



**SUZANO**  
PETROQUÍMICA

## Suzano Petroquímica Announces 1Q06 Results

**Recovery in the domestic market and a 13.0% growth  
in local sales versus 1Q05**

**São Paulo, May 10, 2006** – Suzano Petroquímica S.A. (the “Company”) (BOVESPA: SZPQ4; LATIBEX: XSUPT), the Latin American leader in the production of polypropylene and a joint controller shareholder in relevant players in the petrochemical sector - Rio Polímeros S.A. and Petroflex Indústria e Comércio S.A., announces today its earnings results for the first quarter 2006 (1Q06).

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

With the assumption of Polibrasil's control on September 1, 2005, and its subsequent incorporation by Suzano Petroquímica on November 30, since 3Q05 the Company decided to release its earnings results in a *pro forma* basis, in order to allow a better analysis of the business now held by Suzano Petroquímica and to insure a better comparison with previous periods and future results estimates. Therefore, operating and financial information, except where otherwise stated, is presented in a *pro forma* basis, considering full ownership (100%) of Polibrasil for all analyzed periods, and in Reais. Standard accounting data is available at the Brazilian Securities and Exchange Commission (CVM).

(1) Suzano Petroquímica Parent Company *pro forma* analysis fully reflects the performance of the polypropylene business previously conducted by Polibrasil that is currently conducted by the Company, besides the activities that were already executed by the Company in the past (monitoring the Company's share in its joint controlled companies).

(2) Suzano Petroquímica Consolidated *pro forma* analysis takes into consideration the Parent Company as described in item (1) consolidating proportionally the share held by the Company in the joint controlled companies Petroflex (20.12%), Politeño (34.99%) and Riopol (33.33%). As Politeño's sale took place in April 4<sup>th</sup>, 2006, its results regarding 1Q06 were consolidated on a regular basis, but the percentage used for this joint controlled company's consolidation is different from the Company's share because the preferred “Class B” shares are granted with a fixed annual dividend of 6% of the share's book value. Riopol's results will only be consolidated as of 2Q06 as the conclusion of the pre-operating stage only took place on March 31, 2006. The performance analysis of the companies where Suzano Petroquímica holds a joint control is disclosed at the Suzano Petroquímica Consolidated section.

(3) Until September 1, Polibrasil's financial statements reflected the results of the polypropylene compounding business, which on that date were transferred to Basell. In order to allow adjustments in past periods and improve comparison with the estimates, we indicate that the last 3 years polypropylene compounding business represented approximately 5% of Polibrasil's total sales volume, while net revenues arising from these sales were equivalent, in average, to 8% of Polibrasil's total net revenue.

All comparisons in this release refer to the same quarter of 2005 (1Q05), except otherwise stated.

- ❖ Conference call in Portuguese: 05.17.06, at 9:30 am US EST
- ❖ Conference call in English: 05.17.06 at 11:00 am US EST
- ❖ Investor Relations Department: + 55 11 3345-5827/5856/5886



[www.suzanopetroquimica.com.br](http://www.suzanopetroquimica.com.br)  
[szpq\\_ri@suzano.com.br](mailto:szpq_ri@suzano.com.br)

## Highlights of the quarter

### Suzano Petroquímica accomplishes the first IFC disbursement

After signing a long term financing contract with the *International Finance Corporation* – IFC in December 2005, in January the Company received the first disbursement in the amount of US\$ 160 million, which proceeds were fully directed to the settlement of the Promissory Notes issued in order to pay Basell, on September 1<sup>st</sup>, for Polibrasil's acquisition. As a result, a significant change in the Company's debt profile occurred. For more information see the "Financial Result and Debt" section.

### Suzano Petroquímica is granted with the Embanews 2006 award

The Company won the 2006 Embanews Award in the Corporate Research category thanks to its original packages for the Polibrasil Footwear Collection. This award was granted for the first time in 1992 by the Embanews Magazine and is meant for companies which design innovative packages. The Corporate Research category evaluates criteria such as innovation, ease of implementation, suitability, ingenuity, safety and community benefits.

### Suzano Petroquímica introduces the principle of rotation for market maker

Within Suzano Group's strategy of introducing the principle of rotation among market maker players for the shares issued by the Group's companies, with the expiration of Suzano Petroquímica's contract with Ágora Senior on February 28, 2006, Pactual Corretora started to act as market maker for the Company's preferred shares on March 1<sup>st</sup>, 2006.

### Riopol takes the control of its industrial facility operations

On March 31<sup>st</sup>, the transfer of custody and responsibility for the industrial facility's operations from the construction consortium to Riopol occurred, after the conclusion of the performance and reliability tests, led by Riopol's operational team and coordinated by the construction consortium and the IT licensed, in order to insure the unit's hired performance. By that, Riopol concluded its pre-operating stage, and its results will take part of the Suzano Petroquímica Consolidated Results as of 2Q06, proportionally to the share held by the Company at Riopol.

### Sale of the share in Politeno and exchange of Polipar's shares

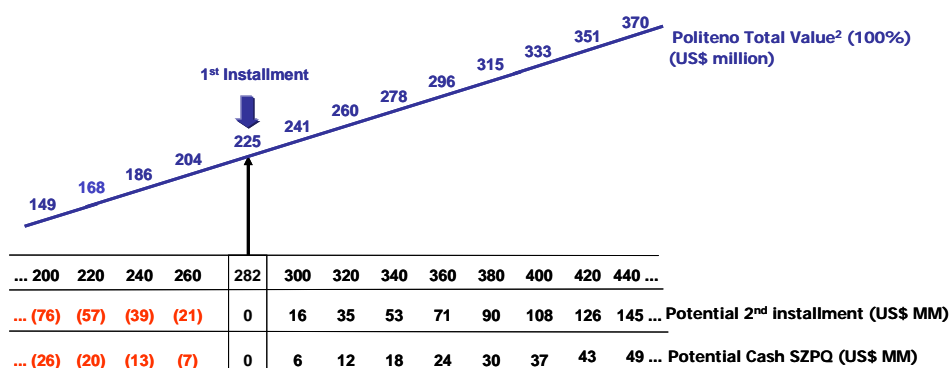
On a Relevant Fact dated April 4, 2006, Suzano Petroquímica announced to the market that on that date it had sold to Braskem its share in Politeno, together with the other joint controlling shareholders Sumitomo and Itochu. In addition, the operation included an exchange of the shares issued by Norquisa, held by its controlled company Polipropileno Participações, for shares issued by Braskem held by Odebrecht, Braskem's controller.

As a result of this sale, SPQ Investimentos e Participações, a company controlled by Suzano Petroquímica and until that date a shareholder of Politeno, received from Braskem, in Reais, the amount equivalent to US\$ 60.6 million, and Polipropileno Participações received 2,129,324 preferred shares issued by Braskem (BRKM5) from Odebrecht, delivering in exchange 75,669,544 shares issued by Norquisa.

