99.43 | 99.18 | 96.46 | 96.46 |
| Petroflex Indústria e Comércio S.A. | 20.14 | 20.14 | 20.14 | 20.12 |
| Rio Polímeros S.A. | 33.33 | 33.33 | 33.33 | 33.33 |
| SPQ Investimentos e Participações Ltda. | 100.00 | 100.00 | 100.00 | 100.00 |
| Politeno Indústria e Comércio S.A. | (a) | (a) | 35.00 | 35.00 |
| Politeno Empreendimentos Ltda. | (a) | (a) | 99.99 | 99.99 |

(a) Sold to Braskem on April 4, 2006

Description of the main consolidation procedures:

- Elimination of assets and liabilities between consolidated companies.
- Elimination of participation in capital, reserves and retained earnings of consolidated subsidiaries.
- Elimination of income, expenses and unrealized income from intercompany transactions.
- Segregation of minority interests from equity and results of operations.

- The elements of the financial statements of jointly-controlled subsidiaries were consolidated and eliminated (when this was the case) at the subject percent rate of participation in total capital (proportional consolidation).

- The financial position of the Securitization Fund (FIDC) formed by receivables of the jointly-controlled subsidiary Petroflex was consolidated into the Company according to its share on the subsidiary's capital. The amount of subordinated shares owned by the jointly-controlled subsidiary was eliminated against the total equity of the FIDC, the net amount of which was classified as a current liability with FIDC investors.

6) CASH AND CASH EQUIVALENTS

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 06/30/2006 | 03/31/2006 | 06/30/2006 | 03/31/2006 |
| Bank accounts | 34,188 | 8,985 | 40,565 | 13,745 |
| Temporary cash investments | 15,043 | 5,486 | 179,606 | 26,577 |
| | 49,231 | 14,471 | 220,171 | 40,322 |

7) TRADE ACCOUNTS RECEIVABLE

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 06/30/2006 | 03/31/2006 | 06/30/2006 | 03/31/2006 |
| Domestic clients | 294,952 | 308,387 | 356,017 | 420,407 |
| Foreign clients | 63,677 | 62,769 | 101,110 | 101,943 |
| | 358,629 | 371,156 | 457,127 | 522,350 |
| Discounted export receivables | (47,839) | (2,047) | (67,067) | (22,294) |
| Discounted trade receivables | (28,455) | - | (28,455) | - |
| Vendor operations (*) | (123,365) | (141,239) | (123,944) | (141,910) |
| Allowance for doubtful accounts | (11,221) | (8,671) | (11,914) | (18,325) |
| | 147,749 | 219,199 | 225,747 | 339,821 |
| Receivables classified under current assets | 138,368 | 208,945 | 216,366 | 323,425 |
| Receivables classified under long-term assets | 9,381 | 10,254 | 9,381 | 16,396 |

(*) Operations by means of which customers obtain bank funding to settle with cash their purchases from the Company, which provides guarantees to the banks. In case of delinquency by customers, the Company must reimburse these financial institutions providing credit.

The summary of aging of accounts receivable is as follows:

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 06/30/2006 | 03/31/2006 | 06/30/2006 | 03/31/2006 |
| Current accounts: | | | | |
| From 1 to 30 days | 191,064 | 203,178 | 228,877 | 256,275 |
| From 31 to 60 days | 85,510 | 85,713 | 98,703 | 140,122 |
| From 61 to 90 days | 28,130 | 24,809 | 28,378 | 30,917 |
| From 91 to 360 days | 27,010 | 24,705 | 27,904 | 30,567 |
| More than 360 days | 9,381 | 10,253 | 9,381 | 16,396 |
| | 341,095 | 348,658 | 393,243 | 474,277 |
| Past-due accounts: | | | | |
| From 1 to 30 days | 6,382 | 12,549 | 29,403 | 23,323 |
| From 31 to 60 days | 4,289 | 1,285 | 19,790 | 3,117 |
| From 61 to 90 days | 392 | 1,553 | 595 | 2,184 |
| From 91 to 360 days | 1,472 | 2,471 | 8,811 | 6,744 |
| More than 360 days | 4,999 | 4,640 | 5,285 | 12,705 |
| | 17,534 | 22,498 | 63,884 | 48,073 |
| | 358,629 | 371,156 | 457,127 | 522,350 |

## 8) INVENTORIES

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 06/30/2006 | 03/31/2006 | 06/30/2006 | 03/31/2006 |
| Finished products | 130,018 | 186,511 | 162,394 | 229,678 |
| Work in progress | - | 6 | 3,434 | 9,257 |
| Raw materials | 26,928 | 35,063 | 49,045 | 59,286 |
| Auxiliary materials and other | 6,800 | 8,931 | 6,800 | 9,204 |
| Maintenance materials | 15,149 | 15,032 | 26,432 | 26,746 |
| Provision for losses in inventories | (1,716) | (1,654) | (1,716) | (1,654) |
| Advances to suppliers | 2,534 | - | 2,534 | - |
| | 179,713 | 243,889 | 248,923 | 332,517 |

## 9) RECOVERABLE TAXES

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 06/30/2006 | 03/31/2006 | 06/30/2006 | 03/31/2006 |
| Advances for income tax and social contribution | 3,308 | 3,249 | 7,681 | 7,370 |
| Recoverable ICMS tax | 90,484 | 96,718 | 169,101 | 205,520 |
| Provision for losses on ICMS tax credits | (5,408) | (5,408) | (5,408) | (10,779) |
| Other | 7,197 | 13,260 | 23,592 | 24,772 |
| | 95,581 | 107,819 | 194,966 | 226,883 |
| Amount classified under current assets | 41,760 | 66,964 | 61,835 | 85,701 |
| Amount classified under long-term assets | 53,821 | 40,855 | 133,131 | 141,182 |

The Company and its jointly-controlled subsidiaries have accumulated ICMS tax credits as a result of interstate sales, the tax rate of which is lower than the rate on purchases of raw materials, and of export sales which are exempted from this State tax.

The Company and the jointly-controlled subsidiaries have developed tax planning strategies for recovery of accumulated ICMS tax, represented by the initiatives discussed below, The provisions for losses on these credits have been determined on the basis of the average discounts granted in negotiations.

Company

Plant located in Duque de Caxias - RJ

Deferral (exemption) of ICMS tax on purchases of raw materials performed within the State of Rio de Janeiro, in the importation of materials and merchandise destined to manufacturing and in the importation of machinery, equipment, spare parts and accessories for use as fixed assets, As a result, beginning in April 2005, there are no new credits on these acquisitions, permitting the realization of existing credits.

Plant located in Camaçari - BA

1) Deferral (exemption) of ICMS tax on importation of materials used for manufacturing purposes, on purchases from suppliers located in the State of Bahia and on importation of machinery and equipment. As a result, beginning in March 2005, there are no new credits on these acquisitions, permitting the realization of existing credits.

2) Monthly transfer of ICMS tax credits arising from local sales to the naphtha cracker (Bahiaplast Program).

3) Pending approval from State tax authorities (Bahia) for the transfer of R$30 million of tax credits, arising from the acquisition of raw materials, to third parties.

Plant located in Mauá - SP

1) Negotiations with the State tax authorities for the transfer of ICMS tax credits on exports, amounting to R$14 million, to be used in 2006 for the payment of raw material purchases without any discount.

2) Negotiation of a special tax regime for appropriation and automatic transfer of export tax credits by means of insurance mechanism (Fast-Track).

3) Negotiation of tax incentive project for the plastic transformation industry chain, aimed at the reduction of the intra-state tax rate of basic and intermediary petrochemical products to 12%, neutralizing the accumulation of unused balances of credits resulting from the inter-state sales.

Jointly-controlled subsidiaries

Politeno

The Company's participation on the total ICMS tax credits of this jointly controlled subsidiary amounts to R$47,995 as of March 31, 2006, As explained in Note nº 2, on April 4, 2006 the Company sold its interest in this subsidiary.

Rio Polímeros

The Company's participation on the tax credits of Rio Polímeros S.A, on June 30, 2006 amounts to R$70,025 (R$49,050 on March 31, 2006), being the portion of R$66,721 realizable in the long-term,, the portion generated on the importation of equipment and spare parts for the construction of the plant.

The Company and the jointly controlled subsidiaries will continue to review periodically the realization of ICMS balances and the need to adjust the provision to bring the asset to the likely value to be recovered.

## 10) INCOME TAX AND SOCIAL CONTRIBUTION

a) Deferred income tax assets

Deferred income tax assets of the Company, its subsidiaries and jointly controlled subsidiaries included in the financial statements arise from temporary differences and tax losses.

On June 30, 2006, the Company has accumulated tax losses for purposes of corporate income tax amounting to R$170,278 (R$122,227 as of March 31, 2006) and tax losses for purposes of social contribution tax amounting to R$187,370 (R$136,936 as of March 31, 2006).

The composition of deferred income tax assets is as follows:

| | 06/30/2006 | | | | |
|---|---|---|---|---|---|
| | Suzano Petroquímica S.A. | Rio Polímeros S.A. | Petroflex Indústria e Comércio S.A. | Consolidated June 2006 | Consolidated March 2006 |
| Current: | | | | | |
| Tax losses | 1,188 | - | 59 | 1,247 | 13,959 |
| Temporary differences | 558 | - | 258 | 816 | 5,940 |
| | 1,746 | - | 317 | 2,063 | 19,899 |
| Long term: | | | | | |
| Tax losses | 58,230 | 10,146 | - | 68,376 | 30,830 |
| Temporary differences | 12,756 | - | 3,370 | 16,126 | 14,817 |
| | 70,986 | 10,146 | 3,370 | 84,502 | 45,647 |

The Company's management and the management of jointly-controlled subsidiaries based on profit projections, recognized tax credits on accumulated tax losses (for both corporate income and social contribution tax purposes). These tax losses do not expire, but are limited to 30% of yearly taxable income.

Based on its projections the Company's management and the management of jointly-controlled subsidiaries estimated the realization of such tax credits as follows:

| Year of realization | Consolidated |
|---|---|
| 2006 | 2,063 |
| 2007 | 13,124 |
| 2008 | 12,144 |
| 2009 | 43,967 |
| 2010 | 15,267 |
| Total | 86,565 |

b) Income tax expense reconciliation

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 06/30/2006 | 06/30/2005 | 06/30/2006 | 06/30/2005 |
| Income (loss) before income taxes | (46,309) | 41,751 | (53,874) | 56,533 |
| Unrecognized tax credits of certain companies | - | (41,751) | - | 7,961 |
| | (46,309) | - | (53,874) | 64,494 |
| Combined income tax and social contribution rate | 34% | 34% | 34% | 34% |
| Credit (expense) of income taxes at the combined rate | 15,745 | - | 18,317 | (21,928) |
| Exchange rate changes on foreign investments | - | - | (62) | (1,350) |
| ADENE tax incentives | - | - | 900 | 8,454 |
| Equity in earnings of subsidiaries | (228) | - | - | - |
| Goodwill amortization | (611) | (113) | (611) | (427) |
| Interest on capital to shareholders collected (paid) | - | - | 63 | - |
| Tax credits on temporary differences from prior years | - | - | - | 203 |
| Other permanent additions (exclusions) | 2,344 | (178) | 6,778 | 236 |
| Total income tax credit (expense) | 17,250 | (291) | 25,385 | (14,812) |
| Current income taxes | - | - | (977) | (10,897) |
| Deferred income taxes | 17,250 | (291) | 26,362 | (3,915) |
| | 17,250 | (291) | 25,385 | (14,812) |

The Company has tax incentives up to fiscal year 2013, consisting of a 25% reduction of corporate income tax on the portion of operating profits earned by the Camaçari plant, which is located in the State of Bahia, a tax-incentive region subject to the jurisdiction of ADENE (Northeast Region Development Agency).

