

# ***Suzano Petroquímica S.A.***

*Quarterly Financial Statements for the  
Quarter Ended March 31, 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 March 31, 2006 and the related statements of income for the quarter then ended and explanatory notes, all prepared in accordance with accounting practices adopted in Brazil under the responsibility of the Company’s management. The quarterly financial statements of the jointly-controlled subsidiaries Rio Polímeros S.A. and Politeño Indústria e Comércio S.A. for the quarter ended March 31, 2006, whose investments (R\$485,135 thousand e R\$164,269 thousand) represent 20.4% and 6.9%, respectively, of the assets of the Company and the proportional consolidated assets represent 35.6% e 7.3%, respectively of the total consolidated assets, were reviewed by other independent auditors, and our special review report, insofar as it relates to the investments, consolidated assets and liabilities and result of operations, and amounts included in explanatory notes to the quarterly financial statements, originated from the financial statements of these jointly-controlled subsidiaries, is based in 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, the Company acquired the remaining capital stock (50%) of Polibrasil Participações S.A. (“Polibrasil”) and began to consolidate Polibrasil on September 1<sup>st</sup>, 2005. The Company management decided to present additional financial information that was denominated “pro forma” statement of income, which presents the Company’s results of operations as if Polibrasil had been acquired and merged as from January 1<sup>st</sup>, 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 ended March 31, 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 1<sup>st</sup>, 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 statements of cash flows and of changes in financial position for the quarter ended March 31, 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 subsidiaries 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 audited the individual and consolidated balance sheets as of December 31, 2005, presented for comparative purposes, and issued unqualified audit reports thereon, dated March 9, 2006. We had previously reviewed the individual and consolidated balance sheet and statements of income for the quarter ended March 31, 2005, presented for comparative purposes, and issue unqualified special review report thereon, dated May 2, 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, May 9, 2006

DELOITTE TOUCHE TOHMATSU  
Auditores Independentes

João Eugenio Leitão Filho  
Engagement Partner

**FEDERAL PUBLIC SERVICE****SECURITIES AND EXCHANGE COMMISSION (CVM)****CORPORATION LAW****QUARTERLY INFORMATION****Base Period - 06/30/2005****COMMERCIAL AND MANUFACTURING COMPANIES AND OTHER (1)****01.01- IDENTIFICATION**

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

**COMPANY'S BALANCE SHEET - ASSETS (IN THOUSANDS OF REAIS - R\$)**

1-CODE	2-DESCRIPTION	3- 3/31/2006	4- 12/31/2005
1	TOTAL ASSETS	2,379,169	2,441,130
1.01	CURRENT ASSETS	614,913	626,283
1.01.01	CASH AND CASH EQUIVALENTS	14,471	183,495
1.01.01.01	CASH AND BANK ACCOUNTS	8,985	173,392
1.01.01.02	TEMPORARY CASH INVESTMENTS	5,486	10,103
1.01.02	CREDITS	353,186	229,889
1.01.02.01	TRADE ACCOUNTS RECEIVABLE	208,945	108,014
1.01.02.02	RECOVERABLE TAXES	66,964	48,789
1.01.02.03	DEFERRED TAXES	18,686	16,583
1.01.02.04	OTHER CREDITS	58,591	56,503
1.01.03	INVENTORIES	243,889	208,727
1.01.04	OTHER	3,367	4,172
1.01.04.01	PREPAID EXPENSES	3,367	4,172
1.02	NONCURRENT ASSETS	123,896	127,240
1.02.01	MISCELLANEOUS CREDITS	120,719	124,210
1.02.01.01	RECOVERABLE TAXES	40,855	43,530
1.02.01.02	DEFERRED TAXES	37,533	38,898
1.02.01.03	JUDICIAL DEPOSITS	4,569	4,565
1.02.01.04	TRADE ACCOUNTS RECEIVABLE	10,254	11,406
1.02.01.05	OTHER CREDITS	27,508	25,811
1.02.02	LOANS DUE FROM RELATED PARTIES	3,177	3,030
1.02.02.01	LOANS DUE FROM AFFILIATES	0	0
1.02.02.02	LOANS DUE FROM SUBSIDIARIES	3,177	3,030
1.02.02.03	LOANS DUE FROM OTHER RELATED PARTIES	0	0
1.02.03	OTHER	0	0
1.03	PERMANENT ASSETS	1,640,360	1,687,607
1.03.01	INVESTMENTS	730,897	758,906
1.03.01.01	IN AFFILIATED COMPANIES	0	0
1.03.01.02	IN SUBSIDIARIES	716,153	740,154
1.03.01.02.01	SUZANO QUÍMICA LTDA.	135,901	167,637
1.03.01.02.02	SPQ INVESTIMENTOS E PARTICIPAÇÕES LTDA.	485,135	485,135
1.03.01.02.03	PETROFLEX IND E COMÉRCIO S..A.	64,669	65,656
1.03.01.02.04	SUZANOPAR PETROQUÍMICA LTDA	828	888
1.03.01.02.05	POLIPROPILENO PARTICIPAÇÕES S.A.	29,620	20,838
1.03.01.03	OTHER INVESTMENTS	14,744	18,752
1.03.01.03.01	UNAMORTIZED NEGATIVE GOODWILL	(20,452)	(16,445)
1.03.01.03.02	OTHER	35,196	35,197
1.03.02	PROPERTY AND EQUIPMENT	461,767	473,718
1.03.02.01	OTHER ASSETS	461,767	473,718
1.03.03	DEFERRED CHARGES	447,696	454,983