The payment of US\$ 60.6 million for Suzano Petroquímica's share in Politeno corresponded to a down payment, as the final value of the sale will be calculated pursuant to a linear formula that will measure the company's value after 18 months as a unique function of the domestic market spread, in other words, the difference between Politeno's polyethylene sale price and ethylene sale price in Brazil. The parametric equation that will calculate Politeno's value in the future is as follows:

Politeno's value [in US\$ million] = 0.9175 x domestic market Spread [in US\$/t] - 34.1

Considering the historical polyethylene spreads recorded in Brazil and the current level of domestic spreads,



there is a strong possibility that Suzano Petroquímica will receive a second payment regarding the sale of Politeno. The chart simulates the payment/reception of a second payment at the end of the 18-month period according to several spreads possibilities.

Despite being carried out on April, therefore not in 1Q06, following the Independent Auditor's guidance, the Company is recognizing at this quarter's consolidated financial statements a provision for loss in the amount of R\$ 35.1 million, regarding the booking of the down payment received by the Company for the sale of its share in Politeno and the investment amount recorded in the accounting books. The final result from this operation will be known and recorded in the Company's financial statements after the 18-month period, as already disclosed.

In the exchange of shares operation between Odebrecht and Polipropileno Participações, the later recorded an accounting profit of R\$ 9.5 million. Therefore, the net effect on Suzano Petroquímica's consolidated financial statements in the quarter was the record of an accounting loss of R\$ 25.6 million.

As already explained, the final result of the transaction in the Company's financial statements will only be known at the end of 18 months, following the previously presented equation which has as a variable the polyethylene spread in the domestic market. The value received as a signal by Suzano Petroquímica for its share in Politeno, US\$ 60.6 million, points to an initial value of the asset Politeno of US\$ 225 million which, using the formula, shows a domestic market spread of US\$ 282/t, quite lower than the historical spread levels and the spreads currently observed in the domestic market. Therefore, the record of the signal and the registration of a loss in this operation in the quarter mean a merely accounting effect, as the final impact will depend on the spread of the next 18 months, which tendency is to be higher than US\$ 282/t. The Company is already discussing with its independent auditors the best way of recognizing this operation until its end, in 18 months.

## **SUZANO PETROQUÍMICA PARENT COMPANY**

### **Industry and Economic Outlook**

After a weak performance of the thermoplastic resins market in 2005, we noticed a recovery scenario for the domestic demand during 1Q06, led by the Brazilian interest rate decrease trend and consequent expansion in credit, besides the maintenance of the inflation at very comfortable levels. On the other hand, part of this growth in thermoplastic resins domestic consumption was captured by imports, which benefit from an appreciated Brazilian currency.

Shopping recovery in 1Q06 was focused not only in converters inventories build up, but mostly in attending market's needs led by a heated Brazilian industrial activity, which is currently going on, as indicated by recently disclosed Brazilian economic indexes.

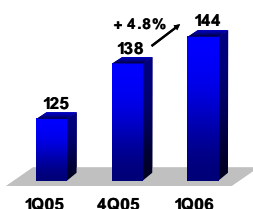
Brazilian consumption of thermoplastic resins in 1Q06 recorded a 13.0% growth in comparison to 4Q05, and total thermoplastic resins imports grew by 18.9% in comparison to the same period of the previous year, according to Abiquim/Coplast estimates. This increase in thermoplastic resins imports, despite benefiting from current exchange rate levels, is another sign of domestic demand recovery in comparison to the end of 2005, as thermoplastic resins import volume in 1Q06 was practically stable in comparison to 1Q05. Thermoplastic resins export volume in 1Q06 grew by 9.5% versus the previous quarter, but recorded a 4.8% drop in comparison to 1Q05, once in the same period of 2005 there was a greater exporting effort, due to the weak domestic market scenario.

Also according to Abiquim/Coplast data, Brazilian polypropylene consumption grew by 13.9% in 1Q06 versus the previous quarter, while polypropylene imports recorded a slight 7.2% increase between these periods, as the import level of the resin had already recorded significant growth along the previous year as a result, mainly, of the appreciation of Real in 2005 and 2006. To face the polypropylene domestic demand recovery, part of the local resins producers' sales, which had been redirected to the export market in 4Q05, returned to the domestic market this quarter, with a consequent 13.3% decrease in polypropylene exports in 1Q06.

Brent oil average price in the quarter stood at US\$ 62.00, a level 29.7% higher than the average recorded in 1Q05, deeply impacting the petrochemical industry's cost structure. This increased level of raw material prices, which are very pegged to international prices in US dollars, together with a scenario of appreciated local currency, which limits the sale price in Reais of petrochemical products, is deeply harmful to the profitability of Brazilian petrochemical players.

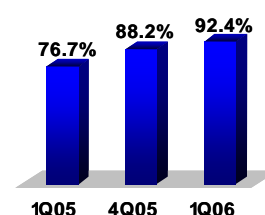
## Production

In thousand tons



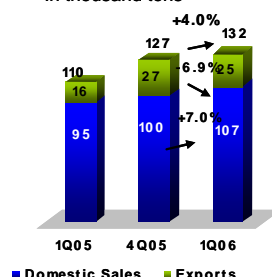
Suzano Petroquímica's production of polypropylene in 1Q06 reached 144.4 thousand tons, corresponding to a 92.4% average use of its installed production capacity. 1Q06's production was 4.8% higher than the production recorded in the previous quarter due to a maintenance stoppage in the Camaçari unit in December 2005. When comparing to 1Q05, 1Q06's production increased by 15.8%, mainly due to a lower production, in 1Q05, in the Camaçari and Mauá units as a result of programmed stoppages at these units and also at the Refinaria de Capuava (Recap), a raw material supplier of the Mauá site. It is worth mentioning that in 1Q05 there was also the effect of the polypropylene compound production, sold to Basell in September 2005. The Company ended the quarter with inventories of finished products at levels that are superior to normal, aiming at preparing itself for two programmed stoppages, one at Duque unit, in May, and another at Mauá Unit, which shall occur in June.

Installed Capacity use (%)



## Sales

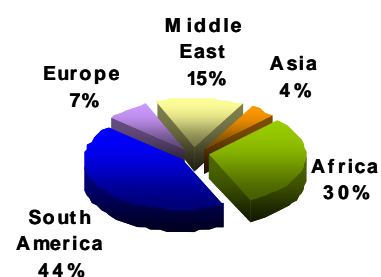
In thousand tons



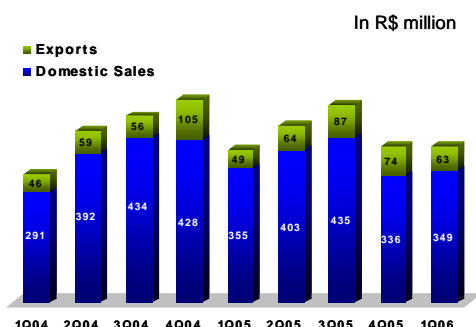
Total polypropylene sales volume in 1Q06 amounted to 132.2 thousand tons, volume 20.0% and 4.0% above the volume recorded in 1Q05 and 4Q05, respectively. In the period, polypropylene sales in the domestic market totaled 106.8 thousand tons 13.0% and 7.0% above domestic sales in the same period of the previous year and in 4Q05, respectively. Domestic sales recovery was partially focused on attending converters inventories build up, but was mostly focused on supplying the demand recovery, especially at food, consumption goods and electronic sectors.