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|---|---|---|
| 01926-7 | SUZANO PETROQUÍMICA S.A. | 04.705.090/0001-77 |

## 11) INVESTMENTS

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 06/30/2006 | 03/31/2006 | 06/30/2006 | 03/31/2006 |
| Consolidated subsidiaries | 739,393 | 741,786 | - | - |
| Negative goodwill | (20,452) | (20,452) | - | - |
| Other investments at acquisition cost: | | | | |
| Petroquímica União S.A. | 33,385 | 33,385 | 33,385 | 33,385 |
| Nordeste Química S.A. - Norquisa (Note 2) | - | - | - | 55,703 |
| Allowance for losses (Note 2) | - | - | - | (21,989) |
| Other | 1,812 | 1,811 | 2,426 | 3,989 |
| | 754,138 | 756,530 | 35,811 | 71,088 |

In the consolidated balance sheet as of June 30, 2006, negative goodwill has been reclassified to deferred income, and originated from the following subsidiaries:

| | |
|---|---|
| Petroflex Indústria e Comércio S.A. | 17,593 |
| Polipropileno Participações S.A. | 2,859 |
| | 20,452 |

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## Position and summary of activity of investments in consolidated subsidiaries:

| Subsidiaries | SPQ Investimentos e Participações Ltda. | Rio Polímeros S.A. | Petroflex Indústria e Comércio S.A. | Suzanopar Petroquímica Ltd. | Polipropileno Participações S.A. (2) | Total |
|---|---|---|---|---|---|---|
| a) Interest in the capital as of June 30, 2006 | | | | | | |
| Shares owned: | | | | | | |
| Quotas | 144,375,597 | - | - | 269,999 | - | |
| Common shares | - | 423,602,404 | 4,759,274 | - | 11,708,023,739 | |
| Preferred shares | - | 97 | 2,320,592 | - | 5,930,789,152 | |
| Voting capital | 100,00% | 33,33% | 20,14% | 100,00% | 99,43% | |
| Total capital | 100,00% | 33,33% | 20,12% | 100,00% | 99,18% | |
| b) Information on subsidiaries as of June 30, 2006 | | | | | | |
| Capital | 138,483 | 489,515 | 32,569 | 632 | 66,344 | |
| Adjusted shareholders' equity | 172,622 | 468,607 | 66,875 | 827 | 30,716 | |
| Adjusted results for the period | 10,877 | (19,197) | 1,217 | (62) | 8,407 | |
| c) Investments | | | | | | |
| Balance as of December 31, 2005 | 167,638 | 485,136 | 65,656 | 888 | 20,837 | 740,155 |
| Distributed profits | (5,893) | - | - | - | - | (5,893) |
| Capital increase | - | 2,668 | - | - | - | 2,668 |
| Equity in earnings of subsidiaries | 10,877 | (19,197) | 1,217 | (61) | 7,835 | 671 |
| Acquisition of minority stock | - | - | - | - | 1,792 | 1,792 |
| Balance as of June 30, 2006 | 172,622 | 468,607 | 66,873 | 827 | 30,464 | 739,393 |
| Last stock price at São Paulo Stock Exchange - BOVESPA: | | | | | | |
| 3/31/06 - ON | - | - | 16.00 | - | - | |
| 3/31/06 - PNA | - | - | 14.00 | - | - | |

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The balance sheets and income statements of subsidiaries and jointly controlled subsidiaries included in consolidation are as follows (total amounts, no proportional participation in case of jointly controlled subsidiaries):

| | SPQ Investimentos e Participações Ltda. | | Rio Polímeros S.A. | | Petroflex Indústria e Comércio S.A. | | Suzanopar Petroquímica Ltd. | | Polipropileno Participações S.A. | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Company | | Company | | Consolidated | | Company | | Company | |
| | 06/30/2006 | 03/31/2006 | 06/30/2006 | 03/31/2006 | 06/30/2006 | 03/31/2006 | 06/30/2006 | 03/31/2006 | 06/30/2006 | 03/31/2006 |
| ASSETS | | | | | | | | | | |
| Current assets | 132,626 | 6,881 | 317,164 | 187,541 | 591,654 | 519,006 | 827 | 828 | 34,016 | 525 |
| Cash and cash equivalents | 132,347 | 796 | 9,223 | 7,135 | 171,701 | 85,182 | 827 | 828 | 148 | 185 |
| Trade accounts receivable | - | - | 144,105 | 64,383 | 148,932 | 172,640 | - | - | - | - |
| Inventory | - | - | 115,190 | 101,025 | 153,148 | 150,332 | - | - | - | - |
| Tax credits | 275 | 287 | 20,502 | 12,027 | 62,717 | 55,262 | - | - | 348 | 340 |
| Other assets | 4 | 5,798 | 28,144 | 2,971 | 55,156 | 55,590 | - | - | 33,520 | - |
| Long-term assets | 40,040 | - | 264,531 | 150,391 | 32,636 | 32,236 | - | - | - | - |
| Tax credits | - | - | 262,782 | 148,739 | 9,256 | 17,556 | - | - | - | - |
| Other assets | 40,040 | - | 1,749 | 1,652 | 23,380 | 14,680 | - | - | - | - |
| Permanent assets | 32 | 164,301 | 3,064,498 | 3,143,745 | 438,011 | 428,899 | - | - | - | 34,324 |
| Investments | 32 | 164,301 | - | - | 2,896 | 2,225 | - | - | - | 34,324 |
| Fixed assets | - | - | 2,446,472 | 2,510,422 | 435,115 | 426,674 | - | - | - | - |
| Deferred assets | - | - | 618,026 | 633,323 | - | - | - | - | - | - |
| TOTAL ASSETS | 172,698 | 171,182 | 3,646,193 | 3,481,677 | 1,062,301 | 980,141 | 827 | 828 | 34,016 | 34,849 |

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| | SPQ Investimentos e Participações Ltda. | | Rio Polímeros S.A. | | Petroflex Indústria e Comércio S.A. | | Suzanopar Petroquímica Ltd. | | Polipropileno Participações S.A | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Company | | Company | | Consolidated | | Company | | Company | |
| | 06/30/2006 | 03/31/2006 | 06/30/2006 | 03/31/2006 | 06/30/2006 | 03/31/2006 | 06/30/2006 | 03/31/2006 | 06/30/2006 | 03/31/2006 |
| LIABILITIES AND EQUITY | | | | | | | | | | |
| Current liabilities | 76 | 151 | 333,851 | 386,702 | 377,186 | 302,200 | - | - | 3 | 7 |
| Loans | - | - | 203,530 | 266,612 | 56,547 | 60,879 | - | - | | - |
| Other liabilities | 76 | 151 | 130,321 | 120,090 | 320,639 | 241,321 | - | - | 3 | 7 |
| Long-term liabilities | - | - | 1,906,527 | 1,639,568 | 352,720 | 356,512 | - | - | 3,297 | 3,176 |
| Loans | - | - | 1,586,557 | 1,453,771 | 278,579 | 279,649 | - | - | 3,297 | 3,176 |
| Other liabilities | - | - | 319,970 | 185,797 | 74,141 | 76,863 | - | - | - | - |
| SHAREHOLDERS' EQUITY | 172,622 | 171,031 | 1,405,815 | 1,455,407 | 332,395 | 321,429 | 827 | 828 | 30,716 | 31,666 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 172,698 | 171,182 | 3,646,193 | 3,481,677 | 1,062,301 | 980,141 | 827 | 828 | 34,016 | 34,849 |
| INCOME STATEMENT | | | | | | | | | | |
| Net revenue | - | - | 284,036 | - | 631,294 | 308,378 | - | - | - | - |
| Cost of goods sold | - | - | (295,603) | - | (563,797) | (278,730) | - | - | - | - |
| Gross profit | - | - | (11,567) | - | 67,497 | 29,648 | - | - | - | - |
| Operating expense | 877 | 2,454 | (37,780) | - | (38,877) | (24,206) | - | - | (47) | (9) |
| Interest income (expense) | 3,923 | 40 | (35,733) | - | (20,965) | (13,357) | (61) | 16 | (239) | (131) |
| Operating income | 4,800 | 2,494 | (85,080) | - | 7,655 | (7,915) | (61) | 16 | (286) | (140) |
| Nonoperating income | 5,177 | (266) | - | - | 786 | 54 | - | - | 8,693 | 9,497 |
| Income tax | 900 | 900 | 27,489 | - | (2,393) | 2,952 | - | - | - | - |
| Minority interest | - | - | - | - | - | - | - | - | - | - |
| Net income (loss) | 10,877 | 3,128 | (57,591) | - | 6,048 | (4,909) | (61) | 16 | 8,407 | 9,357 |

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## 12) RELATED PARTIES

The balances and transactions with related parties are described below, There have been no relevant commercial transactions among the Company and subsidiaries and jointly--controlled subsidiaries and among subsidiaries.

| | Company | | | |
|---|---|---|---|---|
| | Assets | | Profit and Loss | |
| | Long-term receivables and intercompany | | Revenue | |
| | 06/30/2006 | 03/31/2006 | 06/30/2006 | 03/31/2006 |
| Consolidated related parties- | | | | |
| Polipropileno Participações S.A. | 3,297 | 3,177 | 266 | 147 |
| | 3,297 | 3,177 | 266 | 147 |

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | 06/30/2006 | | | 03/31/2006 | |
| | Current Assets | Current Liabilities | | Current Assets | Current Liabilities |
| | Accounts Receivable | Suppliers | Revenue (expense or (purchase) | Accounts Receivable | Suppliers |
| Joinly-controlled subsidiaries with nonconsolidated related parties | | | | | |
| Rio Polímeros S.A. | 3,292 | - | - | 1,212 | - |
| Politeno Indústria e Comércio S.A. | - | - | (84,942) | - | - |
| Petroflex Indústria e Comércio S.A. | - | 17,415 | (53,365) | 58 | 8,407 |
| | 3,292 | 17,415 | (138,307) | 1,270 | 8,407 |

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## 13) PROPERTY, PLANT AND EQUIPMENT

| | Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Weighted yearly average depreciation - % | 06/30/2006 | | | 03/31/2006 | | |
| | | Cost | Depreciation | Net book value | Cost | Depreciation | Net book value |
| Land | - | 13,935 | - | 13,935 | 13,598 | - | 13,598 |
| Buildings | 4 | 96,269 | (28,653) | 67,616 | 95,419 | (27,499) | 67,920 |
| Machinery and equipment | 10 | 596,606 | (270,561) | 326,045 | 594,509 | (258,107) | 336,402 |
| Furniture, fixture and installations | 10 | 72,604 | (46,786) | 25,818 | 72,446 | (45,781) | 26,665 |
| Computer hardware | 20 | 15,329 | (12,937) | 2,392 | 15,335 | (12,720) | 2,615 |
| Vehicles | 20 | 4,107 | (2,690) | 1,417 | 3,953 | (2,606) | 1,347 |
| Other items | 10 | 11,733 | (4,679) | 7,054 | 5,435 | (3,535) | 1,900 |
| Construction in progress | - | 18,216 | - | 18,216 | 11,320 | - | 11,320 |
| | | 828,799 | (366,306) | 462,493 | 812,015 | (350,248) | 461,767 |

**01.01- IDENTIFICATION**

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| 01926-7 | SUZANO PETROQUÍMICA S.A. | 04.705.090/0001-77 |

| | Consolidated | | | | | | |
|---|---|---|---|---|---|---|---|
| | Weighted yearly average depreciation rate - % | 06/30/2006 | | | 03/31/2006 | | |
| | | Cost | Depreciation | Net book value | Cost | Depreciation | Net book value |
| Land | - | 22,266 | - | 22,266 | 24,466 | - | 24,466 |
| Buildings | 4 | 133,961 | (29,023) | 104,938 | 95,535 | (27,502) | 68,033 |
| Buildings | 2.5 | 14,686 | (2,790) | 11,896 | 14,686 | (2,693) | 11,993 |
| Buildings | 5 | - | - | - | 21,822 | (16,451) | 5,371 |
| Machinery and equipment | 10 | 1,336,512 | (276,678) | 1,059,834 | 595,882 | (258,200) | 337,682 |
| Machinery and equipment | 5.7 | 66,556 | (22,878) | 43,678 | 66,547 | (21,963) | 44,584 |
| Machinery and equipment | 6.7 | - | - | - | 168,395 | (135,269) | 33,126 |
| Furniture, fixture and installations | 10 | 75,580 | (47,484) | 28,096 | 77,007 | (47,692) | 29,315 |
| Vehicles | 20 | 4,554 | (2,900) | 1,654 | 4,394 | (2,794) | 1,600 |
| Leasehold improvements | 50 | 327 | (245) | 82 | 327 | (232) | 95 |
| Leasehold improvements | 4.7 | 20,103 | (15,602) | 4,501 | 21,733 | (17,172) | 4,561 |
| Computer hardware and other | 20 | 46,271 | (4,906) | 41,365 | 8,775 | (4,748) | 4,027 |
| Other items | 10 | 47,215 | - | 47,215 | 867,835 | - | 867,835 |
| Construction in progress (*) | - | 1,768,031 | (402,506) | 1,365,525 | 1,967,404 | (534,716) | 1,432,688 |

(*) At the beginning of second quarter of 2006, Rio Polímeros S.A., started the chemical gas operation in Duque de Caxias, producing polyethylene from the fractioning of natural gas. For this reason, a large portion of the investments previously classified under the construction in progress caption was reclassified to the machinery and equipment caption.