**FEDERAL PUBLIC SERVICE**
**SECURITIES AND EXCHANGE COMMISSION (CVM)**
**CORPORATION LAW**
**QUARTERLY INFORMATION**
**Base Period - 06/30/2005**
**COMMERCIAL AND MANUFACTURING COMPANIES AND OTHER (1)**
**01.01- IDENTIFICATION**

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

**COMPANY'S BALANCE SHEET - LIABILITIES (IN THOUSANDS OF REAIS - R\$)**

1-CODE	2-DESCRIPTION	3- 03/31/2006	4- 12/31/2005
2	TOTAL LIABILITIES	2,379,169	2,441,130
2.01	CURRENT LIABILITIES	384,262	720,274
2.01.01	LOANS	181,205	487,701
2.01.02	DEBENTURES	0	0
2.01.03	SUPPLIERS	128,121	130,837
2.01.04	TAXES AND CONTRIBUTIONS	9,124	7,019
2.01.05	DIVIDENDS PAYABLE	4,393	4,353
2.01.06	PROVISIONS	159	0
2.01.06.01	INCOME TAXES	159	0
2.01.07	DEBT WITH RELATED COMPANIES	0	282
2.01.08	OTHER	61,260	90,082
2.01.08.01	SALARIES AND PAYROLL TAXES	8,774	17,009
2.01.08.02	ACCOUNTS PAYABLE	31,594	42,584
2.01.08.03	ADVANCES FROM CUSTOMERS	20,892	30,489
2.01.08.04	SECURITIZATION FUND OBLIGATION	0	0
2.02	LONG TERM LIABILITIES	1,032,764	729,436
2.02.01	LOANS	996,176	687,895
2.02.02	DEBENTURES	0	0
2.02.03	PROVISIONS	16,362	16,014
2.02.03.01	OTHER	16,362	16,014
2.02.04	LOANS DUE TO RELATED COMPANIES	0	0
2.02.05	OTHER	20,226	25,527
2.02.05.01	DEFERRED TAXES	0	0
2.02.05.02	PENSION PLAN PROVISION	0	0
2.02.05.03	ACCOUNTS PAYABLE	20,226	25,527
2.02.05.04	TAX PAYABLE	0	0
2.02.05.05	ACCOUNTS PAYABLE TRADE	0	0
2.03	DEFERRED INCOME	23,967	24,866
2.05	SHAREHOLDERS' EQUITY	936,176	966,554
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	0	0
2.05.04.07	OTHERS PROFIT RESERVES	0	0
2.05.05	ACCUMULATED PROFIT (LOSS)	(28,378)	0

**FEDERAL PUBLIC SERVICE**
**SECURITIES AND EXCHANGE COMMISSION (CVM)**
**CORPORATION LAW**
**QUARTERLY INFORMATION**
**Base Period - 06/30/2005**
**COMMERCIAL AND MANUFACTURING COMPANIES AND OTHER (1)**
**01.01- IDENTIFICATION**

1-CVM CODE 01926-7	2-COMPANY NAME SUZANO PETROQUÍMICA S/A	3-Federal Taxpayers' Code 04.705.090/0001-77
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**COMPANY'S STATEMENTS OF INCOME (IN THOUSANDS OF REAIS - R\$)**