Exports in the quarter totaled 25.4 thousand tons, corresponding to a 6.9% drop in comparison to the previous quarter, but a 62.2% growth in comparison to the same period of 2005. To attend a higher demand in 1Q06 from the domestic market, part of the exports were directed to the domestic market. South America represented the main destination of the Company's exports, with a 44% share in total exports. Compared to 4Q05, there was a significant reduction in the volume exported to Asia and an increase in sales to Europe.

Exports Destination 1Q06



## Net Operating Revenue

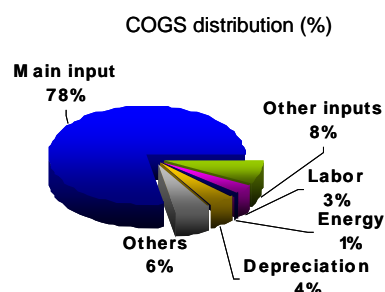


Net operating revenue from the domestic market reached R\$ 349.3 million in the quarter, 4.0% higher than in 4Q05, as despite the 7.0% increase in domestic sales between the periods, unitary net revenue from the domestic market in Reais dropped by 2.8%. However, it is worth mentioning that, given the strong connection between local prices and international polypropylene pricing in US dollars, and the exchange rate appreciation of about 4.1% between 4Q05 and 1Q06, unitary net revenues from the domestic market recorded a 1.3% growth in US dollars.

At the same time, exports revenue in 1Q06, of R\$ 63.4 million, recorded a 14.6% drop in comparison to 4Q05. Export volume dropped only 6.9% between the periods and unitary net revenue from exports, when denominated in Reais, dropped by 8.3%; when denominated in US dollars, unitary net operating revenue from exports dropped 4.4%.

Therefore, Suzano Petroquímica Parent Company's net operating revenue in 1Q06 reached R\$ 412.6 million, in line with the revenue recorded in 4Q05 due to a total sales volume 4.0% above the previous quarter, which neutralized the effect of an unitary net operating revenue denominated in Reais 3.3% lower. When denominated in US dollars, the Company's unitary net revenue in 1Q06 was 0.8% higher than 4Q05.

## Cost of Goods Sold (COGS)



Cost of goods sold (COGS) in the quarter was R\$ 371.2 million, 10.8% above the same period of 2005, due to sales volume 20.0% higher. Unitary total COGS was 7.6% below 1Q05 mainly due to lower propylene cost in Reais. In comparison to 4Q05, COGS grew by 6.2% due to a sales volume 4.0% higher and a 2.1% increase in unitary COGS, resulting mostly from the inventories build up carried out in the previous quarter at costs relatively higher, that now have been sold, being part of the result.

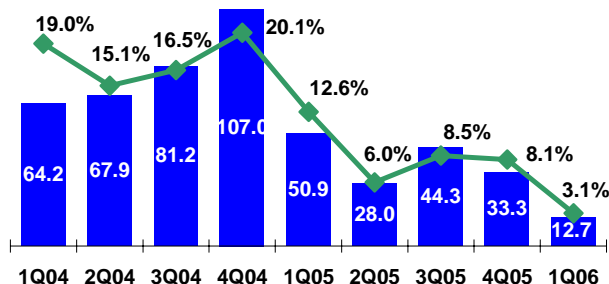
## SG&A Expenses

Selling, general and administrative expenses regarding the polypropylene business reached R\$ 46.7 million in the quarter, 8.3% below 4Q05 and 14.0% higher than in the same period of the previous year. In comparison to 1Q05, the 14.0% raise in SG&A is basically due to the 20% higher volume of sales this quarter.



## EBITDA

EBITDA (R\$ million) and EBITDA margin (%) – Parent Company *Pro Forma*



Suzano Petroquímica Parent Company's EBITDA reached R\$ 12.7 million in 1Q06, 61.9% below 4Q05 mostly due to a gross income 31.5% lower in this quarter.

When comparing to 1Q05, one can notice a 75.0% drop in EBITDA, once gross income in 1Q06 decreased 39.8% and operating expenses grew 32.0% between the periods.

EBITDA margin was 3.1% in the quarter, 5 b.p. below 4Q05 and 9.5 b.p. below that of 1Q05.

The quarter's EBITDA is impacted by non-recurrent expenses in the amount of R\$ 4.3 million, what

would elevate the EBITDA to R\$ 17.0 million and EBITDA Margin in 1Q06 to 4.1%.

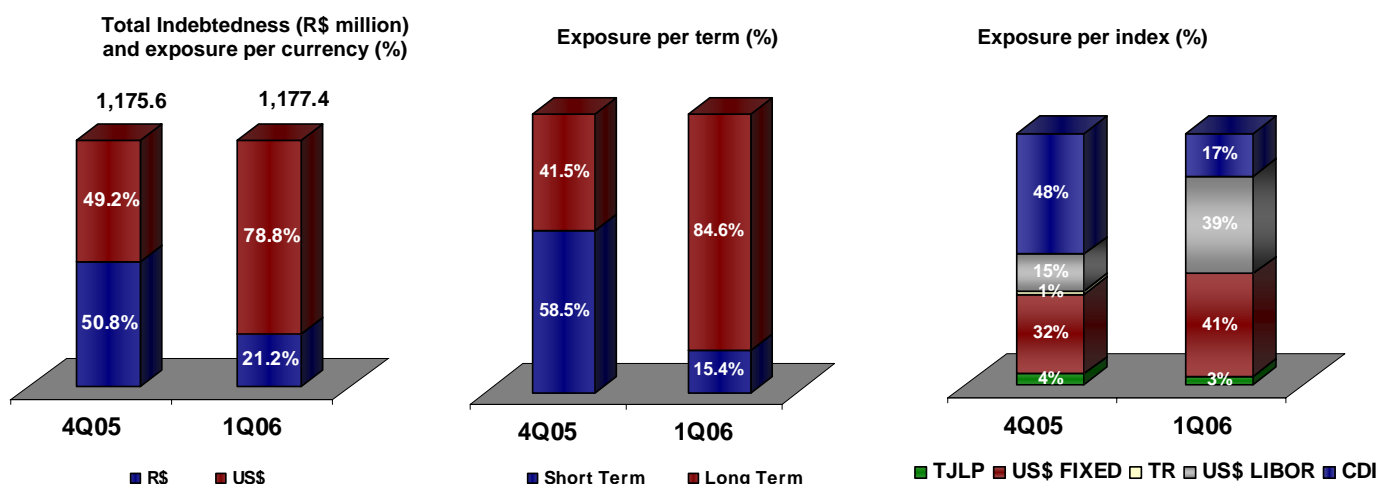
## Financial Result and Debt

The Company concluded, in the quarter, the debt restructuring started in 2005. On January 26<sup>th</sup>, the first lot of the IFC financing was disbursed, in the amount of US\$ 160.0 million. With these proceeds, the remaining Promissory Notes issued by the Company for financing Polibrasil's acquisition was settled. In addition, as a complement to the funding for the ongoing projects, the approximately R\$ 93.0 million financing was approved at a BNDES Executive Board Meeting and is expected to be disbursed during 2Q06.