Transfer of land use rights

Under the agreement signed with the city authorities of Duque de Caxias, based on the applicable legislation, Rio Polímeros S.A. has the right of use of the land where the petrochemical plant is located for a period of 50 years, renewable for another 50 years. As per the agreement, the city authorities transferred the right of use of 87.49% of the land destined to the construction of the plant. The legal process aimed at transferring the right of use of the remaining portion of the land has been conducted at the 4th Civil Court of Duque de Caxias.

## 14) DEFERRED CHARGES

| | Politeno Indústria e Comércio S.A. | Rio Polímeros S.A. | Suzano Petroquímica S.A. | Total |
|---|---|---|---|---|
| Technology | - | - | 75,755 | 75,755 |
| Preoperating expenses | - | 211,267 | 35,892 | 247,159 |
| Goodwill from acquisitions | - | - | 418,374 | 418,374 |
| Other | - | - | 49,731 | 49,731 |
| Amortization | - | (5,259) | (147,859) | (153,118) |
| Net book value - June 30, 2006 | - | 206,008 | 431,893 | 637,901 |
| Net book value - March 31, 2006 | 1,455 | 211,108 | 447,696 | 660,258 |

Technology

From the total balance of technology, R$47,869 relates to the acquisition of rights for the use of the "Spheripol" technology by means of an agreement signed in 1998 with Baselltech USA Inc., which has been used in the Company's Mauá plant, with capacity of 300 thousand tons per year. This advanced production technology was licensed by Basell, a worldwide leader in the production of polypropylene.

Preoperating expenses

Suzano Petroquímica S.A.

Assets are related to the pre-operating expenses of the merged company Polibrasil Participações S.A., which are almost fully amortized.

Rio Polímeros

These deferred charges refer principally to manufacturing costs incurred during the pre-operating phase of the Rio Polímeros plant (R$67,388), construction of a water transportation system in partnership with Petrobras (R$17,144), and disbursements for payroll, services, taxes and other (R$126,735) incurred during the pre-operating phase. From April 2006 on, the plant finished the pre-operating phase and started to operate under normal conditions.

## Goodwill

From the total balance of goodwill, R$384,261 (net of amortization of R$34,111) refer to the acquisition of Basell Brasil Poliolefinas Ltda, (see Note 2), which was computed based on the equity value of Polibrasil as of August 31, 2005 and recorded based on the expectation of future profitability, being amortized over seven years, the period used in the projections that determined the business valuation. There has been no specific allocation from the acquisition price to property, plant and equipment since the book value approximated its fair value as determined by independent appraisers on the date of acquisition. After the merger of the acquired companies on November 30, 2005, the goodwill balance was transferred to deferred charges in the Company's balance sheet, maintaining the amortization period of seven years.

## 15) LOANS

| | Index or currency | Yearly interest rate - % | 06/30/2006 Current | 06/30/2006 Long term | 03/31/2006 Current | 03/31/2006 Long term |
|---|---|---|---|---|---|---|
| COMPANY | | | | | | |
| In local currency: | | | | | | |
| BNDES (National Bank for Economic and Social Development) | TJLP | 5 | 27,558 | 6,889 | 27,429 | 13,715 |
| Compror | CDI | 0.00 | 13,617 | - | 13,041 | - |
| Export credit note - Banco Itaú (1) | CDI | CDI + 0.462 | 7,814 | 75,000 | 4,856 | 75,000 |
| Export credit note - Banco Bradesco | CDI | 105.50 CDI | 3,527 | 96,000 | 8,229 | 96,000 |
| Export credit note - Banco do Brasil | CDI | 106.00 CDI | 8,360 | 100,000 | 4,454 | 100,000 |
| FINEM (enterprise funding) | TJLP | 3.02 | - | 18,078 | - | - |
| | | | 60,876 | 295,967 | 58,009 | 284,715 |
| In foreign currency: | | | | | | |
| IFC - Portion A | US$ | Libor + 2.75 | 272 | 85,490 | 1,143 | 85,810 |
| IFC - Portion B | US$ | Libor + 2.00 | 692 | 239,155 | 2,875 | 240,049 |
| IFC - Portion C | US$ | Libor | 46 | 21,643 | 183 | 21,724 |
| Compror (2) | US$ | 5.40 | 19,552 | - | 19,861 | - |
| Advance on export contracts | US$ | 5.34 | 30,523 | 754 | 45,623 | - |
| Advanced export - Banco ABN Amro Real | US$ | Libor + 1.60 | 23 | 119,037 | 61 | 119,483 |
| Export credit note - Banco Votorantim | US$ | 7.97 | 5,127 | 216,430 | 770 | 217,240 |
| FINIMP (import funding) | US$ | 5.20 | 27,744 | - | 52,283 | - |
| Advanced export - Banco Santander | US$ | Libor + 1.79 | 834 | 27,053 | 397 | 27,155 |
| FINEM (enterprise funding) | US$ | 2.52 | - | 2,067 | - | - |
| | | | 84,813 | 711,629 | 123,196 | 711,461 |
| | | | 145,689 | 1,007,596 | 181,205 | 996,176 |

(1) In connection with this loan, the Company contracted a cross-currency swap to exchange this loan for a loan denominated in U,S, dollars plus nominal interest of 7.84% per year and effective cost of 6.,80% per year. The objective of this transaction was to decrease the finance cost of the loan. This transaction was terminated on April 5, 2006.

(2) The Company contracted three cross-currency swap operations to exchange the interest rate of this contract for the greater between the fluctuation of US$ and 47.50% to 59% of CDI.

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|---|---|---|
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| SUBSIDIARIES | Index or currency | Yearly interest rate - % | 06/30/2006 Current | 06/30/2006 Long term | 03/31/2006 Current | 03/31/2006 Long term |
|---|---|---|---|---|---|---|
| Rio Polímeros S,A,: | | | | | | |
| Local currency: | | | | | | |
| BNDES - Subcredit A | TJLP | 5 | 9,454 | 179,834 | 21,185 | 162,236 |
| BNDES - Subcredit B | TJLP | 5 | 1,857 | 35,336 | 4,163 | 31,878 |
| BNDES - Subcredit C | Currency basket | 5 | 2,491 | 46,201 | 5,566 | 41,760 |
| BNDES - Sub A | TJLP | 4.50 | 322 | 6,179 | 798 | 5,509 |
| BNDES - Sub B | US$ | 3 | 52 | 1,024 | 131 | 924 |
| FUNDES | US$ | 6.17 | 4 | 1,426 | - | - |
| COMPROR | US$ | 103.00 CDI | 2,703 | - | - | - |
| | | | 16,883 | 270,000 | 31,843 | 242,307 |
| Foreign currency: | | | | | | |
| U,S, Exim Bank | US$ | 5.51 | 6,571 | 148,069 | 14,771 | 138,368 |
| Advance on Export Contracts | US$ | 5.10 a 5.48 | 4,727 | 110,784 | 31,346 | - |
| SACE | US$ | 5.51 | 39,662 | - | 10,911 | 103,915 |
| | | | 50,960 | 258,853 | 57,028 | 242,283 |
| | | | 67,843 | 528,853 | 88,871 | 484,590 |

| SUBSIDIARIES | Index or currency | Yearly interest rate - % | 06/30/2006 Current | 06/30/2006 Long term | 03/31/2006 Current | 03/31/2006 Long term |
|---|---|---|---|---|---|---|
| Petroflex Indústria e Comércio S,A,: | | | | | | |
| Local currency: | | | | | | |
| BNDES | TJLP/UMBND | 3.50 and 5.00 | 2,417 | 5,376 | 2,246 | 5,779 |
| FINEP | URTJLP | 6.40 | 618 | 5,644 | 616 | 5,765 |
| | | | 3,035 | 11,020 | 2,862 | 11,544 |
| Foreign currency: | | | | | | |
| Exim Bank | US$ | Libor + 1.25 | 298 | 645 | 199 | 291 |
| Interest on discount export bills | US$ | 4.75 | 161 | - | 109 | - |
| Advance on export contracts | US$ | Libor + 2.50 | 255 | 12,192 | 65 | 12,237 |
| Advances on export exchange contracts | US$ | 5.00 | 4,566 | - | 4,525 | - |
| FINIMP | US$ | 4.50 | 2,683 | - | 2,658 | - |
| | | | 7,963 | 12,837 | 7,556 | 12,528 |
| | | | 10,998 | 23,857 | 10,418 | 24,072 |

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| SUBSIDIARIES | Index or currency | Yearly interest rate - % | 06/30/2006 Current | 06/30/2006 Long term | 03/31/2006 Current | 03/31/2006 Long term |
|---|---|---|---|---|---|---|
| Politeno Indústria e Comércio S,A,: (3) | | | | | | |
| Local currency: | | | | | | |
| BNDES | TJLP | 3.30 | - | - | 1,042 | 401 |
| | | | - | - | 1,042 | 401 |
| Foreign currency: | | | | | | |
| FINIMP | US$ | Libor + 2 | - | - | 12,774 | 221 |
| Advances on export exchange contracts | US$ | 2.75 to 3.98 | - | - | 10,802 | - |
| | | | - | - | 23,576 | 221 |
| | | | - | - | 24,618 | 622 |
| Consolidated: | | | | | | |
| Local currency | | | 80,794 | 576,987 | 93,755 | 538,967 |
| Foreign currency | | | 143,736 | 983,319 | 211,355 | 966,494 |
| | | | 224,530 | 1,560,306 | 305,110 | 1,505,461 |

(3) Company sold to Brasken on April 4, 2006.

In January 2006, the subsidiary Petroflex issued debentures amounting to R$160,000, with a total term of five years, (final maturity at December 1, 2010). These debentures bear interest at 104.5% of the accumulation of daily averages of DI rates ("non Group overnight rate"). On June 30, 2006 the proportional amount of the obligation consolidated by the Company was R$32,569 (R$34,021 as of March 31, 2006), being R$379 (R$1,830 as of March 31, 2006) current and R$32,191 (R$ 32,191 as of March 31, 2006) non current.

The long-term portion of loans matures as follows:

| | Company | Jointly-controlled subsidiaries: Rio Polímeros S.A. | Jointly-controlled subsidiaries: Petroflex Indústria e Comércio S.A. | Consolidated |
|---|---|---|---|---|
| 2007 | 7,643 | 11,861 | 1,381 | 20,885 |
| 2008 | 73,373 | 53,877 | 4,705 | 131,955 |
| 2009 | 106,885 | 60,496 | 6,804 | 174,185 |
| 2010 | 106,885 | 58,495 | 6,007 | 171,387 |
| 2011 onwards | 712,810 | 344,123 | 4,961 | 1,061,894 |
| | 1,007,596 | 528,852 | 23,858 | 1,560,306 |

Guarantees of loans

Company

The loans with IFC - International Finance Corporation (World Bank Group), are limited to U$100,000 and are guaranteed by the parent company, Suzano Holding S.A., with a cost of 0.60% per year.

Jointly-controlled subsidiaries

- Rio Polímeros - Cash flow of future operations, supported by export contracts, capital stock of Rio Polímeros owned by shareholders (Suzano Petroquímica S.A., Unipar - União de Industrias Petroquímicas S.A. and Petrobras Química S.A. - Petroquisa), and subrogation of the license of use of land.

  Due to the delay in the construction of the plant and of the beginning of testing phase, Rio Polímeros concluded on April 17, 2006 the negotiations with banks to postpone the interest and principal due on 2006 to April 2007 and extension of loan terms by a year, postponing last installment to April 2016.

- Petroflex Indústria e Comércio S.A.

  - BNDES - guarantee provided by related companies Braskem S,A,, Suzano Petroquímica S,A, and Unipar and mortgage of property located in Triunfo, State of Rio Grande do Sul, whose value is R$11,882.

  - FINEP - first degree mortgage of property located in Duque de Caxias, State of Rio de Janeiro, whose value is R$19,608.