1-CODE	2-DESCRIPTION	3- FROM 01/01/2006 TO 03/31/2006	4- FROM 01/01/2006 TO 03/31/2006	5- FROM 01/01/2005 TO 03/31/2005	6- FROM 01/01/2005 TO 03/31/2005
3.01	GROSS REVENUE (SALES AND SERVICES)	546,357	546,357	0	0
3.02	DEDUCTIONS OF GROSS REVENUE	(133,709)	(133,709)	0	0
3.03	NET REVENUE (SALES AND SERVICES)	412,648	412,648	0	0
3.04	COST OF GOODS AND SERVICES SOLD	(371,230)	(371,230)	0	0
3.05	GROSS PROFIT	41,418	41,418	0	0
3.06	OPERATING REVENUES (EXPENSES)	(70,379)	(70,379)	26,893	26,893
3.06.01	SELLING EXPENSES	(31,317)	(31,317)	0	0
3.06.02	GENERAL AND ADMINISTRATIVE	(15,418)	(15,418)	(4,421)	(4,421)
3.06.03	FINANCIAL	17,937	17,937	698	698
3.06.03.01	INTEREST INCOME	11,013	11,013	1,030	1,030
3.06.03.02	INTEREST EXPENSE	6,924	6,924	(332)	(332)
3.06.04	OTHER OPERATING INCOME	40	40	0	0
3.06.05	OTHER OPERATING EXPENSES	(17,589)	(17,589)	(167)	(167)
3.06.05.01	GOODWILL AMORTIZATION	(17,589)	(17,589)	(167)	(167)
3.06.06	EQUITY PICK UP FROM INVESTEEs	(24,032)	(24,032)	30,783	30,783
3.07	OPERATING INCOME	(28,961)	(28,961)	26,893	26,893
3.08	NON OPERATING INCOME	(155)	(155)	5	5
3.08.01	INCOME	0	0	5	5
3.08.02	EXPENSES	(155)	(155)	0	0
3.09	INCOME (LOSS) BEFORE TAXES AND PROFIT SHARING	(29,116)	(29,116)	26,898	26,898
3.10	PROVISIONS FOR INCOME TAX AND SOCIAL CONTRIBUTION	0	0	0	0
3.11	DEFERRED INCOME TAX	738	738	144	144
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	(28,378)	(28,378)	27,042	27,042
	QUANTITY OF SHARES (EXCEPT TREASURY SHARES - IN THOUSANDS)	226,695	226,695	226,695	226,695
	INCOME PER SHARE			0,11929	0,11929
	LOSS PER SHARE	(0,12518)	(0,12518)		

**FEDERAL PUBLIC SERVICE**  
**SECURITIES AND EXCHANGE COMMISSION (CVM)**  
**QUARTERLY INFORMATION** **Base Period - 06/30/2005**  
**COMMERCIAL AND MANUFACTURING COMPANIES AND OTHER (1)** **CORPORATION LAW**

**01.01- IDENTIFICATION**

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

1-CODE	2-DESCRIPTION	3- 03/31/2006	4- 12/31/2005
1	TOTAL ASSETS	3,296,625	3,291,157
1.01	CURRENT ASSETS	882,714	879,763
1.01.01	CASH AND CASH EQUIVALENTS	40,322	215,729
1.01.01.01	CASH AND BANK ACCOUNTS	13,745	14
1.01.01.02	TEMPORARY CASH INVESTMENTS	26,577	215,715
1.01.02	CREDITS	504,902	366,473
1.01.02.01	TRADE ACCOUNTS RECEIVABLE	323,425	214,312
1.01.02.02	RECOVERABLE TAXES	85,701	69,360
1.01.02.03	DEFERRED INCOME TAXES	19,899	17,241
1.01.02.04	OTHER CREDITS	74,607	65,560
1.01.02.05	RELATED PARTIES	1,170	0
1.01.03	INVENTORIES	332,517	292,429
1.01.04	OTHER	4,973	5,132
1.01.04.01	PREPAID EXPENSES	4,973	5,132
1.02	NONCURRENT ASSETS	240,380	236,196
1.02.01	MISCELLANEOUS CREDITS	240,380	236,196
1.02.01.01	RECOVERABLE TAXES	141,182	141,292
1.02.01.02	DEFERRED INCOME TAXES	45,647	46,558
1.02.01.03	JUDICIAL DEPOSITS	7,113	7,594
1.02.01.04	TRADE ACCOUNTS RECEIVABLE	16,396	13,024
1.02.01.05	OTHER CREDITS	30,042	27,728
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	2,173,531	2,175,198
1.03.01	INVESTMENTS	80,585	71,083
1.03.01.01	IN AFFILIATED COMPANIES	0	0
1.03.01.02	IN SUBSIDIARIES	0	0
1.03.01.03	OTHER INVESTMENTS	80,585	71,083
1.03.02	PROPERTY, PLANT AND EQUIPMENT	1,432,688	1,443,495
1.03.03	DEFERRED CHARGES	660,258	660,620

**FEDERAL PUBLIC SERVICE****SECURITIES AND EXCHANGE COMMISSION (CVM)****CORPORATION LAW****QUARTERLY INFORMATION****Base Period - 06/30/2005****COMMERCIAL AND MANUFACTURING COMPANIES AND OTHER (1)****01.01- IDENTIFICATION**