Besides this settlement, the Company pre paid a R\$ 6.4 million debt with BNDES, as to release Politeno's shares that were this debt's guarantee in order to accomplish their sale to Braskem, as disclosed in Relevant Notice dated 04.04.06. An export pre payment between the Company and Banco Itaú in the amount US\$ 5.2 million (corresponding to R\$ 11.5 million) was also liquidated in advance.

Due to the need of cash in the short run, the Company funded (i) US\$15.1 million (in 3 lots) with Banco Itaú BBA through an operation involving double index structures and a maximum term of 220 days and (ii) US\$21.0 million as Trade Finance with a maximum term of 300 days, out of which US\$ 15.0 million with Banco do Brasil and US\$ 6.0 million with Banco Bradesco.

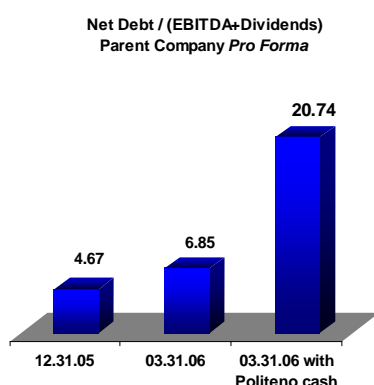
On March 31, 2006, Suzano Petroquímica's gross debt was R\$ 1,177.4 million, compared to the R\$1,175.6 million recorded on December 31, 2005. The Company's net debt on March 31, 2006 was R\$ 1,187.5 million, 8.8% above net debt on December 31, 2005, due to the lower cash position recorded in March 31, 2006.



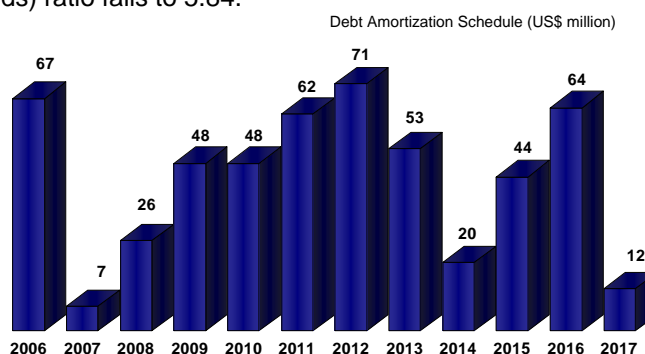
In 1Q06, Suzano Petroquímica Parent Company's financial result was a positive R\$ 17.9 million, mainly due to the favorable impact of the exchange variation over the Company's debt denominated in foreign currency, of R\$ 49.0 million. The higher financial expenses in the quarter resulted from the commission payment regarding the financial restructuring carried out in the second half of 2005.

## Net Debt / EBITDA

According to the Parent Company's pro forma Financial Statements, Net Debt / (EBITDA+Dividends) ratio was 6.85 in March 31, 2006, against 4.67 in December 31, 2005. This ratio was doubly affected by in 1Q06: (1) the higher net debt recorded in the quarter, due to the lower cash position versus the end of 2005, which caused the increase in the Company's net debt, even with a fairly stable total indebtedness in both periods; (2) a lower EBITDA in 1Q06 versus 1Q05, as for 1Q06 the accumulated EBITDA of the last twelve months was used for calculation. Taking into account the additional cash received for Politeño's sale, in Reais equivalent to US\$ 60.6 million, and Braskem shares received by Polipropileno Participações, Net Debt/(EBITDA + Dividends) ratio falls to 5.84.



Debt amortization schedule, including funding and pre payment activities in 1Q06, resulted in an average maturity of 5.73 years on March 31, 2006. The average debt cost, on the other hand, remained stable in comparison to 4Q05, at US\$+6.55% p.a..

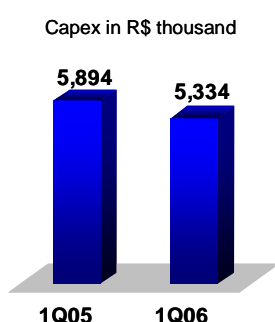




## Net Income

In 1Q06, Suzano Petroquímica's registered a net loss of R\$ 28.4 million, due to the record of the accounting loss regarding the sale of the stake in Politeño, as described in "Highlights of the quarter", reflected in the Parent Company's financial statements through a negative equity in affiliates of R\$ 24.0 million.

## Capex



In 1Q06 the Company invested R\$ 5.3 million in capex, focused on the polypropylene expansion projects and environmental, product quality and production processes improvements.

The Company's investment projects currently on going are: (1) the 150 thousand tons/year expansion project for polypropylene production in the Mauá unit (SP), which will be accomplished in 2 stages (60 thousand tons/year in 2Q06 and 90 thousand tons/year in 2Q08); (2) the 100 thousand tons/year expansion project for polypropylene production in the Duque de Caxias unit (RJ) in 2Q07; (3) the construction of a marine terminal in Duque de Caxias for receiving the unit's propylene. The total budget for these projects amounts of approximately US\$ 95.0 million,

distributed as follows:

US\$ million	2005	2006	2007	2008	Total
Capex Projects	2.0	52.6	26.6	13.8	95.0

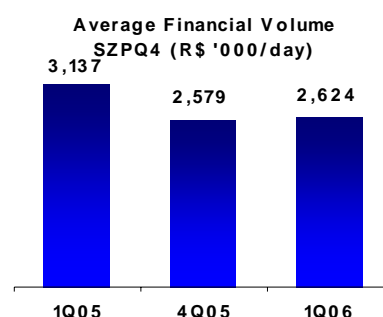
Within the Company's expansion project, which foresees a US\$ 52.6 million investment in 2006, despite the

fact that the amount invested in 1Q06 seems to be small in contrast to the expected amount for the year, all projects are on schedule.

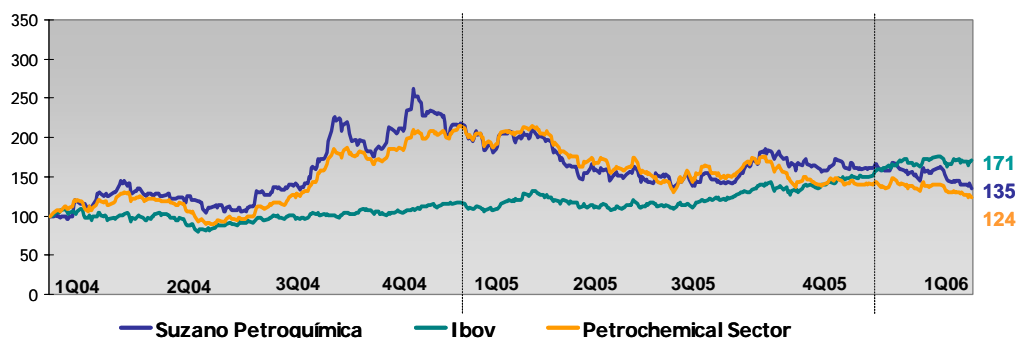
The projects mentioned above already hold defined investment sources, and will be financed by the *International Finance Corporation-IFC* (US\$ 40 million) and BNDES.