The indices or reference rates of loans referred to above posed the following variations during the twelve months period from July 1, 2005 through June 30, 2006 and for 2005 fiscal year:

| Index or rate | Yearly rate - % | |
|---|---|---|
| | 07/01/2005 a 06/30/2006 | 2005 |
| TJLP - long-term interest rate | 9.16 | 9.75 |
| CDI - interbank deposit certificate | 17.72 | 18.92 |
| UMBNDES - monetary unit of BNDES | (6.80) | (14.00) |
| URTJLP - TJLP related ratio | 3.02 | 3.59 |
| TR - reference rate | 2.51 | 2.83 |
| IGP-M - general market price index | 0.87 | 1.20 |

As per certain loan agreements, the Company shall attend each semester and annually certain financial covenants, computed using financial statements prepared in accordance with generally accepted accounting principles in Brazil (Banco Votorantim and Banco ABN-AMRO), and generally accepted accounting principles in the United States of America for the contract with the IFC.

## 16) PROVISION FOR CONTINGENCIES

The provision recorded to recognize probable losses in administrative and judicial disputes related to tax, labor and government-mandated pensions is considered sufficient, according to the assessment of legal counsel and other legal advisors.

The consolidated provision for contingencies, formed by the individual provisions of the Company and jointly-controlled subsidiaries (proportional amounts in the case of the later) as of June 30, 2006, and the summary of activity for the six months then ended are as follows:

| | December 31, 2005 | Additions | Reversal | Interest charges | June 30, 2006 |
|---|---|---|---|---|---|
| Labor matters: | 7,202 | 305 | (3,072) | 32 | 4,467 |
| Suzano Petroquímica S,A, | 6,731 | 60 | (3,072) | 32 | 3,751 |
| Petroflex Indústria e Comércio S,A, | 471 | 245 | - | - | 716 |
| Tax matters: | 8,040 | 40 | (1,968) | 110 | 6,222 |
| Suzano Petroquímica S,A, | 4,354 | - | - | 110 | 4,464 |
| Petroflex Indústria e Comércio S,A, | 1,718 | 40 | - | - | 1,758 |
| Politeno Indústria e Comércio S,A, | 1,968 | - | (1,968) | - | - |
| Civil matters: | 4,929 | - | - | 340 | 5,269 |
| Suzano Petroquímica S,A, | 4,929 | - | - | 340 | 5,269 |
| Other: | 194 | - | - | - | 194 |
| Petroflex Indústria e Comércio S,A, | 194 | - | - | - | 194 |
| Total provision | 20,365 | 345 | (5,040) | 482 | 16,152 |
| (-) Judicial deposits | (7,540) | - | 3,604 | - | (3,936) |
| Net provision | 12,825 | 345 | (1,436) | 482 | 12,216 |

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Labor lawsuit concerning clause 4 (relating only to the plant located in Camaçari)

Under the collective negotiation agreement between the Company (plant located in Camaçari, State of Bahia), among other companies with plants in the Camaçari petrochemical hub, and the petrochemical workers' union, salaries and benefits paid to those workers, in the period from September 1989 to August 1990, should be monetarily restated based on the IPC (consumer price index), being prohibited the substitution of the IPC for any other lower index.

In March 1990, the Brazilian government introduced an economic plan known as Collor Plan, which established certain indices for the monetary restatement of the employees' salaries, however, without including the IPC of April 1990, Based on former court decisions, the association of petrochemical companies understood that the Collor Plan did not determine salary increases based on the IPC, which was contrary to the terms of the annual collective negotiation. Thus, the employers' association filed a lawsuit against the workers' union claiming a statement that the monetary restatement indices established by the Collor Plan prevailed over the conflicting provisions of the collective agreements, The Regional Labor Court decided in favor of the workers' union, and this decision was later changed in part due to the appeal filed before the Superior Labor Court. In 1998, the companies' association filed an extraordinary appeal with the Supreme Federal Court.

Initially the Supreme Federal Court decided favorably to the workers' union, but changed its decision in December 2002, stating that the collective agreement cannot prevail over Federal law, particularly law concerning the public order in Brazil. The Supreme Federal Court's decision on this matter is not definitive. The Company's management believes that appeals are still possible, and considers it is not possible to determine the amounts involved in the lawsuit; accordingly, no change to the accounting procedures adopted to date has been made, i,e,, no provision for possible loss arising from the outcome of the lawsuit has been recorded,

17) CAPITAL STOCK

Capital stock subscribed and paid-in is represented by 226,695,380 nominative shares without par value, being 97,375,446 common shares and 129,319,934 preferred shares.

The bylaws establish a minimum dividend of 30%, computed on adjusted income, Preferred shares have no voting rights and are entitled to the same dividend as common shares. The bylaws provide for the recognition of a special reserve for future capital increase, in the amount of 90% of the profits remaining after appropriation of the legal reserve and dividend distribution, aiming to assure adequate operating conditions. The balance of this special reserve cannot surpass 80% of the amount of capital, The amount remaining after the constitution of this special reserve for future capital increase might be destined to the statutory reserve till this reserve reaches 20% of capital.

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## 18) NET SALES AND COST OF PRODUCTS SOLD

| | Company | | | Consolidated | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 06/30/2006 | | | 06/30/2006 | | | 06/30/2005 | | |
| | Net sales | Cost of sales | Gross profit | Net sales | Cost of sales | Gross profit | Net sales | Cost of sales | Gross profit |
| Domestic market | 721,581 | (619,295) | 102,286 | 956,287 | (830,402) | 125,885 | 673,372 | (555,991) | 117,381 |
| Foreign markets | 124,073 | (144,775) | (20,702) | 207,878 | (228,147) | (20,269) | 146,657 | (125,988) | 20,669 |
| | 845,654 | (764,070) | 81,584 | 1,164,165 | (1,058,549) | 105,616 | 820,029 | (681,979) | 138,050 |

## 19) COMPENSATION OF DIRECTORS AND SENIOR OFFICERS

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 06/30/2006 | 06/30/2005 | 06/30/2006 | 06/31/2005 |
| Compensation | 3,314 | 275 | 4,204 | 1,612 |

The compensation of directors and senior management officers is classified under "General and administrative expenses".

## 20) FINANCIAL INCOME (EXPENSE)

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 06/30/2006 | 06/30/2005 | 06/30/2006 | 06/30/2005 |
| Financial expense | (73,113) | (798) | (93,720) | (27,875) |
| Exchange gains on foreign-currency denominated liabilities | 49,733 | - | 13,106 | 19,755 |
| | (23,380) | (798) | (80,614) | (8,120) |
| Financial income | 14,294 | 2,402 | 21,014 | 12,027 |
| Exchange losses on foreign-currency denominated assets | - | - | 38,202 | (1,712) |
| | 14,294 | 2,402 | 59,216 | 10,315 |

## 21) FINANCIAL INSTRUMENTS

The Company and the jointly-controlled subsidiaries participate in operations involving the usual financial instruments described below.

The fair market values estimated for the assets, liabilities and financial instruments recognized in the Company's financial statements as of June 30, 2006 which are different from the corresponding book values can be summarized as follows:

| | Book value | Fair value |
|---|---|---|
| Marketable securities (stock for sale) | 34,779 | 33,047 |
| Investments carried at cost- | | |
| Petroquímica União S,A, | 33,385 | 49,471 |
| Swap contracts | 576 | 576 |

The jointly-controlled subsidiaries disclosed in their financial statements that there are no relevant differences between the fair market values and book values of assets, liabilities and financial instruments recorded in the consolidated financial statements.

The criterion for determination of fair market values stated above is as follows:

a. Marketable securities

The economic value of preferred shares of Petroquímica União S.A. ("PQU") was estimated based on technical analysis of discounted cash flows developed by third parties, In addition to these shares, the Company owns other shares which are available for sale, amounting to R$1,394, reflecting market value in light of the fact that this is lower than book value.

b. Investments carried at cost - Petroquímica União S.A.

As mentionated, the fair value was estimated based on the actual price of the stocks. However, it should be considered that there is a low volume of negotiation of such shares at stock exchange and the actual price could not necessarily represent the market price.

c. Swap contracts

The swap contracts were re-priced based on market value obtained from banks.

There were no unrecorded financial instruments as of June 30, 2006 (Company and jointly-controlled subsidiaries).

The Company, through Polipropileno Participações S.A. has 2,129,324 preferred shares class "A" from Braskem S.A., which represents 0.6% of the total equity of Braskem S.A.. The book value for such shares as of June 30, 2006 was R$33.5 millions. The Company, based on studies from market analysts, concluded the book value is not higher than the fair value.

22) INSURANCE COVERAGE (Not Reviewed by Independent Auditors)

The Company and the jointly-controlled subsidiaries adopt a policy of maintaining adequate insurance coverage for property, plant and equipment items and inventories subject to risk, based on the orientation of insurance consultants. The coverage of principal insurance policies is as follows:

| Entity and type of risk | Subject | Coverage amount (*) |
|---|---|---|
| Suzano Petroquímica S.A.: | | |
| Civil responsibility and unrealized profits | Products and operations | 227,471 |
| Fire | Plants | 805,358 |
| Civil responsibility | Directors and management officers | 35,111 |
| Civil responsibility | Products and operations (in the country) | 59,471 |
| Civil responsibility | Products located abroad and constructions | 54,408 |
| Civil responsibility | Miscellaneous | 59,235 |
| Petroflex Indústria e Comércio S.A.: | | |
| Fire, lightning and explosion | Buildings, building content and inventories | 270,000 |
| Civil responsibility | Directors and management officers | 21,643 |
| Civil responsibility | Miscellaneous | 26,649 |
| Rio Polímeros S.A.: | | |
| Acts of terrorism | Business interruption | 234,070 |
| Civil responsibility | Constructions, assembly services and installation of machinery and equipment | 23,407 |
| Civil responsibility | Commercial e manufacturing sites | 23,407 |
| Civil responsibility | Merchandise | 16,500 |
| Civil responsibility | Directors and management officers | 18,726 |
| Civil responsibility | Miscellaneous | 16,385 |

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## 23) GUARANTEES GRANTED TO OTHERS

Guarantees assumed by the Company in connection with the obligations of subsidiaries and jointly-controlled subsidiaries are as follows:

| | 2006 | 2005 |
|---|---|---|
| Petroflex Indústria e Comércio S.A. - BNDES | 16,746 | 16,746 |
| Rio Polímeros S.A.: | | |
| Guarantee letter - Unibanco | 19,886 | 19,226 |
| Guarantee letter- Banco do Brasil | 9,127 | 9,027 |
| | 29,013 | 28,253 |
| | 45,759 | 44,999 |

## 24) PENSION PLANS

In January 2005, the Company created a private defined-contribution supplementary pension plan for its employees. This plan, named Suzano Prev is sponsored also by other companies of Suzano Group. Based on the rules of the plan, the contribution realized by the Company for the six months ended June 30, 2006 was R$75 (R$56 for six months ended June 30, 2005).

Previnor - Associação de Previdência Privada

As a result of the merger of Polibrasil Participações and subsidiaries, the Company assumed the responsibility for the pension plan of the employees of these companies, which is managed by Previnor - Associação de Previdência Privada, a private pension entity. The main objective of Previnor is to supplement pension benefits provided by the Federal social security system to the employees of the sponsors (and their relatives) and of Previnor. Previnor collects monthly contributions from the sponsors, computed on the basis of the monthly compensation of employees, and maintains a defined contribution plan for scheduled benefits and defined-benefit plan for risk and proportional benefits. Contributions for 2006 amounted to R$1,235 (R$1,274 in 2005).

The pension plan of Politeno and a portion of the plan of Petroflex are also managed by Previnor.

Petroflex, besides being sponsor of the plan managed by Previnor, for a portion of its employees is co-sponsor of Fundação Petrobras de Seguridade Social - Petros (Petrobras sponsors 90% of the plan), which is a defined-benefit plan. The estimated actuarial obligation of Petroflex is recognized and the Company's participation on this liability amounts to R$314 as of June 30, 2006. Petroflex discloses in its financial statements the information required by CVM Instruction 371, and there is no additional deficit of that company to be recorded.

Rio Polímeros S.A. adhered to PREVINOR - Private Pension Association plan in 2004, having as main objective providing supplemental the benefits regularly provided by the Government pension plan to the employees, which is a defined-contribution plan. The monthly contributions are based on the employees salaries. During the six months ended June 30, 2006 Rio Polímeros contributed to the PREVINOR plan approximately R$856 (R$1,067 for the six months ended June 30, 2005).

## 25) "PRO FORMA" FINANCIAL INFORMATION

As a result of the sale of Politeno, the consolidated balance sheet as of June 30, 2006 is not comparable with the consolidated balance sheet as of March 31, 2006 due to the proportional participation of Politeno.