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

1-CODE	2-DESCRIPTION	3- 03/31/2006	4- 12/31/2005
2	TOTAL LIABILITIES	3,296,625	3,291,157
2.01	CURRENT LIABILITIES	658,355	944,711
2.01.01	LOANS	305,110	591,269
2.01.02	DEBENTURES	1,830	0
2.01.03	SUPPLIERS	196,910	207,755
2.01.04	TAXES AND CONTRIBUTIONS	20,817	15,268
2.01.05	DIVIDENDS PAYABLE	5,634	5,586
2.01.06	PROVISIONS	35,289	0
2.01.06.01	INCOME TAX AND SOCIAL CONTRIBUTION	159	0
2.01.06.02	OTHERS	35,130	0
2.01.07	DEBT WITH RELATED COMPANIES	0	282
2.01.08	OTHER	92,765	124,551
2.01.08.01	SALARIES AND PAYROLL TAXES	10,911	23,309
2.01.08.02	ACCOUNTS PAYABLE	35,518	45,752
2.01.08.03	ADVANCES FROM CUSTOMERS	21,278	31,743
2.01.08.04	OBLIGATION FROM SECURITIZATION FUND	25,058	23,747
2.02	LONG TERM LIABILITIES	1,653,628	1,333,102
2.02.01	LOANS	1,505,461	1,211,261
2.02.02	DEBENTURES	32,191	0
2.02.03	PROVISIONS	18,762	20,364
2.02.03.01	CONTINGENCIES	18,762	20,364
2.02.04	LOANS DUE TO RELATED COMPANIES	0	0
2.02.05	OTHER	97,214	101,477
2.02.05.01	DEFERRED INCOME TAXES	1,404	1,412
2.02.05.02	PENSION PLAN	0	4,476
2.02.05.03	ACCOUNTS PAYABLE	26,075	25,674
2.02.05.04	TAXES PAYABLE	56,398	55,871
2.02.05.05	SUPPLIERS	13,337	14,044
2.03	DEFERRED INCOME	44,419	45,318
2.04	MINORITY INTEREST	2,047	1,472
2.05	SHAREHOLDERS' EQUITY	938,176	966,554
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	0	0
2.05.04.07	OTHERS PROFIT RESERVES	0	0
2.05.05	ACCUMULATED PROFIT (LOSS)	(28,378)	0



**FEDERAL PUBLIC SERVICE**
**SECURITIES AND EXCHANGE COMMISSION (CVM)**
**CORPORATION LAW**
**QUARTERLY INFORMATION**
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**CONSOLIDATED STATEMENTS OF INCOME (IN THOUSANDS OF REAIS - R\$)**

1-CODE	2-DESCRIPTION	3- FROM 01/01/2006 TO 03/31/2006	4- FROM 01/01/2006 TO 03/31/2006	5- FROM 01/01/2005 TO 03/31/2005	6- FROM 01/01/2005 TO 03/31/2005
3.01	GROSS REVENUE (SALES AND SERVICES)	741,871	741,871	515,060	515,060
3.02	DEDUCTIONS OF GROSS REVENUE	(170,357)	(170,357)	(114,760)	(114,760)
3.03	NET REVENUE (SALES AND SERVICES)	571,514	571,514	400,300	400,300
3.04	COST OF GOODS AND SERVICES SOLD	(509,821)	(509,821)	(316,761)	(316,761)
3.05	GROSS PROFIT	61,693	61,693	83,539	83,539
3.06	OPERATING EXPENSES/REVENUES	(64,391)	(64,391)	(49,316)	(49,316)
3.06.01	SELLING EXPENSES	(41,661)	(41,661)	(25,914)	(25,914)
3.06.02	GENERAL AND ADMINISTRATIVE	(20,811)	(20,811)	(14,078)	(14,708)
3.06.03	FINANCIAL	15,292	15,292	(7,856)	(7,856)
3.06.03.01	INTEREST INCOME	11,421	11,421	5,706	5,706
3.06.03.02	INTEREST EXPENSE	3,871	3,871	(13,562)	(13,562)
3.06.04	OTHER OPERATING REVENUES	653	653	0	0
3.06.05	OTHER OPERATING EXPENSES	(17,864)	(17,864)	(1,468)	(1,468)
3.06.05.01	GOODWILL AMORTIZATION	(17,589)	(17,589)	(629)	(629)
3.06.05.02	OTHERS	(275)	(275)	(839)	(839)
3.06.06	EQUITY PICK UP FROM INVESTEEES	0	0	0	0
3.07	OPERATING INCOME	(2,698)	(2,698)	34,223	34,223
3.08	NON OPERATING RESULT	(25,860)	(25,860)	613	613
3.08.01	REVENUES	0	0	613	613
3.08.02	EXPENSES	(25,860)	(25,860)	0	0
3.09	INCOME BEFORE TAXES AND PROFIT SHARING	(28,558)	(28,558)	34,836	34,836
3.10	PROVISIONS FOR INCOME TAX AND SOCIAL CONTRIBUTION	(978)	(978)	(7,263)	(7,263)
3.11	DEFERRED INCOME TAX	1,763	1,763	(432)	(432)
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	(605)	(605)	(99)	(99)
3.15	NET INCOME/LOSS FOR THE PERIOD	(28,378)	(28,378)	27,042	27,042
	QUANTITY OF SHARES (EXCEPT TREASURY SHARES - IN THOUSANDS)	226,695	226,695	226,695	226,695
	INCOME PER SHARE	0	0	0,11929	0,11929
	LOSS PER SHARE	(0,12518)	(0,12518)	0	0

**01.01- IDENTIFICATION**

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

**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:

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

Production of polyethylene used for production of plastic bags and films, packaging, domestic utilities, toys, agricultural canvas, cleaning products and other.