## Capital Markets

Suzano Petroquímica's shares average daily trading volume at Bovespa was R\$ 2.6 million in the quarter, in line with the traded volume recorded in 4Q05 and 16.4% below the volume recorded in 1Q05, being worth mentioning that the 1Q05 was the first quarter after Suzano Petroquímica's IPO on December 2004, still reflecting some euphoria resulting from the market's positive outlook for the petrochemical sector at that time, which did not occur.



Performance SZPQ4 vs. Ibovespa  
FBI jan 2004 = 100



Suzano Petroquímica's preferred share traded at Bovespa ended the quarter priced at R\$ 3.98/share, a 16.3% depreciation in the quarter. However, since January 2004, Suzano Petroquímica's share recorded a 35.4% appreciation, versus a 70.7% appreciation of the Ibovespa at the same period and a 23.7% average appreciation of the petrochemical industry

index, pointing that Suzano Petroquímica had a better performance than the average of the sector during the period.

### Social Environmental Responsibility and Sustainable Development

Suzano Petroquímica completed 6 years with no cases of occupational disease, mostly due to prevention programs internally developed by the Company, which guarantee a healthy work environment. Every occupational risk is monitored and stand below the limits settled by the Brazilian legislation.

An emergency drill took place at the Mauá unit (SP) in order to promote the training of the community to act in the case of an emergency. Considering the community around the unit (residences and schools), employees, outsourced and employees of other companies located at the same neighborhood, the drill had the participation of 1,700 people, and was supported by the São Paulo, Mauá and Santo André Public Defense, the Fire Department of the ABC region, the Mutual Aid Plan (PAM) of the companies located at that Industrial Pole, the Traffic Engineering Services (SET) and the Military Police Department. The drill was successfully concluded, achieving the goal of training people in the surroundings of Mauá unit.

Regarding the Company's activities related to the environment, during the quarter all initiatives for complying with the World Bank's standards for effluent release were concluded.

In 1Q06 the 5th Contest Reading is Necessary took place, in partnership with the Ecofuturo Institute, for children and youngsters between the ages of 7 and 14, students of public and private schools, with the objective of stimulating and valuing creativity through writing, revealing that writing is a way of sharing ideas, histories and adventures, bringing youngsters closer to books. The 5th edition of the contest had the participation of 5,853 schools, more than 400,000 children and youngsters and 21,000 papers being evaluated.

Also in partnership with the Ecofuturo Institute, Suzano Petroquímica opened, on January 2006, in Camaçari, its second Community Library Reading is Necessary (the first is located at Mauá), with 2,500 books. This initiative seeks the democratization of the access to books, to reading and writing, introducing literature in the life of communities.

Together with APOLP (The Association of the Industries of the Petrochemical Pole of ABC), we promoted, in the cities of Mauá, Rio Grande da Serra and São Paulo, the "Pole Gives Life 2006", offering services as eye doctors, physicians, cardiologists, measuring blood pressure, blood sugar, cholesterol, dental services, professional orientation and several lectures. The program has the focus of improving the quality of life of needy communities of the surroundings of São Paulo Petrochemical Pole.

## **Guidance for the propylene business**

The petrochemical industry has been facing an adverse scenario since the beginning of 2005, which became a great challenge for the sector's players. The second generation players of the petrochemical chain have been suffering with the raw material elevated prices, due to the oil price increase, and also to the Real appreciation, which punishes the competitiveness of Brazilian exports and favors the entrance of imported products, aggravating the competition in the domestic market, many times in a prejudicial manner.

Despite this unfavorable scenario in the short run, the positive fundamentals for the Brazilian petrochemical sector remain unchanged for the medium/long run. The expected Brazilian economic growth, together with a higher population income and the expansion of credit to Individuals, reinforces the possibility of a plastic consumption increase in the country, therefore a favorable domestic market for the petrochemical sector. Moreover, many international projects, which were a great threat for the balance between supply and demand of petrochemical products worldwide, are late or, in some cases, even suspended, therefore reducing market pressure in the long run.

## **Recent Events**

### **Suzano Petroquímica is granted with The São Paulo Award for Management Quality (*Prêmio Paulista da Qualidade em Gestão*)**

On April 24, 2006, at a ceremony promoted by The São Paulo Institute of Management Excellency (*IPEG - Instituto Paulista de Excelência da Gestão*), with the participation of representatives of the State Government, the Company was granted with the **The São Paulo Award for Management Quality**, acknowledging the Company for being awarded with the National Quality Award 2005.

### **Suzano Petroquímica is granted with the Abiplast Design Award**

Suzano Petroquímica was the winner of the Abiplast Design Award 2005, at the "Industry" category, with the collection of polypropylene packages "Polibrasil Calçados". At its first edition, the award was an initiative from the Plastic Industry Brazilian Association (Abiplast) and the Plastic Resins Industry Labor Union (Siresp), supported by the sector's productive chain, focusing on stimulating the imagination and technological innovation of plastic producers through design, contributing for the competitiveness of the Brazilian product. The award ceremony took place on April 17, 2006.

### **Suzano Petroquímica promotes the 3<sup>rd</sup> Suppliers Meeting**

On April 11, 2006, Suzano Petroquímica promoted the 3<sup>rd</sup> Annual Suppliers Meeting, awarding those who rendered the best quality services in 2005. The suppliers are evaluated on a monthly basis and the results are shared with each supplier in order to improve its quality service and the relationship between the parties. In 2005, the two suppliers awarded were Jolivan transporter and the Capuava Refinery (Recap), raw material supplier for the Mauá unit. At the event, lectures on the Company's vision and strategy took place, so that suppliers could get to know the Company better.

The event is in line with the sustainability concept pursued by Suzano Petroquímica, aiming at contributing for the development of the productive chain of which the Company participates.

### **Suzano Petroquímica concludes the process of maintaining the ISO and OHSAS certifications**

In April, Suzano Petroquímica went through the audit process for maintaining its certifications, ran by DNV, comprising the ISO 9001, ISO 14001 and OHSAS 18001 rules for all units. The auditing was successfully concluded.

## SUZANO PETROQUÍMICA CONSOLIDATED

### Summary of the *Pro Forma* Consolidated Results

Consolidated highlights (R\$ million)	1Q06	1Q05	Δ% 1Q06/1Q05	4Q05	Δ% 1Q06/4Q05
Net Revenue	571.5	602.2	(5.1)	573.4	(0.3)
Gross Income	61.7	117.9	(47.7)	86.3	(28.5)
Gross Margin	10.8%	19.6%	-8.8 b.p.	15.1%	-4.3 b.p.
Ebitda	20.4	84.7	(75.9)	45.3	(55.0)
<i>Ebitda Margin</i>	3.6%	14.1%	-10.5 b.p.	7.9%	-4.3 b.p.