The original statements of income, included 33.89% of Politeno's operations from January to June 2005 and 50% of Polibrasil's operations from January to June 2006.

In order to provide appropriate comparison of the financial information, the Company decided to disclose the consolidated pro forma financial statements, which presents the Company's results of operations and balance sheet as if Polibrasil had been acquired and merged, and the investment at Politeno did not exist, since January 1st, 2005. The 50% participation of Basell in Polibrasil was recorded as minority interest.

The "pro forma" information is presented only to permit additional analysis from the comparison of balances and transactions, and does not purport to be indicative of what would have occurred if the participation at Politeno had actually been sold as of January 1, 2005 and if the Polibrasil companies had actually been merged since January 1st, 2005, are not aimed at representing the isolate statements of a legal identity nor are necessarily indicative of the trend of future operating results.

The following criteria and assumptions were used in the preparation of the "pro forma" financial information:

a) The participation acquired from Basell on September 1st, 2005 (50%) was classified as minority interest for periods prior to the acquisition date.

b) The participation in results of operations for the periods ended June 30, 2005, equivalent to the shares acquired from basell on September 1st, 2005 was classified as minority interest.

c) The "pro forma" financial information does not include "pro forma" adjustments relating to the amortization of goodwill resulting from the acquisition.

d) The "pro forma" financial information does not include "pro forma" adjustments relating to the additional interest cost that would have been incurred to fund the acquisition.

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e) Except for the impacts discussed in item a) and b) above, the income statement of Polibrasil Participações S.A. and its subsidiaries for the periods ended June 30, 2005, were integrally consolidated to the income statement of the Company and other controlled and jointly-controlled subsidiaries.

f) The proportional consolidation of Politeno in the balance sheet as of March 31, 2006, of its income statement elements in the consolidated income statement, and the equity in its earnings for the six months ended June 30, 2005 have been reversed, with a reclassification of the investment caption to the caption “investments available for sale”, under current assets, and the elimination of its effects from individual and consolidated results of operations.

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CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2006 AND

PRO FORMA CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2006

| | Company | | Consolidated | |
|---|---|---|---|---|
| ASSETS | June 2006 | March 2006 | June 2006 | March 2006 |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | 34,188 | 8,985 | 40,565 | 12,264 |
| Temporary cash investments | 15,043 | 5,486 | 179,606 | 23,531 |
| Investments held for sales | - | - | - | 164,269 |
| Trade accounts receivable | 138,368 | 208,945 | 216,366 | 263,671 |
| Inventories | 179,713 | 243,889 | 248,923 | 307,810 |
| Other | 56,056 | 58,591 | 104,109 | 75,767 |
| Recoverable taxes | 41,760 | 66,964 | 61,835 | 82,718 |
| Deferred taxes | 1,746 | 18,686 | 2,063 | 19,899 |
| Prepaid expenses | 1,969 | 3,367 | 6,163 | 4,222 |
| Total current assets | 468,843 | 614,913 | 859,630 | 954,151 |
| NONCURRENT ASSETS | | | | |
| Loans due from related parties | 3,297 | 3,177 | - | - |
| Deferred taxes | 70,986 | 37,533 | 84,502 | 42,049 |
| Recoverable taxes | 53,821 | 40,855 | 133,131 | 91,271 |
| Judicial deposits | 311 | 239 | 1,013 | 2,783 |
| Other | 34,735 | 42,092 | 75,990 | 41,232 |
| Total noncurrent assets | 163,150 | 123,896 | 294,636 | 177,335 |
| PERMANENT ASSETS | | | | |
| Investments | 754,137 | 756,531 | 35,811 | 59,890 |
| Property, plant and equipment | 462,493 | 461,767 | 1,365,525 | 1,384,417 |
| Deferred charges | 431,893 | 447,696 | 637,901 | 658,804 |
| Total permanent assets | 1,648,523 | 1,665,994 | 2,039,237 | 2,103,111 |
| TOTAL ASSETS | 2,280,517 | 2,404,803 | 3,193,503 | 3,234,597 |

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| | Company | | Consolidated | |
|---|---|---|---|---|
| LIABILITIES | June 2006 | March 2006 | June 2006 | March 2006 |
| CURRENT LIABILITIES | | | | |
| Suppliers | 78,919 | 128,121 | 144,342 | 179,709 |
| Loans | 145,689 | 181,205 | 224,909 | 282,324 |
| Obligations of securitization fund | - | - | 24,940 | 25,058 |
| Taxes payable | 8,894 | 9,125 | 19,243 | 11,496 |
| Salaries and payroll charges | 10,620 | 8,774 | 12,382 | 14,550 |
| Advances from customers | 7,473 | 20,892 | 7,759 | 21,278 |
| Dividends payable | 43 | 4,393 | 80 | 4,431 |
| Accounts payable | 40,159 | 31,594 | 43,954 | 34,918 |
| Income tax and social contribution | 159 | 159 | 159 | 159 |
| Total current liabilities | 291,956 | 384,263 | 477,768 | 573,923 |
| NONCURRENT LIABILITIES | | | | |
| Suppliers | - | - | 39,935 | 13,337 |
| Loans | 1,007,596 | 996,176 | 1,592,497 | 1,537,029 |
| Deferred taxes | - | - | 1,395 | 57,036 |
| Provision for contingencies | 9,548 | 12,032 | 12,216 | 16,338 |
| Accounts payable | 10,853 | 24,556 | 88,426 | 27,273 |
| Total noncurrent liabilities | 1,027,997 | 1,032,764 | 1,734,469 | 1,651,013 |
| DEFERRED INCOME | 23,068 | 23,967 | 43,520 | 44,419 |
| MINORITARY INTEREST | - | - | 251 | 1,433 |
| SHAREHOLDERS' EQUITY | | | | |
| Paid-in Capital | 826,283 | 826,283 | 826,283 | 826,283 |
| Profit reserves | 143,509 | 138,681 | 143,509 | 138,681 |
| Retained earnings (accumulated losses) | (32,297) | (1,155) | (32,297) | (1,155) |
| | 937,495 | 963,809 | 937,495 | 963,809 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 2,280,517 | 2,404,803 | 3,193,503 | 3,234,597 |

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PRO FORMA CONSOLIDATED STATEMENTS OF INCOME FOR

THE SIX-MONTH PERIODS ENDED JUNE 30, 2006 AND 2005

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| GROSS REVENUES | 1,112,351 | 1,151,108 | 1,384,705 | 1,364,650 |
| Deductions of gross revenue | (266,697) | (280,161) | (317,362) | (320,681) |
| NET REVENUES | 845,654 | 870,947 | 1,067,343 | 1,043,969 |
| Cost of sales | (764,070) | (760,311) | (976,035) | (893,973) |
| GROSS PROFIT | 81,584 | 110,636 | 91,308 | 149,996 |
| OPERATING EXPENSES | | | | |
| Selling expenses | (64,709) | (55,948) | (78,905) | (65,977) |
| General and administrative | (28,154) | (26,568) | (39,041) | (32,602) |
| Interest expenses | (23,380) | 4,706 | 59,248 | (5,182) |
| Interest income | 14,294 | 11,690 | (80,841) | 13,468 |
| Equity in earnings (losses) of subsidiaries | (2,914) | 17,404 | - | - |
| Goodwill amortization | (32,449) | (2,179) | (32,449) | (2,179) |
| Other operating income (expense) | 6,251 | 15,436 | 9,062 | 15,226 |
| OPERATING INCOME (LOSS) | (49,477) | 75,177 | (71,618) | 72,752 |
| Nonoperating expenses | (419) | (16,073) | 13,611 | (16,398) |
| INCOME (LOSS) BEFORE INCOME TAXES | (49,896) | 59,104 | (58,007) | 56,354 |
| Current income taxes | - | (8,951) | - | (6,647) |
| Deferred income taxes | 17,250 | (8,816) | 25,932 | (8,407) |
| INCOME (LOSS) BEFORE MINORITY INTEREST | (32,646) | 41,337 | (32,075) | 41,300 |
| Minority interest | - | (15,627) | (571) | (15,590) |
| NET INCOME | (32,646) | 25,710 | (32,646) | 25,710 |

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## 26) SUMMARY AND RECONCILIATION OF THE DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN BRAZIL (BRAZILIAN GAAP) AND ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA (U.S. GAAP)

I - Description of GAAP differences

The consolidated financial statements of the Company are prepared in accordance with BR GAAP, which comply with those prescribed by Brazilian corporate law and specific standards established by the CVM. Note 3 to the consolidated financial statements summarizes the accounting policies adopted by the Company. Accounting policies, which differ significantly from U.S. GAAP, are summarized below.

a) Inflation accounting

Under BR GAAP, the Company discontinued accounting for the effects of inflation as of December 31, 1995. As of January 1, 1996, the carrying value of all nonmonetary assets and liabilities became their historical basis. Under U.S. GAAP, Brazil was considered to be a highly inflationary economy until July 1, 1997, and the effect of inflation was recognized until December 31, 1997.

In determining amounts under U.S. GAAP, the effects of inflation for the years ended December 31, 1996 and 1997 were determined using the "Índice Geral de Preços -Mercado - IGP-M" index, which is a widely-accepted and respected index published monthly by the Fundação Getúlio Vargas.

Through December 31, 1995, the Company used indexes established by the government to restate balances and transactions for purposes of its corporate law financial statements. Such indexes do not necessarily represent changes in general price levels, as would be required under U.S. GAAP.

b) Reversal of fixed asset revaluations and related deferred tax liabilities

For U.S. GAAP reconciliation purposes, the revaluation of fixed assets and the related deferred income tax effects recorded in the financial statements prepared in accordance with BR GAAP have been eliminated in order to present fixed assets at historical cost less accumulated depreciation. Accordingly, the depreciation on such revaluation charged to income has also been eliminated for U.S. GAAP reconciliation purposes.

c) Capitalization of interest in relation to construction in progress

Under BR GAAP, prior to January 1, 1996 the Company was not required to capitalize the interest cost of borrowed funds as part of the cost of the related asset. Under U.S. GAAP, capitalization of borrowed funds during construction of major facilities is recognized as part of the cost of the related assets.

Under U.S. GAAP, interest on construction-period financing denominated in foreign currencies is capitalized using contractual interest rates, exclusive of foreign exchange or monetary correction gains or losses. Interest on construction-period financing denominated in Brazilian reais is capitalized.

d) Deferred charges

BR GAAP permits the deferral of research and development costs and of preoperating expenses incurred in the construction or expansion of a new facility until the facility begins commercial operations. Deferred charges are amortized over a period of five to ten years.

For U.S. GAAP reconciliation purposes, such amounts do not meet the conditions established for deferral and, accordingly, have been charged to income, and the related amortization under Brazilian GAAP has been reversed.

e) Different criteria for amortization of technology

Under BR GAAP, the amount of R$47,869 of legal rights to use the technology Polibrasil acquired from Basell is being amortized by the straight-line method over five years, which is a period allowed by Brazilian corporate law.

Under U.S. GAAP, the technology right is being amortized by the period of the contract which allows Polibrasil to use this technology, which is twenty years. The difference presented in the shareholders' equity reconciliation relates to the timing effects of these two different amortization periods used.

f) Accounting for direct financing lease

BR GAAP does not require specific accounting for different classifications of lease arrangements by the lessor. Consequently, virtually all lease contracts are considered operating leases, with receipt of payments and depreciation of the fixed asset being recorded in the statement of operations throughout the period of the lease arrangement.

U.S. GAAP requires the lessor to determine if the lease arrangement is a sales-type lease, direct finance lease or operating lease as defined under SFAS No. 13, "Accounting for Leases".

g) Pension plan

In determining the pension benefit obligations for BR GAAP, Brazilian Accounting Standard NPC No. 26 is effective for financial statements beginning with the year ended December 31, 2001. As permitted by NPC No. 26, the transitional obligation at adoption date, which is the difference between the plan's net assets and the projected benefit obligation at that date, was fully recognized directly to retained earnings.

For the purpose of U.S. GAAP, the Company recognizes these effects according to SFAS No. 87, "Employer's Accounting for Pensions". An initial transition obligation determined based on an actuarial valuation is recognized and actuarial gains and losses, as well as unexpected variations in plan assets and the projected benefit obligation and the effects of amendments, settlements and other events, are recorded in accordance with these standards and therefore result in deferral differences. Under SFAS No. 87, the Company defers actuarial gains and losses.

h) Acquisitions

Under Brazilian accounting practices, assets and liabilities of acquired entities are reflected at book values. Goodwill is represented by the excess of purchase price paid over the book value of net assets and is amortized on a straight-line basis over the periods estimated to be benefited.