On April 5, 2006 the Company sold its interest in this subsidiary as explained in Note 27.

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.

In the first quarter of 2006, Rio Polímeros carried on the construction of the Gas-chemical plant in Duque de Caxias, aiming the annual production of 540 thousands tons of polyethylene, from the fraction of natural gas produced in Bacia de Campos. The construction, engineering and assembling services, initiated in November 2001, were conducted by the Consortium of ABB Lummus and Snamprogetti.

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Production of polyethylene was initiated in November of 2005 in preoperating regime and on March 31, 2006 Rio Polímeros concluded the performance tests of the plant.

**2) CHANGE IN OPERATIONS AND CORPORATE STRUCTURE**

On September 1<sup>st</sup>, 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.

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.

**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 March 31, 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 March 31, 2005, which reflected the 50% ownership of that jointly-controlled subsidiary.

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Note 25 includes a “pro forma” income statement as of March 31, 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.

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.

**4) DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Recognition of revenues and expenses**

The result of operations is determined based 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 uncertainty 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.

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## 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 the 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 average cost of acquisition or production, which does not exceed market value. Production costs reflect the full absorption method based on normal the 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

Goodwill from acquisitions relates to the expectation of future profitability and is being amortized over periods of seven to ten years. Capital stock in companies which have been destined 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 accounting practices, records adjustments to conform these practices.

## i) Property, plant and equipment

Stated at acquisition or construction cost, plus interest and other financial charges incurred during construction. 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 preoperating 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, and is being amortized over a period of seven to ten years.

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## k) Scheduled shutdown of plants

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

## 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. Subsidiaries located in the State of Bahia or which operate plants located there are entitled to a benefit of reduction in 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 unamortized negative goodwill from acquisitions. Negative goodwill is amortized only in the event that the investment is sold or written off.

## 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

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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 at period end using their respective settlement values. Gains and losses earned or incurred as from these instruments are recognized as revenues and expenses 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:

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	2006		2005	
	<u>Voting</u>	<u>Total</u>	<u>Voting</u>	<u>Total</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
Suzano Química Ltda.	-	-	(b)	(b)
Suzanopar Petroquímica Ltd.	100.00	100.00	100.00	100.00
Polibrasil Participações S.A.	-	-	(a)	(a)
Polipropileno S.A.	-	-	(b)	(b)
Polibrasil Resinas S.A.	-	-	(b)	(b)
Polibrasil Compostos S.A.	-	-	(b)	(b)
Norcom Compostos Termoplásticos do NE S.A.	-	-	(c)	(c)
Polipropileno Participações S.A.	96.46	96.46	96.46	93.40
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.	35.00	33.89	35.00	33.89
Politeno Empreendimentos Ltda.	99.99	99.99	99.99	99.99

(a) Company merged into Suzano Química Ltda. as of September 30, 2005.

(b) Companies merged into Suzano Petroquímica S.A. as of November 30, 2005.

(c) Company alienated to Basell as of September 1, 2005.

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-



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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	
	<u>03/31/2006</u>	<u>12/31/2005</u>	<u>03/31/2006</u>	<u>12/31/2005</u>
Petty cash	-	14	-	14
Bank accounts	8,985	173,378	13,745	177,649
Temporary cash investments	<u>5,486</u>	<u>10,103</u>	<u>26,577</u>	<u>38,066</u>
	<u>14,471</u>	<u>183,495</u>	<u>40,322</u>	<u>215,729</u>

## 7) TRADE ACCOUNTS RECEIVABLE

	Company		Consolidated	
	<u>03/31/2006</u>	<u>12/31/2005</u>	<u>03/31/2006</u>	<u>12/31/2005</u>
Domestic clients	308,387	279,476	420,407	383,082
Foreign clients	<u>62,769</u>	<u>44,359</u>	<u>101,943</u>	<u>86,441</u>
	371,156	323,835	522,350	469,523
Discounted receivables	(2,047)	(11,427)	(22,295)	(37,462)
Vendor operations (*)	(141,239)	(186,483)	(141,910)	(189,642)
Allowance for doubtful accounts	<u>(8,671)</u>	<u>(6,505)</u>	<u>(18,325)</u>	<u>(15,083)</u>
	219,199	119,420	339,821	227,336
Receivables classified under current assets	<u>208,945</u>	<u>108,014</u>	<u>323,425</u>	<u>214,312</u>
Receivables classified under long-term assets	<u>10,254</u>	<u>11,406</u>	<u>16,396</u>	<u>13,024</u>

(\*) Vendor operations have been contracted with financial institutions according to limits defined by the Company, which guarantees payment by the corresponding client (principal and financial charges), As of March 31, 2006, R\$1,115 of total vendor operations were past due,

The summary of aging of accounts receivable is as follows:

**FEDERAL PUBLIC SERVICE**  
**SECURITIES AND EXCHANGE COMMISSION (CVM)**  
**QUARTERLY INFORMATION** **Base Period - 06/30/2005**  
**COMMERCIAL AND MANUFACTURING COMPANIES AND OTHER (1)** **CORPORATION LAW**