Production (000 t)	1Q06	1Q05	Δ% 1Q06/1Q05	4Q05	Δ% 1Q06/4Q05
Politeno	85.3	84.2	1.3	88.3	(3.4)
Petroflex	75.8	90.8	(16.5)	81.8	(7.3)
Riopol <sup>1</sup>	67.7	-	-	10.5	

1- Regarding pre-operating stage

Sales (000 t)	1Q06	1Q05	Δ% 1Q06/1Q05	4Q05	Δ% 1Q06/4Q05
Politeno	86.4	85.9	0.6	82.5	4.7
DM	67.3	68.6	(1.9)	64.3	4.7
EM	19.1	17.3	10.4	18.2	4.9
Petroflex	79.2	83.1	(4.7)	81.9	(3.3)
DM	50.2	53.2	(5.6)	48.8	2.9
EM	29.0	29.9	(3.0)	33.1	(12.4)
Riopol <sup>1,2</sup>	53.9	12.0	349.2	7.0	670.0
DM	45.1	12.0	275.8	4.6	880.4
EM	8.8	-	-	2.4	266.7

1 – Regarding pre-operating stage.

2 – 1Q05 sales regards only pre-marketing activities (not considering own resin production sales). Sales volume in 4Q05 includes 290 tons regarding pre-marketing, concluding this stage, being the remaining amount own resin production sales. Sales recorded in 1Q06 are fully from Riopol's own resins production.

### Riopol

In 1Q06 Riopol produced 67.7 thousand tons of polyethylene, corresponding to 50.1% of its total installed capacity of 540 thousand tons/year of polyethylene. Riopol sold 45.1 thousand tons to the domestic market and exported 8.8 thousand tons.

It is worth mentioning that during 1Q06, Riopol was still in its pre-operating stage, which was concluded on March, 31 when the tests of performance and reliability ended and the transfer of custody and responsibility for the industrial facility's operations from the construction consortium to Riopol's team was accomplished. As from this date, with the facility being operated by Riopol, the company started its operating stage and its results will be consolidated at the Company's Consolidated Results as from 2Q06.

Therefore, the results from polyethylene sales in 1Q06 were booked at the Company's deferred assets, not generating any results this quarter. Riopol's results that had been booked until 2005 regarded the company's pre-marketing activities, which were concluded in 2005.

### **Politeno**

Polyethylene domestic consumption grew by 7.2% in 1Q06 compared to the same period of the previous year, imports being 10.6% higher, benefiting from the appreciation of the Real, considering that polyethylene exports dropped 5.9% in 1Q06 versus 1Q05, in order to face a higher demand in 1Q06, which was weaker in 1Q05, stimulating exports.

Politeno's production in 1Q06 was 85.3 thousand tons, 1.3% above the same period of the previous year, as a result of the units' higher productivity and lower maintenance stoppages periods. Politeno's average operating rate in the quarter was 94.8%, versus an operating rate of 93.6% in 1Q05.

The company recorded total sales volume of 86.4 thousand tons of polyethylene in the quarter, in line with 1Q05 sales. From this total sales volume, 67.3 thousand tons were directed to the domestic market, 1.9% lower than in 1Q05. In order to reduce finished products inventories, exports reached 19.1 thousand tons in the quarter, 10.4% above 1Q05.

### **Petroflex**

In the quarter, the domestic demand for synthetic elastomers (SBR and BR) recorded a 0.6% drop versus 1Q05, being noticed, however, an 8.7% increase in Brazilian imports of SBR and BR between the periods, benefited from a stronger Real, which also negatively impacted Brazilian exports in the period, which recorded a 7.9% drop in 1Q06 against 1Q05.

Petroflex produced 75.8 thousand tons of synthetic elastomers in the quarter, volume 16.5% lower than in 1Q05, corresponding to a 73.8% average operating rate. The company's reduced its production in order to be aligned with the market Outlook for the period: lower domestic demand, import growth and export competitiveness decrease.

The company recorded a sales volume of 79.2 thousand tons in the quarter, down by 4.7% compared to the same period of 2005. Domestic sales of 50.2 thousand tons recorded a 5.6% decrease in comparison to the same period of 2005, while exports recorded a 3.0% drop between the periods, totaling 29.0 thousand tons in 1Q06.

## **Net Operating Revenue**

Consolidated net revenues reached R\$ 571.5 million in the quarter, 5.1% lower than in 1Q05, mainly due to the lower unitary net operating revenue in Reais recorded in 1Q06, besides the lower sales volume by Petroflex and the non booking of Riopol's net operating revenue, as the revenue booked in 1Q05 regarded only the pre marketing activities, concluded in 2005.

Net Operating Revenue					
R\$ million	1Q06	1Q05	Δ (%)	4Q05	Δ (%)
<b>Suzano Petroquímica Parent Company</b>	<b>412.6</b>	<b>403.8</b>	<b>2.2</b>	<b>410.0</b>	<b>0.6</b>
Politeno <sup>1</sup>	96.8	108.0	(10.4)	96.7	(0.1)
Petroflex <sup>1</sup>	62.1	76.0	(18.3)	66.7	(7.0)
Riopol <sup>1</sup>	-	14.4	-	(0.07)	-
<b>Suzano Petroquímica Consolidated<sup>2</sup></b>	<b>571.5</b>	<b>602.2</b>	<b>(5.1)</b>	<b>573.4</b>	<b>(0.3)</b>

1 – Suzano Petroquímica share of 34.99% in Politenio, 20.12% in Petroflex and 33.33% in Riopol

2 – Pro forma consolidation, taking into consideration for all analyzed periods 100% share in Polibrasil, consolidated with Politenio, Petroflex and Riopol's shares.

- **Politenio:** Politenio's net operating revenue in the quarter reached R\$ 276.7 million, 10.4% below 1Q05, due to unitary net revenue in Reais 10.8% lower in 1T06, slightly offset by a 0.6% higher sales volume in the period.
- **Petroflex:** Petroflex's net operating revenue in the quarter reached R\$ 308.4 million, an 18.3% drop in comparison to the same period of the previous year, mostly due to a 14.3% lower unitary net revenue in Reais coupled with a 4.7% lower sales volume.

## Cost of Goods Sold

Consolidated cost of goods sold (COGS) in the quarter was R\$ 509.8 million, 5.3% above the same period of 2005, mostly explained by a larger contribution from the Parent Company, mainly due to the 20.0% increase in sales volume recorded in the quarter. The increase in petrochemical raw material prices in US dollars, due to the oil price increase, also negatively impacted the companies' costs. This effect was practically offset when denominated in Reais, due to the strong exchange appreciation recorded in the quarter.