Under U.S. GAAP, business combinations are accounted for by the purchase method utilizing fair values. Goodwill is not amortized and is tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill is impaired. Such impairment test is performed utilizing a two-step method. The first step compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, the second step is performed to measure the amount of impairment loss, if any, by comparing the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. If the implied fair value of reporting unit goodwill is lower than the carrying amount of such goodwill, an impairment loss is recognized.

i) Impairment test

SFAS No. 142, "Goodwill and Other Intangible Assets", addresses financial accounting and reporting for acquired goodwill and other intangible assets. SFAS No. 142 addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. This statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. Under SFAS No. 142, goodwill is no longer subject to amortization over its estimated useful life, but rather it will be subject to at least an annual assessment for impairment by applying a fair-value-based test. Additionally, negative goodwill is recognized as an extraordinary gain at the time of the business combination.

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j) Impairment of long-lived assets

Under BR GAAP, the carrying value of fixed assets is written down to realizable values when it is estimated that such assets will not be realized when compared to the results of future discounted cash flow projection. Under U.S. GAAP, SFAS No. 144, "Accounting for the Impairment of Long-lived Assets and Long-lived Assets to Be Disposed of", addresses accounting for the impairment of long-lived assets. Under SFAS No. 144, a provision for impairment is recorded against long-lived assets when there is an indication, based on a review of undiscounted future cash flows, that the carrying value of an asset or a group of assets may not be recoverable. No impairment provision was required under U.S. GAAP nor BR GAAP for all periods presented.

k) Earnings per share

Under BR GAAP, net income per share is calculated on the number of shares outstanding at the balance sheet date; no information is disclosed on diluted earnings per share. Information is disclosed per lot of one thousand shares, because generally this is the minimum number of shares that can be traded on the Brazilian stock exchanges. Subsequent changes in the Company's share capital are not retroactively reflected in the disclosure of number of shares outstanding and in the calculation of earnings per share under BR GAAP.

Under U.S. GAAP, since the preferred and common shareholders have different voting and liquidation rights, basic and diluted earnings per share have been calculated using the "two-class" method, pursuant to SFAS No. 128, "Earnings per Share", which provides computation, presentation and disclosure requirements for earnings per share. The "two-class" method is an earnings allocation formula that determines earnings per share for preferred and common stock according to the dividends to be paid as required by the Company's bylaws and participation rights in undistributed earnings. Basic earnings per common share are computed by dividing net income by the weighted-average number of common and preferred shares outstanding during the period. In accordance with Emerging Issues Task Force - EITF No. 03-6, "Participating Securities and the "two-class" Method under FASB Statement No. 128", since preferred shareholders have a liquidation preference over common shareholders, net losses are not allocated to preferred shareholders.

The computation of basic earnings per share is as follows:

| | 06/30/2006 | | | 03/31/2006 | | |
|---|---|---|---|---|---|---|
| | Common | Preferred | Total | Common | Preferred | Total |
| Basic and diluted: | | | | | | |
| Net (loss) income available under U.S. GAAP | 32.4 | - | 32.4 | 9.6 | - | 9.6 |
| Weighted average shares outstanding | 97,375.0 | 129,320.0 | 226,695.0 | 97,375.0 | 129,320.0 | 226,695.0 |
| (Loss) earnings per share U.S. GAAP (in Brazilian reais - R$) | 0.33 | - | - | 0.10 | - | - |

l) Investments in affiliated companies

As discussed in Note 5, under BR GAAP, the Company consolidates jointly-controlled subsidiaries using proportional consolidation. The Company's principal investments accounted for using proportional consolidation are Polibrasil (up to August 2005), Petroflex, Rio Polímeros and Politeno. Under U.S. GAAP, proportional consolidation is not applied. This is a presentational difference only and does not affect the net income nor shareholders' equity as determined under U.S. GAAP. Refer to item "n" below.

For U.S. GAAP reconciliation purposes, less than 20% owned affiliated companies have been accounted for at cost, and investments with voting participation of more than 20% and less than 50% have been accounted for on the equity method for all years presented.

m) Transactions between entities under common control

Under U.S. GAAP, accounting for a transfer of assets or exchange of shares between entities under common control, the entity that receives the net assets or the equity interest shall initially recognize the assets and liabilities transferred at their carrying amounts in the accounts of the transferring entity at the date of transfer.

Under BR GAAP, some transactions between entities under common control could be recognized based on values other than transferred carrying amounts.

The adjustment presented under this caption represents the above-mentioned difference relating to transference of shares of the subsidiaries Petroflex and SPQ Investimentos e Participações occurred among entities under common control of the Company.

n) Minority interest

Minority interest corresponds to the respective participations of minority shareholders in all adjustments from subsidiaries these financial statements.

As detailed in Note 9 not all subsidiaries are wholly owned by the Company and therefore the U.S. GAAP adjustments identified for each of such subsidiaries are allocated to their respective minority shareholders based on their participation.

o) Accounting for derivative financial instruments

Under BR GAAP, derivative financial instruments are recorded at liquidation values as determined on each balance sheet date. Under U.S. GAAP, since none of the Company's derivative financial instruments qualify for hedge accounting, the derivative instruments are reported at fair value on each balance sheet date and classified as an asset or a liability.

The following table provides a detail of our derivative financial instruments outstanding as of June 30, 2006:

| Type | Maturity date | Notional amount | Gain (loss) |
|---|---|---|---|
| CDI rate x interest of 5.40% p.y. + U.S. dollar | 2006 | 14,399 | 571 |
| CDI rate x interest of 5.40% p.y. + U.S. dollar | 2006 | 9,189 | (50) |
| CDI rate x interest of 5.40% p.y. + U.S. dollar | 2006 | 9,675 | 47 |
| Total fair value | | | 568 |
| Settlement value recorded under BR GAAP | | | 576 |
| U.S. GAAP adjustment | | | (8) |

p) Equity adjustment - Norquisa

The equity adjustment reflected in the reconciliation refers to the investment that Politeno and Polipropileno Participações hold in Norquisa, considering the adjustments posted into its financial statements in accordance with U.S. GAAP. These adjustments are mainly represented by the equity adjustment on those entities as a consequence of the investment that Norquisa holds in Braskem S.A. (a petrochemical operating company located in the Northeast Region of Brazil) and relates basically to price level adjustment, deferred charges reversal, pension plan, business combinations and deferred taxes.

Under U.S. GAAP, both Politeno and Polipropileno Participações discontinued applying the equity method when their investments at Norquisa was reduced to zero, as the U.S. GAAP shareholders' equity of Norquisa was negative by the time Company's subsidiaries Politeno and Polipropileno Participações ceased to have influence over the administration of Norquisa, changing the valuation criteria of this investment from equity method to cost method on such date. The subsidiaries did not provide for additional losses as they have neither guaranteed obligations of Norquisa nor are otherwise committed to provide further financial support for Norquisa.

On April 6, 2006, the Company formalized an agreement with Braskem S.A. to swap its capital shares of Norquisa with capital stock of Braskem (see Note 2).

q) Classification of export notes and discounted accounts receivable

Certain subsidiaries of the Company have discounted certain export notes under recourse financing arrangements and some trade accounts receivable with financial institutions operating in Brazil. If the original debtors fail to pay their obligations when due, these subsidiaries would be required to repay the financed amounts. Under BR GAAP, such transactions are classified as a reduction of accounts receivable as mentioned in Note 6. Under U.S. GAAP, these transactions are recorded gross as accounts receivable and bank loans. As a consequence, current assets and liabilities under U.S. GAAP would be increased by R$76,394 and R$2,047 as June 30, 2006 and March 31, 2006, respectively.

r) Temporary loss on investments held for sales

Under Brazilian accounting practices, permanent losses on equity securities held for sale shall be recorded in the income statement based on the lower of cost or market value. Under U.S. GAAP, SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities", the Company shall evaluate if the loss is a temporary or permanent loss. The temporary loss must be treated as unrealized gain or loss and shall be classified in "Shareholder's Equity" in the account named "Other Comprehensive Income". The Company shall evaluate periodically such investments in order to determine if still is a temporary loss or if it became permanent. When the loss is determined as permanent, the Company should reclassify it from "other comprehensive income" to income statement of the period. The Company concluded that the current market price of Braskem's stock at São Paulo stock exchange (Bovespa) has not represented a permanent loss. Accordingly, the difference of R$5,221 between the carrying amount of Braskem shares as of June 30, 2006 and the price of the shares at Bovespa has been considered as "other comprehensive income" under U.S. GAAP, while it has not yet affected the Brazilian GAAP financial statements.

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s) New accounting pronouncements

On March 31, 2004, the EITF reached final consensus on EITF No. 03-06, "Participating Securities and the "two-class" Method under FASB No. 128, Earnings per Share". Typically, a participating security is entitled to share in a company's earnings, often via a formula tied to dividends on the Company's common stock. The issue clarifies what is meant by the term participating security, as used in FASB No. 128. When an instrument is deemed to be a participating security, it has the potential to significantly reduce basic earnings per common share because the "two-class" method must be used to compute the instrument's effect on earnings per share. The consensus also covers other instruments whose terms include a participation feature. The consensus also addresses the allocation of losses. If undistributed earnings must be allocated to participating securities under the "two-class" method, losses should also be allocated. However, EITF No. 03-06 limits this allocation only to situations when the security has the right to participate in the earnings of the Company, and an objectively determinable contractual obligation to share in net losses of the Company. The consensus reached in EITF No. 03-06 is effective for fiscal periods beginning after March 31, 2004. Earnings per share in prior periods must be retroactively adjusted in order to comply with the consensus decisions reached in EITF No. 03-06. EITF No. 03-06 has been adopted in 2005.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs - an Amendment of ARB No. 43, Chapter 4", which clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) and also requires that the allocation of fixed production overhead be based on the normal capacity of the production facilities. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Management does not expect the adoption of this SFAS will have an impact on the Company's financial statements.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets - an Amendment of APB Opinion No. 29", which addresses the measurement of exchanges of nonmonetary assets and eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets and replaces it with an exception for exchanges that do not have commercial substance. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Management does not expect the adoption of this SFAS will have an impact on the Company's financial statements.

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In March 2005, the FASB issued FASB Interpretation - FIN No. 47, "Accounting for Conditional Asset Retirement Obligations", which clarifies the term conditional asset retirement obligation as used in SFAS No. 143, "Accounting for Asset Retirement Obligations", as a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the Company. FIN No. 47 is effective no later than the end of fiscal years ending after December 15, 2005. Management does not expect the adoption of this FIN will have an impact on the Company's financial statements.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections", which replaces APB Opinion No. 20, "Accounting Changes", and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements", and provides guidance on the accounting for and reporting of accounting changes and error corrections. SFAS No. 154 applies to all voluntary changes in accounting principles and requires retrospective application (a term defined by this SFAS) to prior periods' financial statements, unless it is impracticable to determine the effect of a change. It also applies to changes required by an accounting pronouncement that does not include specific transition provisions. In addition, SFAS No. 154 redefines restatement as the revising of previously issued financial statements to reflect the correction of an error. The statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Management does not expect the adoption of this SFAS will have an impact on the Company's financial statements.