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	<u>Company</u>		<u>Consolidated</u>	
	<u>03/31/2006</u>	<u>12/31/2005</u>	<u>03/31/2006</u>	<u>12/31/2005</u>
Current accounts:				
From 1 to 30 days	203,177	114,218	256,557	176,183
From 31 to 60 days	85,713	105,026	140,122	150,906
From 61 to 90 days	24,809	48,380	30,917	54,210
From 91 to 360 days	24,705	20,438	30,567	38,624
More than 360 days	<u>10,253</u>	<u>11,406</u>	<u>16,113</u>	<u>1,918</u>
	<u>348,658</u>	<u>299,468</u>	<u>474,277</u>	<u>421,841</u>
Past-due accounts:				
From 1 to 30 days	12,549	16,977	23,322	22,066
From 31 to 60 days	1,285	818	3,117	4,072
From 61 to 90 days	1,553	264	2,184	1,886
From 91 to 360 days	2,471	1,595	6,744	5,869
More than 360 days	<u>4,640</u>	<u>4,713</u>	<u>12,705</u>	<u>13,789</u>
	<u>22,498</u>	<u>24,367</u>	<u>48,073</u>	<u>47,682</u>
	<u>371,156</u>	<u>323,835</u>	<u>522,350</u>	<u>469,523</u>

**8) INVENTORIES**

	<u>Company</u>		<u>Consolidated</u>	
	<u>03/31/2006</u>	<u>12/31/2005</u>	<u>03/31/2006</u>	<u>12/31/2005</u>
Finished products	186,511	156,145	229,675	188,530
Work in progress	6	6	9,257	10,958
Raw materials	35,063	32,742	59,286	61,536
Auxiliary materials and other	8,931	8,578	9,204	13,615
Maintenance materials	15,032	14,534	26,746	21,068
Provision for losses in inventories	<u>(1,654)</u>	<u>(3,278)</u>	<u>(1,654)</u>	<u>(3,278)</u>
	<u>243,889</u>	<u>208,727</u>	<u>332,516</u>	<u>292,429</u>

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9) RECOVERABLE TAXES

	Company		Consolidated	
	<u>03/31/2006</u>	<u>12/31/2005</u>	<u>03/31/2006</u>	<u>12/31/2005</u>
Recoverable income and social contribution taxes	3,249	5,809	7,370	13,365
Recoverable ICMS tax	96,718	85,704	205,520	193,039
Provision for losses on ICMS tax credits	(5,408)	(4,092)	(10,779)	(9,140)
Other	<u>13,260</u>	<u>4,898</u>	<u>24,772</u>	<u>13,388</u>
	107,819	92,319	226,883	210,652
Amount classified under current assets	<u>66,964</u>	<u>48,789</u>	<u>85,701</u>	<u>69,360</u>
Amount classified under long-term assets	<u>40,855</u>	<u>43,530</u>	<u>141,182</u>	<u>141,292</u>

The Company and its jointly-controlled subsidiaries have accumulated ICMS tax credits as a result of the 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 credits 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 payment of ICMS 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 machinery and equipment, As a result, there are no new credits on these acquisitions, permitting the realization of existing credits,

Plant located in Camaçari - BA

- 1) Deferral (exemption) of payment of ICMS on importation of materials used for manufacturing purposes, on purchases from suppliers located in the State of Bahia and on

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importation of machinery and equipment, As a result, 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) Negotiations with the tax authorities of the State of Bahia for the transfer of R\$30 million of tax credits to third parties, with a maximum discount estimated in 10%,
- 4) Transfer of exportation of products manufactured in the Camaçari plant to the plant in Duque de Caxias,

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 (Fast-Track),
- 3) Negotiation of tax incentive project for the plastic industry chain, aimed at the reduction of the intra-state tax rate of basic and intermediary petrochemical products to 12%, neutralizing the accumulation of credits resultant 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 (R\$45,471 in 2005), As explained in footnote n° 27, on April 5, 2006 the Company sold its interest in the subsidiary.

Rio Polímeros

The Company's participation on the tax credits of Rio Polímeros S.A, on March 31, 2006 amounts to R\$49,050 (R\$51,247 in 2005), being a portion of R\$48,590 the long-term obligation, based on current legislation, from the ICMS on the importation of equipment and spare parts for the setting up 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.