Cost of Goods Sold					
R\$ million	1Q06	1Q05	Δ (%)	4Q05	Δ (%)
<b>Suzano Petroquímica Parent Company</b>	<b>371.2</b>	<b>335.1</b>	<b>10.8</b>	<b>349.6</b>	<b>6.2</b>
Politenio <sup>1</sup>	82.5	81.9	0.7	79.5	3.8
Petroflex <sup>1</sup>	56.1	53.6	4.7	57.7	(2.8)
Riopol <sup>1</sup>	-	13.7	-	0.3	-
<b>Suzano Petroquímica Consolidated<sup>2</sup></b>	<b>509.8</b>	<b>484.3</b>	<b>5.3</b>	<b>487.1</b>	<b>4.7</b>

1 – Suzano Petroquímica share of 34.99% in Politenio, 20.12% in Petroflex and 33.33% in Riopol

2 – Pro forma consolidation, taking into consideration for all analyzed periods 100% share in Polibrasil, consolidated with Politenio, Petroflex and Riopol's shares.

- **Politenio:** Politenio's COGS in the quarter was R\$ 235.8 million, in line with the same period of the previous year, as the recorded sales volume was fairly stable between the periods and the increase in raw material prices in US dollars were offset by the Real appreciation, not generating a higher impact in costs denominated in Reais.



- **Petroflex:** Petroflex's COGS in the quarter was R\$ 278.7 million, 4.7% above the COGS recorded in the same period of the previous year due to the increase in raw material prices, which contribution to COGS raise was expressive versus the combined effect of a 4.7% lower sales volume and the Real appreciation, which offset COGS increase in Reais.

## SG&A Expenses

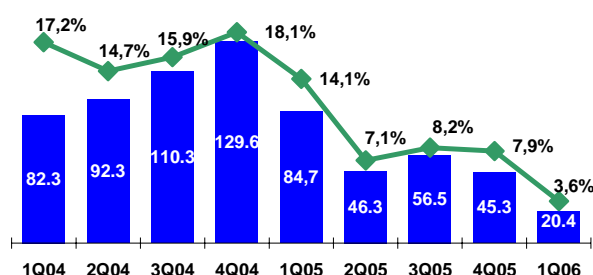
Consolidated selling, general and administrative expenses reached R\$ 62.5 million in the quarter, 8.7% lower than in 4Q05 and 7.4% higher than in the same period of 2005.

- **Politeno:** Politeno's SG&A reached R\$ 28.6 million in the quarter, an 8.1% increase in comparison to 1Q05, mostly as a result of higher selling and freight expenses resulting from the higher volume of exports recorded in the quarter.
- **Petroflex:** Petroflex's SG&A reached R\$ 27.3 million in the quarter, 1.6% higher than in the same period of the previous year, reflecting mostly the effect of a greater volume of CPMF.

## EBITDA

Suzano Petroquímica consolidated EBITDA reached R\$ 20.4 million in the quarter, recording a 75.9% drop in comparison to 1Q05 mostly due to the decrease in the parent company and the controlled company's EBITDAs, all highly impacted by the combination of the raise in petrochemical input prices with currency appreciation, that reduces the competitiveness of exports, stimulates imports and limits the possibility of transferring the raise in costs to sale prices, once the reference prices in the international market, denominated in Dollars, generate low prices in Reais due to a lower exchange rate.

EBITDA (R\$ million) and EBITDA Margin (%) – Pro Forma Consolidated



EBITDA					
R\$ million	1Q06	1Q05	Δ (%)	4Q05	Δ (%)
<b>Suzano Petroquímica Parent Company</b>	<b>12.7</b>	<b>50.9</b>	<b>(75.0)</b>	<b>33.3</b>	<b>(61.9)</b>
Politeno	18.3	51.2	(64.3)	23.0	(20.4)
Petroflex	10.7	84.1	(87.3)	22.0	(51.4)
Riopol	-	(1.6)	-	0.8	-
<b>Suzano Petroquímica Consolidated<sup>1</sup></b>	<b>20.4</b>	<b>84.7</b>	<b>(75.9)</b>	<b>45.3</b>	<b>(55.0)</b>

<sup>1</sup> - Pro forma consolidation, taking into consideration for all analyzed periods 100% share in Polibrasil, consolidated with Politeno, Petroflex and Riopol's shares.

- **Politeno:** Politeno's EBITDA in the quarter, R\$ 18.3 million, recorded a 64.3% drop in comparison to 1Q05, due to a strong decrease in the company's operating margin. In the period, Politeno's gross

income dropped 45.1% in comparison to the same period of the previous year, strongly impacting EBITDA in the quarter.

**Petroflex:** Petroflex's EBITDA in the quarter, R\$ 10.7 million, recorded an 87.3% drop in comparison to 1Q05, also due to a strong drop in operating margin. In the period, Petroflex's gross income recorded a 73.3% decline in comparison to 1Q05, and this was the main effect for this drop in the Company's EBITDA.

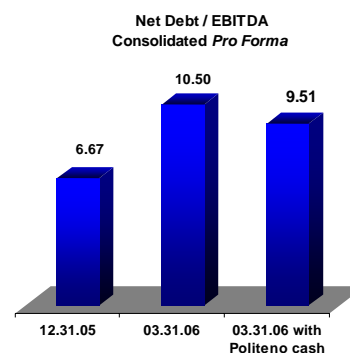
## Financial Result and Debt

The Company's consolidated net financial result in the year was a positive R\$ 15.3 million, mostly as a consequence of the Parent Company's financial result, benefited by the Real appreciation in the period.

The Company's consolidated gross debt (considering principal amount and interests) as of March 31, 2006 totaled R\$ 1,810.6 million, in line with December 31, 2005. However, consolidated net debt as of March 31, 2006 totaled R\$ 1,721.8 million, 11.3% above the amount recorded in December 31, 2005 mostly due to a lower cash position in the parent company this quarter.

### Net Debt / EBITDA

As from the pro forma consolidated financial statements, the Net Debt /EBITDA ratio was 10.50 in March 31, 2006 versus 6.67 recorded in March 31, 2005. It is worth mentioning that this ratio considers Riopol's indebtedness without considering its cash generation, as the Company has only become a result generator from 2Q06 on. It is also worth mentioning that, taking into consideration the cash received from Politeño's sale and Braskem shares received from Polipropileno Participações at the same operation, the Company's consolidated cash position increases substantially, and the Net Debt/EBITDA ratio would drop to 9.51.



## Net Income/Loss for the Period

In the consolidated, Suzano Petroquímica registered a loss of R\$ 28.4 million in 1Q06 due to the record, in the quarter, of an accounting loss of R\$ 25.6 million, regarding the sale of the stake in Politeño, as described in "Highlights of the quarter".