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## II - Reconciliation of the differences between U.S. GAAP and BR GAAP in net income

| | Ref. | Quarter ended June 30, 2006 | Quarter ended March 31, 2006 |
|---|---|---|---|
| Net loss as reported under BR GAAP | | (29,060) | (2,745) |
| U.S. GAAP adjustments relating to investments accounted for using the equity method | (l) | 24,606 | 7,953 |
| Adjustments from consolidated companies: | | | |
| Inflation accounting, net of depreciation | (a) | (611) | (305) |
| Different criteria for- | | | |
| Capitalization of interest, net from depreciation | (c) | 5,477 | 2,600 |
| Pension plan | (g) | - | - |
| Different criteria for amortization of technology | (e) | 1,008 | 497 |
| Derivative financial instruments | (o) | 3,483 | (201) |
| Business combinations Polibrasil | (h) | 24,894 | 12,340 |
| Transactions between entities under common control | (m) | 4,007 | 4,007 |
| Minority interest on U.S. GAAP adjustments | (n) | (1,665) | (1,665) |
| Reversal of provision for loss of investment - Norquisa | (p) | 24,827 | - |
| Deferred income tax on the above adjustments | | (24,547) | (12,880) |
| Net loss under U.S. GAAP | | 32,419 | (9,601) |

**01.01- IDENTIFICATION**

| 1-CVM CODE | 2-COMPANY NAME | 3-Federal Taxpayers' Code |
|---|---|---|
| 01926-7 | SUZANO PETROQUÍMICA S.A. | 04.705.090/0001-77 |

## III - Reconciliation of the differences between U.S. GAAP and BR GAAP in shareholders' equity

| | Ref. | June 30, 2006 | March 31, 2006 |
|---|---|---|---|
| Shareholders' equity as reported under BR GAAP | | 937,494 | 963,809 |
| U.S. GAAP adjustments relating to investments accounted for using the equity method | (l) | (121,113) | (137,765) |
| Adjustments from consolidated companies: | | | |
| Inflation accounting, net of depreciation | (a) | 5,056 | 5,362 |
| Different criteria for: | | | |
| Capitalization of interest, net from depreciation | (c) | (54,491) | (57,368) |
| Pension plan | (g) | 4,712 | 4,712 |
| Different criteria for amortization of technology | (e) | 4,836 | 4,325 |
| Derivative financial instruments | (o) | 8 | (3,676) |
| Minority interest on U.S. GAAP adjustments | (n) | - | - |
| Business combinations Polibrasil | (h) | 65,950 | 53,396 |
| Transactions between entities under common control | (m) | 20,452 | 20,452 |
| Equity adjustment in Norquisa's investment | (p) | - | (24,827) |
| Deferred income tax on the above adjustments | | (27,341) | (15,675) |
| Other Comprehensive Income | (r) | (5,221) | - |
| Shareholders' equity under U.S. GAAP | | 830,342 | 812,745 |

IV - Condensed financial information under U.S. GAAP

Based on the reconciling items and discussion above, the Company's consolidated balance sheet, statement of operations, and statement of changes in shareholders' equity under U.S. GAAP are as follows:

(a) Condensed balance sheets under U.S. GAAP

| Assets | 06/30/2006 | 03/31/2006 |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | 182,552 | 16,278 |
| Short-term investment | 63,078 | 34,779 |
| Trade accounts receivable | 214,662 | 210,992 |
| Inventories | 179,713 | 243,889 |
| Deferred taxes | 1,746 | 18,686 |
| Other debtors | 63,133 | 97,572 |
| Prepaid expenses | 9,290 | 10,688 |
| Total current assets | 714,174 | 632,884 |
| Investments | 414,990 | 611,541 |
| Goodwill, net | 424,992 | 424,788 |
| Property, plant and equipment | 464,470 | 462,370 |
| Long-term assets: | | |
| Intangible, net | 35,840 | 36,608 |
| Deferred income tax | 70,986 | 37,533 |
| Recoverable VAT | 53,821 | 40,855 |
| Trade accounts receivable | 9,381 | 10,254 |
| Other debtors | 100,574 | 28,404 |
| Total long-term assets | 270,602 | 153,654 |
| Assets | 2,289,228 | 2,285,237 |

**01.01- IDENTIFICATION**

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| Liabilities and shareholders' equity | 03/31/2006 | 03/31/2006 |
|---|---|---|
| Current liabilities: | | |
| Trade accounts payable | 78,919 | 128,120 |
| Payroll and related charges | 12,858 | 8,824 |
| Taxes payable other than income | 6,673 | 7,150 |
| Short-term debt | 192,836 | 183,252 |
| Interest payable on short-term debt | 29,148 | - |
| Dividends proposed and payable | 43 | 4,393 |
| Other accounts payable | 54,996 | 62,460 |
| Total current liabilities | 375,473 | 394,199 |
| Noncurrent liabilities: | | |
| Loans and financings | 1,006,842 | 996,176 |
| Fair market value of derivative financial instruments | 568 | 69 |
| Provision for contingencies | 9,548 | 16,362 |
| Interest payable on long-term debt | 754 | - |
| Deferred income taxes | 55,173 | 43,481 |
| Other accounts payable | 10,277 | 20,159 |
| Total noncurrent liabilities | 1,083,162 | 1,076,247 |
| Minority interest | 251 | 2,046 |
| Shareholders' equity: | | |
| Share capital | 826,283 | 826,283 |
| Other Comprehensive Income | (5,221) | - |
| Profit reserves | 9,280 | (13,538) |
| | 830,342 | 812,745 |
| Liabilities and shareholders' equity | 2,289,228 | 2,285,237 |

**01.01- IDENTIFICATION**

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| 01926-7 | SUZANO PETROQUÍMICA S.A. | 04.705.090/0001-77 |

(ii) Condensed statements of operations under U.S. GAAP

| | 06/30/2006 | 03/31/2006 |
|---|---|---|
| Net sales | 845,654 | 412,648 |
| Cost of sales | (766,734) | (372,608) |
| Gross profit | 78,920 | 40,040 |
| Operating expenses: | | |
| Selling and marketing | (64,709) | (31,316) |
| General and administrative | (30,009) | (15,657) |
| Other operating income (expenses), net | 6,250 | 498 |
| Operating expenses | (9,548) | (6,435) |
| Nonoperating income (expenses): | | |
| Financial income (expenses), net | 3,366 | 20,053 |
| Other | 47,554 | (153) |
| Loss before income tax, equity in affiliates and minority interest | 41,372 | 13,465 |
| Income tax benefit (expense): | | |
| Current | - | - |
| Deferred | (7,325) | (12,145) |
| Loss before equity in earnings of affiliates and minority interest | 34,047 | 1,320 |
| Equity in earnings of affiliates | 54 | 10,520 |
| Loss before minority interest | 34,101 | 11,840 |
| Minority interest | (1,682) | (2,239) |
| Net income for the quarter | 32,419 | 9,601 |
| (Loss) earnings per share - common | 0.33 | 0.10 |
| (Loss) earnings per share - preferred | - | - |

(iv) Condensed statements of changes in shareholders' equity under U.S. GAAP

| | 06/30/2006 | 03/31/2006 |
|---|---|---|
| At beginning of the quarter | 803,144 | 803,144 |
| Capital increase | | |
| Net loss | 32,419 | 9,601 |
| Dividends and interest attributed to shareholders' equity declared | - | - |
| Other comprehensive income | (5,221) | - |
| At end of the quarter | 830,342 | 812,745 |

**01.01- IDENTIFICATION**

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## 27) SUBSEQUENT EVENT

On July 11, 2006, the Company concluded the first phase of the polypropylene capacity expansion schedule of Mauá's plant. This expansion allowed this plant's production capacity to increase by 60 thousand tons per year, reaching 360 thousand tons per year. Mauá's plant has now the biggest production capacity in a single site in Latin America.

**01.01- IDENTIFICATION**

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COMPLEMENTARY INFORMATION
STATEMENTS OF CHANGES IN FINANCIAL POSITION
(In thousands of Brazilian reais - R$)

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 06/30/2006 | 03/31/2006 | 06/30/2006 | 03/31/2006 |
| SOURCES OF FUNDS | | | | |
| From operations: | | | | |
| Net loss | (29,060) | (2,745) | (29,060) | (2,745) |
| Minority interest | | - | 571 | (10) |
| Items not affecting working capital: | | | | |
| Depreciation and amortization | 36,071 | 17,962 | 49,583 | 20,827 |
| Splitter depreciation - Polibrasil | 121 | 4 | 189,521 | 307 |
| Deferred income taxes - long term | (32,088) | 1,365 | (41,672) | 944 |
| Realization of recoverable ICMS | - | - | 320 | 320 |
| Provision for contingence | 415 | 415 | (276) | 438 |
| Equity in losses of subsidiaries | (671) | (2,214) | - | - |
| Goodwill amortization | 31,285 | 17,589 | 31,285 | 17,589 |
| Monetary and exchange variations on long-term items, net | (20,540) | (11,973) | (20,563) | (32,932) |
| Other | - | - | (109) | - |
| Funds from operations | (14,467) | 20,403 | 179,600 | 4,738 |
| Other sources: | | | | |
| Borrowings (long-term loans) | 338,943 | 318,787 | 382,992 | 361,014 |
| Increase in long-term liabilities | - | - | 87,013 | 130 |
| Dividends from subsidiaries | 5,893 | - | - | - |
| Decrease in long-term assets | 7,047 | 10,302 | 8,310 | 11,245 |
| Other | - | 611 | - | 612 |
| TOTAL SOURCES | 333,416 | 350,103 | 657,915 | 377,739 |
| | | | | |
| USES OF FUNDS | | | | |
| In permanent assets | | | | |
| Additions to permanent investments | 4,459 | 30 | 1,792 | 30 |
| Additions to property, plant and equipment | 20,902 | 4,052 | 42,175 | 8,611 |
| Additions to deferred charges | 10,051 | 9,190 | 20,865 | 19,844 |
| | 35,412 | 13,272 | 64,832 | 28,485 |
| Additions to long-term assets | 10,596 | 8,176 | 78,183 | 16,690 |
| Decrease in long-term liabilities | 20,529 | 4,013 | 24,502 | 8,069 |
| Other | - | - | 43,587 | 60 |
| TOTAL USES | 66,537 | 25,461 | 211,104 | 53,304 |
| | | | | |
| INCREASE IN WORKING CAPITAL | 270,879 | 324,642 | 446,811 | 324,435 |
| | | | | |
| Increase (decrease) in current assets | (157,440) | (11,370) | (25,927) | 2,949 |
| Increase (decrease) in current liabilities | (428,319) | (336,012) | (472,738) | (321,486) |
| | | | | |
| INCREASE IN WORKING CAPITAL | 270,879 | 324,642 | 446,811 | 324,435 |

**01.01- IDENTIFICATION**

| 1-CVM CODE | 2-COMPANY NAME | 3-Federal Taxpayers' Code |
|---|---|---|
| 01926-7 | SUZANO PETROQUÍMICA S.A. | 04.705.090/0001-77 |

COMPLEMENTARY INFORMATION

STATEMENT OF CASH FLOWS
(In thousands of Brazilian reais - R$)

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 06/30/2006 | 03/31/2006 | 06/30/2006 | 03/31/2006 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net loss | (29,060) | (2,745) | (29,060) | (2,745) |
| Minority interest | - | - | 571 | (10) |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 36,071 | 17,961 | 49,583 | 20,826 |
| Disposal of permanent assets | 11 | 4 | 33,089 | 307 |
| Equity in losses of subsidiaries | (671) | (2,214) | - | - |
| Goodwill amortization | 31,285 | 17,589 | 31,285 | 17,589 |
| Monetary and exchange variations | 7,808 | (17,980) | 18,342 | (16,810) |
| Provision for contingencies | 415 | 415 | (276) | 415 |
| Deferred income taxes | (17,250) | (738) | (26,413) | (1,159) |
| Allowance for recoverable VAT | 1,316 | 1,316 | 1,316 | 1,636 |
| Other | (218) | (7,011) | (213) | (6,625) |
| Changes in assets and liabilities: | | | | |
| Decrease in trade account receivables | (33,044) | (101,944) | (76,489) | (121,904) |
| Decrease in inventories | 30,577 | (33,540) | 27,445 | (38,539) |
| Decrease in recoverable taxes | (4,578) | (16,816) | (25,072) | (18,674) |
| Increase in other current and long-term assets | 7,361 | 624 | (36,251) | 3,378 |
| Increase in trade accounts payable | (52,200) | (2,999) | (22,977) | (11,877) |
| Decrease in other current and long-term liabilities | (103,911) | (59,982) | (82,561) | (60,970) |
| Net cash from operating activities | (126,088) | (208,060) | (137,681) | (234,761) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Cash collected on sale of equipment | 110 | 73 | 129,517 | 72 |
| Acquisitions, net of cash acquired (including goodwill) | 3,224 | (39) | (2,802) | (38) |
| Acquisition of minority interest | (1,792) | (30) | (1,792) | (30) |
| Additions to property, plant and equipment | (20,902) | (4,051) | (41,886) | (20,354) |
| Additions to deferred charges | (10,050) | (9,191) | (20,865) | (19,845) |
| Net cash from investing activities | (29,410) | (13,238) | 62,172 | (40,195) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Repayment of dividends | (4,310) | 40 | (6,206) | (1,857) |
| Borrowings | 504,093 | 438,002 | 611,913 | 549,467 |
| Repayments of loans | (478,549) | (385,768) | (521,089) | (448,061) |
| Net cash from financing activities | 21,234 | 52,274 | 84,618 | 99,549 |
| EFFECT OF INVESTMENT FROM SUBSIDIARY | - | - | (4,667) | - |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (134,264) | (169,024) | 4,442 | (175,407) |
| Cash and cash equivalents at beginning of period | 183,495 | 183,495 | 215,729 | 215,729 |
| Cash and cash equivalents at end of period | 49,231 | 14,471 | 220,171 | 40,322 |