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## 10) INCOME AND SOCIAL CONTRIBUTION TAXES

## 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 March 31, 2006, the Company has accumulated tax losses for purposes of corporate income tax amounting to R\$122,227 (R\$120,603 in 2005) and tax losses for purposes of social contribution tax amounting to R\$136,936 (R\$135,451 in 2005),

The composition of deferred income tax assets is as follows:

	03/31/2006					
	Suzano Petroquímica S.A.	Rio Polímeros S.A.	Petroflex Indústria e Comércio S.A.	Politeno Indústria e Comércio S.A.	Total	12/31/2005
Current:						
Tax losses	13,011	-	948	-	13,959	12,523
Temporary differences	<u>5,675</u>	=	<u>265</u>	=	<u>5,940</u>	<u>4,718</u>
	<u>18,686</u>	=	<u>1,213</u>	=	<u>19,899</u>	<u>17,241</u>
Long term:						
Tax losses	29,846	984	-	-	30,830	30,814
Temporary differences	<u>7,687</u>	<u>-</u>	<u>3,532</u>	<u>3,598</u>	<u>14,817</u>	<u>15,744</u>
	<u>37,533</u>	<u>984</u>	<u>3,532</u>	<u>3,598</u>	<u>45,647</u>	<u>46,558</u>

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 follow:

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<u>Year of realization</u>	<u>Consolidated</u>
Current (2006)	<u>19,899</u>
2007	<u>14,387</u>
2008	<u>12,141</u>
2009	<u>10,427</u>
2010	<u>8,692</u>
Long term	<u>45,647</u>
Total	<u>65,546</u>

b) Income tax expense reconciliation

	<u>Company</u>		<u>Consolidated</u>	
	<u>03/31/ 2006</u>	<u>03/31/ 2005</u>	<u>03/31/2006</u>	<u>03/31/ 2005</u>
Income before income taxes	(29,116)	(26,898)	(28,558)	(34,836)
Unrecognized tax credits of certain companies	<u>-</u>	<u>(3,885)</u>	<u>26,025</u>	<u>(4,965)</u>
	(29,116)	(30,783)	(2,533)	(39,801)
Combined income and social contribution tax rate	<u>34%</u>	<u>34%</u>	<u>34%</u>	<u>34%</u>
Income taxes at the combined rate	9,900	10,466	861	13,532
Exchange rate changes on foreign investments	-	-	(14)	(435)
ADENE tax incentives	-	-	900	(5,652)
Equity method pick up	(8,171)	(10,466)	-	-
Goodwill amortization	(1,002)	-	(1,002)	157
Interest on capital to shareholders (collected and paid)	-	-	-	-
Tax credits on temporary differences from prior years	-	-	-	(48)
Other permanent additions (exclusions)	<u>11</u>	<u>144</u>	<u>40</u>	<u>141</u>
Total income tax credit (expense)	<u>738</u>	<u>144</u>	<u>785</u>	<u>(7,695)</u>
Current income taxes	-	-	(978)	(7,263)
Deferred income taxes	<u>738</u>	<u>144</u>	<u>1,763</u>	<u>(432)</u>
	<u>738</u>	<u>144</u>	<u>785</u>	<u>(7,695)</u>

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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11) INVESTMENTS

	Company		Consolidated	
	<u>03/31/2006</u>	<u>12/31/2005</u>	<u>03/31/2006</u>	<u>12/31/2005</u>
Consolidated investees	716,153	740,154	-	-
Goodwill (negative goodwill)	(20,452)	(16,445)	-	-
Other investments at acquisition cost:				
Petroquímica União S.A.	33,385	33,385	33,385	33,385
Nordeste Química S.A. - Norquisa	-	-	55,703	63,427
Allowance for losses	-	-	(12,758)	(30,596)
Other	<u>1,811</u>	<u>1,812</u>	<u>4,255</u>	<u>4,867</u>
	<u>730,897</u>	<u>758,906</u>	<u>80,585</u>	<u>71,083</u>

In the consolidated balance sheet as of March 31, 2006, goodwill and negative goodwill has been reclassified to deferred income, respectively, and originated from the following subsidiaries:

	Goodwill (negative goodwill)
Petroflex Indústria e Comércio S.A.	(17,593)
Polipropileno Participações S.A.	<u>(2,859)</u>
	<u>(20,452)</u>