## Attachments

1. Pro Forma Balance Sheet – Parent Company and Consolidated
2. Pro Forma Financial Statements – Consolidated
3. Pro Forma Financial Statements – Parent Company

**Annex 1 – Balance Sheet**

**Suzano Petroquímica - Parent Company  
Balance Sheet**

R\$ 000

	3/31/2006	31/12/2005 Pro forma
Cash and cash equivalents	14,471	183,495
Other current assets	600,442	442,788
Long-term assets	123,896	127,240
Other permanent assets	1,178,594	1,213,889
Property, plant and equipment	461,767	473,718
<b>Total Assets</b>	<b>2,379,169</b>	<b>2,441,130</b>
Suppliers	128,121	130,837
Short-term loans	181,205	487,701
Other short-term liabilities	74,936	101,736
Long-term loans	996,176	687,895
Other long-term liabilities	36,588	41,541
Future Periods Results	23,967	24,866
Minority interest	-	-
Shareholders' equity	938,176	966,554
<b>Total liabilities</b>	<b>2,379,169</b>	<b>2,441,130</b>

**Suzano Petroquímica - Consolidated  
Balance Sheet**

R\$ 000

	3/31/2006	31/12/2005 Pro forma
Cash and cash equivalents	40,322	215,729
Other current assets	842,391	664,034
Long-term assets	240,380	236,196
Other permanent assets	740,843	731,703
Property, plant and equipment	1,432,688	1,443,495
<b>Total Assets</b>	<b>3,296,625</b>	<b>3,291,157</b>
Suppliers	196,910	207,755
Short-term loans	306,940	591,269
Other short-term liabilities	154,506	145,687
Long-term loans	1,537,651	1,211,261
Other long-term liabilities	115,977	121,841
Future Periods Results	44,419	45,318
Minority interest	2,047	1,472
Shareholders' equity	938,176	966,554
<b>Total Liabilities</b>	<b>3,296,625</b>	<b>3,291,157</b>

## Annex 2 – Income Statement – Consolidated

### Suzano Petroquímica - Consolidated Income Statement

R\$ thousand

	1Q06	1Q05 Pro forma	Var. %	4Q05 Pro forma	Var. %
Gross Revenues	741,871	782,647	-5%	733,778	1%
Gross Revenues Deductions	(170,357)	(180,429)	-6%	(160,424)	6%
<b>Net Revenues</b>	<b>571,514</b>	<b>602,218</b>	<b>-5%</b>	<b>573,354</b>	<b>0%</b>
Cost of Goods Sold	(509,821)	(484,291)	5%	(487,054)	5%
<b>Gross Income</b>	<b>61,693</b>	<b>117,927</b>	<b>-48%</b>	<b>86,300</b>	<b>-29%</b>
<i>Gross Margin</i>	<i>10.8%</i>	<i>19.6%</i>	<i>-8.8 b.p</i>	<i>15.1%</i>	<i>-4.3 b.p.</i>
Selling Expenses	(41,661)	(39,994)	4%	(48,437)	-14%
General and Administrative Expenses	(20,811)	(18,160)	15%	(20,006)	4%
Other Net Operating Revenue (Expenses)	378	4,785	-92%	6,660	-94%
<b>Activity Result</b>	<b>(401)</b>	<b>64,558</b>	<b>-101%</b>	<b>24,517</b>	<b>-102%</b>
<i>Activity Margin</i>	<i>-</i>	<i>11%</i>	<i>-</i>	<i>4%</i>	<i>-</i>
Net Financial Revenues (Expenses)	15,292	(14,855)	-203%	(73,404)	-121%
Financial Revenues	11,421	5,972	91%	9,345	22%
Financial Expenses	3,871	(20,827)	-119%	(82,749)	-105%
Equity Results	-	-	0%	-	0%
Goodwill amortization	(17,589)	(1,090)	1514%	(13,936)	26%
Net non-Operating Revenues (Expenses)	(25,860)	(4,008)	545%	(258)	9923%
<b>Income Before Income Tax and Social Contribution</b>	<b>(28,558)</b>	<b>44,605</b>	<b>-164%</b>	<b>(63,081)</b>	<b>-55%</b>
Income Tax and Social Contribution	786	(11,392)	-107%	29,838	-97%
Minority Interest	(605)	(6,171)	-90%	(91)	565%
<b>Net Income/Loss for the Year</b>	<b>(28,378)</b>	<b>27,042</b>	<b>-205%</b>	<b>(33,334)</b>	<b>-15%</b>
EBITDA	20,372	84,728	-76%	45,270	-55%
<i>EBITDA Margin</i>	<i>3.6%</i>	<i>14.1%</i>	<i>-10.5 b.p</i>	<i>7.9%</i>	<i>-4.3 b.p.</i>

## Annex 3 – Income Statement – Parent Company

### Suzano Petroquímica - Parent Company Income Statement

R\$ thousand

	1Q06	1Q05 Pro forma	Var. %	4Q05 Pro forma	Var. %
Gross Revenues	546,357	535,174	2%	533,397	2%
Gross Revenues Deductions	(133,709)	(131,338)	2%	(123,403)	8%
<b>Net Revenues</b>	<b>412,648</b>	<b>403,836</b>	<b>2%</b>	<b>409,994</b>	<b>1%</b>
Cost of Goods Sold	(371,230)	(335,061)	11%	(349,554)	6%
<b>Gross Income</b>	<b>41,418</b>	<b>68,775</b>	<b>-40%</b>	<b>60,440</b>	<b>-31%</b>
<b>Gross Margin</b>	<b>10.0%</b>	<b>17.0%</b>	<b>- 7,0 p.p</b>	<b>14.7%</b>	<b>-4,7 p.p</b>
Selling Expenses	(31,317)	(28,161)	11%	(37,301)	-16%
General and Administrative Expenses	(15,418)	(12,850)	20%	(13,684)	13%
Other Net Operating Revenue (Expenses)	40	5,644	-99%	5,930	-99%
<b>Activity Result</b>	<b>(5,277)</b>	<b>33,408</b>	<b>-116%</b>	<b>15,385</b>	<b>-134%</b>
<i>Activity Margin</i>	-	8.3%	-	3.8%	-
Net Financial Revenues (Expenses)	17,937	(12,865)	-239%	(69,893)	-126%
Financial Revenues	11,013	2,139	415%	4,244	159%
Financial Expenses	6,924	(15,004)	-146%	(74,137)	-109%
Equity Results	(24,032)	24,772	-197%	4,325	-656%
Goodwill Amortization	(17,589)	(1,090)	1514%	(13,936)	26%
Net non-Operating Revenues (Expenses)	(155)	(3,633)	-96%	(277)	-44%
<b>Income Before Income Tax and Social Contribution</b>	<b>(29,116)</b>	<b>40,592</b>	<b>-172%</b>	<b>(64,396)</b>	<b>-55%</b>
Income Tax and Social Contribution	738	(7,355)	-110%	30,883	-98%
Minority Interest	-	(6,195)	-100%	179	-100%
<b>Net Income/Loss for the Year</b>	<b>(28,378)</b>	<b>27,042</b>	<b>-205%</b>	<b>(33,334)</b>	<b>-15%</b>
Number of shares	12,686	50,887	-75%	33,336	-62%
Income (loss) per Share	3.1%	12.6%	- 9,5 p.p	8.1%	-5,0 p.p