**01.01- IDENTIFICATION**

| 1-CVM CODE | 2-COMPANY NAME | 3-Federal Taxpayers' Code |
|---|---|---|
| 01926-7 | SUZANO PETROQUÍMICA S.A. | 04.705.090/0001-77 |

**CONSOLIDATED BALANCE SHEET - ASSETS (IN THOUSANDS OF REAIS - R$)**

| 1-CODE | 2-DESCRIPTION | 3- 06/30/2006 | 4- 03/31/2006 |
|---|---|---|---|
| 1 | TOTAL ASSETS | 3,193,503 | 3,282,798 |
| 1.01 | CURRENT ASSETS | 859,630 | 882,714 |
| 1.01.01 | CASH AND CASH EQUIVALENTS | 220,171 | 40,322 |
| 1.01.01.01 | CASH AND BANK ACCOUNTS | 40,565 | 13,745 |
| 1.01.01.02 | TEMPORARY CASH INVESTMENTS | 179,606 | 26,577 |
| 1.01.02 | CREDITS | 384,373 | 504,902 |
| 1.01.02.01 | TRADE ACCOUNTS RECEIVABLE | 216,366 | 323,425 |
| 1.01.02.02 | RECOVERABLE TAXES | 61,835 | 85,701 |
| 1.01.02.03 | DEFERRED INCOME TAXES | 2,063 | 19,899 |
| 1.01.02.04 | OTHER CREDITS | 100,817 | 74,607 |
| 1.01.02.05 | RELATED PARTIES | 3,292 | 1,270 |
| 1.01.03 | INVENTORIES | 248,923 | 332,517 |
| 1.01.04 | OTHER | 6,163 | 4,973 |
| 1.01.04.01 | PREPAID EXPENSES | 6,163 | 4,973 |
| 1.02 | NONCURRENT ASSETS | 294,636 | 236,050 |
| 1.02.01 | MISCELLANEOUS CREDITS | 294,636 | 236,050 |
| 1.02.01.01 | RECOVERABLE TAXES | 133,131 | 141,182 |
| 1.02.01.02 | DEFERRED INCOME TAXES | 84,502 | 45,647 |
| 1.02.01.03 | JUDICIAL DEPOSITS | 1,013 | 2,783 |
| 1.02.01.04 | TRADE ACCOUNTS RECEIVABLE | 9,381 | 16,396 |
| 1.02.01.05 | OTHER CREDITS | 66,609 | 30,042 |
| 1.02.02 | LOANS DUE FROM RELATED COMPANIES | 0 | 0 |
| 1.02.02.01 | LOANS DUE FROM AFFILIATED COMPANIES | 0 | 0 |
| 1.02.02.02 | LOANS DUE FROM SUBSIDIARIES | 0 | 0 |
| 1.02.02.03 | LOANS DUE FROM OTHER RELATED COMPANIES | 0 | 0 |
| 1.02.03 | OTHER | 0 | 0 |
| 1.03 | PERMANENT ASSETS | 2,039,237 | 2,164,034 |
| 1.03.01 | INVESTMENTS | 35,811 | 71,088 |
| 1.03.01.01 | IN AFFILIATED COMPANIES | 0 | 0 |
| 1.03.01.02 | IN SUBSIDIARIES | 0 | 0 |
| 1.03.01.03 | OTHER INVESTMENTS | 35,811 | 71,088 |
| 1.03.02 | PROPERTY, PLANT AND EQUIPMENT | 1,365,525 | 1,432,688 |
| 1.03.03 | DEFERRED CHARGES | 637,901 | 660,258 |

**01.01- IDENTIFICATION**

| 1-CVM CODE | 2-COMPANY NAME | 3-Federal Taxpayers' Code |
|---|---|---|
| 01926-7 | SUZANO PETROQUÍMICA S.A. | 04.705.090/0001-77 |

**CONSOLIDATED BALANCE SHEET - LIABILITIES (IN THOUSANDS OF REAIS - R$)**

| 1-CODE | 2-DESCRIPTION | 3- 06/30/2006 | 3- 03/31/2006 |
|---|---|---|---|
| 2 | TOTAL LIABILITIES | 3,193,503 | 3,282,798 |
| 2.01 | CURRENT LIABILITIES | 477,769 | 623,225 |
| 2.01.01 | LOANS | 224,531 | 305,110 |
| 2.01.02 | DEBENTURES | 379 | 1,829 |
| 2.01.03 | SUPPLIERS | 144,342 | 196,910 |
| 2.01.04 | TAXES AND CONTRIBUTIONS | 19,243 | 20,817 |
| 2.01.05 | DIVIDENDS PAYABLE | 80 | 5,634 |
| 2.01.06 | PROVISIONS | 159 | 35,289 |
| 2.01.06.01 | INCOME TAX AND SOCIAL CONTRIBUTION | 159 | 159 |
| 2.01.06.02 | OTHERS | 0 | 35,130 |
| 2.01.07 | DEBT WITH RELATED COMPANIES | 0 | 0 |
| 2.01.08 | OTHER | 89,035 | 57,636 |
| 2.01.08.01 | SALARIES AND PAYROLL TAXES | 12,382 | 10,911 |
| 2.01.08.02 | ACCOUNTS PAYABLE | 43,954 | 389 |
| 2.01.08.03 | ADVANCES FROM CUSTOMERS | 7,759 | 21,278 |
| 2.01.08.04 | OBLIGATION FROM SECURITIZATION FUND | 24,940 | 25,058 |
| 2.02 | LONG TERM LIABILITIES | 1,734,469 | 1,649,298 |
| 2.02.01 | LOANS | 1,560,306 | 1,505,461 |
| 2.02.02 | DEBENTURES | 32,191 | 32,191 |
| 2.02.03 | PROVISIONS | 12,216 | 14,432 |
| 2.02.03.01 | CONTINGENCIES | 12,216 | 14,432 |
| 2.02.04 | LOANS DUE TO RELATED COMPANIES | 0 | 0 |
| 2.02.05 | OTHER | 129,756 | 97,214 |
| 2.02.05.01 | DEFERRED INCOME TAXES | 1,395 | 1,404 |
| 2.02.05.02 | PENSION PLAN | 0 | 0 |
| 2.02.05.03 | ACCOUNTS PAYABLE | 14,924 | 26,075 |
| 2.02.05.04 | TAXES PAYABLE | 73,503 | 56,398 |
| 2.02.05.05 | SUPPLIERS | 39,934 | 13,337 |
| 2.03 | DEFERRED INCOME | 43,520 | 44,419 |
| 2.04 | MINORITY INTEREST | 251 | 2,047 |
| 2.05 | SHAREHOLDERS' EQUITY | 937,494 | 963,809 |
| 2.05.01 | PAID-IN CAPITAL | 826,283 | 826,283 |
| 2.05.02 | CAPITAL RESERVES | 0 | 0 |
| 2.05.03 | REVALUATION RESERVES | 0 | 0 |
| 2.05.03.01 | ON OWN ASSETS | 0 | 0 |
| 2.05.03.02 | FROM SUBSID, /AFFIL, COMPANIES | 0 | 0 |
| 2.05.04 | PROFIT RESERVES | 140,271 | 140,271 |
| 2.05.04.01 | LEGAL RESERVE | 10,207 | 10,207 |
| 2.05.04.02 | STATUTORY RESERVE | 130,064 | 130,064 |
| 2.05.04.03 | RESERVE FOR CONTINGENCIES | 0 | 0 |
| 2.05.04.04 | RESERVE FOR UNREALIZED PROFITS | 0 | 0 |
| 2.05.04.05 | RETAINED EARNINGS | 0 | 0 |
| 2.05.04.06 | RESERVE FOR NON DISTRIBUTED DIVIDENDS | 0 | 0 |
| 2.05.04.07 | OTHERS PROFIT RESERVES | 0 | 0 |
| 2.05.05 | ACCUMULATED PROFIT (LOSS) | (29,060) | (2,745) |

**01.01- IDENTIFICATION**

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|---|---|---|
| 01926-7 | SUZANO PETROQUÍMICA S.A. | 04.705.090/0001-77 |

## CONSOLIDATED STATEMENTS OF INCOME (IN THOUSANDS OF REAIS - R$)

| 1-CODE | 2-DESCRIPTION | 3- FROM 04/01/2006 TO 06/30/2006 | 4- FROM 01/01/2006 TO 06/30/2006 | 5- FROM 04/01/2005 TO 06/30/2005 | 6- FROM 01/01/2005 TO 06/30/2005 |
|---|---|---|---|---|---|
| 3.01 | GROSS REVENUE (SALES AND SERVICES) | 763,050 | 1,504,921 | 540,538 | 1,055,598 |
| 3.02 | DEDUCTIONS OF GROSS REVENUE | (170,399) | (340,756) | (120,809) | (235,569) |
| 3.03 | NET REVENUE (SALES AND SERVICES) | 592,651 | 1,164,165 | 419,729 | 820,029 |
| 3.04 | COST OF GOODS AND SERVICES SOLD | (548,728) | (1,058,549) | (365,218) | (681,979) |
| 3.05 | GROSS PROFIT | 43,923 | 105,616 | 54,511 | 138,050 |
| 3.06 | OPERATING EXPENSES/REVENUES | (108,627) | (173,017) | (29,398) | (78,714) |
| 3.06.01 | SELLING EXPENSES | (44,691) | (86,352) | (25,480) | (51,394) |
| 3.06.02 | GENERAL AND ADMINISTRATIVE | (20,798) | (41,609) | (14,778) | (28,856) |
| 3.06.03 | FINANCIAL | (36,690) | (21,398) | 10,051 | 2,195 |
| 3.06.03.01 | INTEREST INCOME | 47,795 | 59,216 | 4,609 | 10,315 |
| 3.06.03.02 | INTEREST EXPENSE | (84,485) | (80,614) | 5,442 | (8,120) |
| 3.06.04 | OTHER OPERATING REVENUES | 8,780 | 9,433 | 598 | 598 |
| 3.06.05 | OTHER OPERATING EXPENSES | (15,228) | (33,091) | 211 | (1,257) |
| 3.06.05.01 | GOODWILL AMORTIZATION | (14,860) | (32,449) | (628) | (1,257) |
| 3.06.05.02 | OTHERS | (368) | (642) | 839 | 0 |
| 3.06.06 | EQUITY PICK UP FROM INVESTEES | 0 | 0 | 0 | 0 |
| 3.07 | OPERATING INCOME | (64,704) | (67,401) | 25,113 | 59,336 |
| 3.08 | NON OPERATING RESULT | 14,367 | 13,527 | (3,416) | (2,803) |
| 3.08.01 | REVENUES | 0 | 0 | 0 | 0 |
| 3.08.02 | EXPENSES | 14,367 | 13,527 | (3,416) | (2,803) |
| 3.09 | INCOME BEFORE TAXES AND PROFIT SHARING | (50,337) | (53,874) | 21,697 | 56,533 |
| 3.10 | PROVISIONS FOR INCOME TAX AND SOCIAL CONTRIBUTION | 1 | (977) | (3,634) | (10,897) |
| 3.11 | DEFERRED INCOME TAX | 24,599 | 26,362 | (3,483) | (3,915) |
| 3.12 | STATUTORY PROFIT SHARING | 0 | 0 | 0 | 0 |
| 3.12.01 | STATUTORY PROFIT SHARING | 0 | 0 | 0 | 0 |
| 3.12.02 | CONTRIBUTIONS | 0 | 0 | 0 | 0 |
| 3.13 | REVERSAL OF INTEREST ON CAPITAL | 0 | 0 | 0 | 0 |
| 3.14 | MINORITY INTEREST | (579) | (571) | (162) | (261) |
| 3.15 | NET INCOME/LOSS FOR THE PERIOD | (26,316) | (29,060) | 14,418 | 41,460 |
| | QUANTITY OF SHARES (EXCEPT TREASURY SHARES - IN THOUSANDS) | 226,695 | 226,695 | 226,695 | 226,695 |
| | INCOME PER SHARE | 0 | 0 | 0,06360 | 0,18289 |
| | LOSS PER SHARE | (0,11609) | (0,12819) | 0 | 0 |