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

<u>Subsidiaries</u>	<u>SPQ</u> <u>Investimentos e</u> <u>Participações Ltda.</u>	<u>Rio</u> <u>Polímeros</u> <u>S.A.</u>	<u>Petroflex</u> <u>Indústria e</u> <u>Comércio S.A.</u>	<u>Suzanopar</u> <u>Petroquímica</u> <u>Ltd.</u>	<u>Polipropileno</u> <u>Participações</u> <u>S.A.</u> (2)	<u>Total</u>
a) Interest in the capital as of December 31, 2005						
Quotas and shares owned:						
Quotas	144,375,597	-	-	-	-	-
Common shares	-	421,294,800	4,759,274	269,999	11,358,906,301	
Preferred shares	-	97	2,320,592	-	5,276,545,162	
Voting capital	100.00%	33.33%	20.14%	100.00%	96.46%	
Total capital	100.00%	33.33%	20.12%	100.00%	93.54%	
b) Information on subsidiaries as of March 31, 2006						
Capital	144,376	1,460,546	161,880	632	66,344	
Adjusted						
shareholders' equity	135,901	1,455,407	321,429	827	31,666	
Adjusted results for						
the period	3,394	-	(4,909)	(61)	(140)	
c) Investments						
Balance as of						
December 31, 2004	163,563	-	-	-	-	163,563
Distributed profits	(25,020)	-	-	-	-	(25,020)
Acquisition	-	466,980	68,550	837	20,836	557,203
Capital increase	-	18,155	-	-	-	18,155
Equity in gains of						
subsidiaries	29,094	-	1,018	51	2	30,165
Interest on own						
capital	-	-	(2,011)	-	-	(2,011)
Receivable dividends	-	-	(1,901)	-	-	(1,901)
Balance as of						
December 31, 2005	<u>167,637</u>	<u>485,135</u>	<u>65,656</u>	<u>888</u>	<u>20,838</u>	<u>740,154</u>
Acquisition of						
minority stock	-	-	-	-	31	31
Equity in losses of						
subsidiaries	(31,736)	-	(987)	(61)	8,752	(24,032)
Balance as of March						
31, 2006	<u>135,901</u>	<u>485,135</u>	<u>64,669</u>	<u>827</u>	<u>29,621</u>	<u>716,153</u>
Last stock price at São Paulo Stock Exchange - BOVESPA:						
3/31/06 - ON	-	-	16.40	-	-	
3/31/06 - PNA	-	-	15.95	-	-	



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The summary of activity of the investment caption of SPQ Investimentos e Participações Ltda. in the jointly-controlled subsidiary Politeno Indústria e Comércio S.A. as of December 31, 2005 and March 31, 2006 are as follows:

	Politeno Indústria e Comércio S.A.	
	<u>03/31/2006</u>	<u>12/31/2005</u>
a) % Share ownership		
Voting capital	35.00%	35.00%
Total capital	33.89%	33.89%
b) Shares owned		
Common	21,847,901,299	21,847,901,299
Preferred A	453,216,540	453,216,540
Preferred B	117,770,373	117,770,373
c) Information on subsidiary as of March 31, 2006		
Capital	359,868	359,868
Adjusted shareholder's equity	480,804	470,557
Adjusted result for the period	7,674	63,241
d) Investment		
December 31, 2004	147,044	147,044
Dividends	(16,052)	(16,052)
Equity in gains of subsidiary	<u>29,692</u>	<u>29,692</u>
December 31, 2005	160,684	<u>160,684</u>
Equity in gains of subsidiary	<u>3,585</u>	
Equity value as of March 31, 2006	164,269	
Provision for loss on sale of investment *	<u>(35,099)</u>	
Net book value of investment as of March 31, 2006	<u>129,170</u>	

Last stock price at São Paulo Stock Exchange  
(per thousand shares):

02/22/06 - PNA	18.00	19.49
03/31/06 - PNB	6.24	5.01

(\*) SPQ Investimentos e Participações Ltda. alienated on April 5, 2006 its investment at Politeno, as discussed in Note 27

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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):

	Rio Polímeros S.A.		Petroflex Indústria e Comércio S.A.		Suzanopar Petroquímica Ltd Company		Polipropileno Participações S.A Company		Politeno Indústria e Comércio S.A.	
	Preoperating		Consolidated		Company		Company		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
ASSETS										
Current assets	187,541	157,321	519,006	499,468	828	888	525	512	288,672	294,271
Cash and cash equivalents	7,135	41,829	85,182	58,310	828	888	185	180	13,251	13,665
Trade accounts receivable	64,383	25,202	172,640	186,913	-	-	-	-	174,897	178,291
Inventory	101,025	64,360	150,332	182,188	-	-	-	-	72,313	74,950
Tax credits	12,027	16,003	55,262	63,244	-	-	340	332	8,729	7,357
Other assets	2,971	9,927	55,590	8,813	-	-	-	-	19,482	20,008
Long-term assets	150,391	150,360	32,236	29,121	-	-	-	-	184,530	164,016
Tax credits	148,739	148,739	17,556	25,877	-	-	-	-	146,087	148,287
Other assets	1,652	1,621	14,680	3,244	-	-	-	-	38,443	15,729
Permanent assets	3,143,745	3,117,985	428,899	419,017	-	-	34,325	24,827	176,524	194,832
Investments	-	-	2,225	2,225	-	-	34,324	24,827	30,980	53,607
Fixed assets	2,510,422	2,517,354	426,674	416,792	-	-	-	-	141,287	137,066
Deferred assets	633,323	600,631	-	-	-	-	-	-	4,257	4,159
TOTAL ASSETS	3,481,677	3,425,666	980,141	947,606	828	888	34,849	25,339	649,725	653,119

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	Rio Polímeros S.A. Preoperating		Petroflex Indústria e Comércio S.A. Consolidated		Suzanopar Petroquímica Ltd Company		Polipropileno Participações S.A Company		Politeno Indústria e Comércio S.A. Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
LIABILITIES AND EQUITY										
Current liabilities	386,702	266,560	302,200	462,162	-	-	7	-	161,266	148,935
Loans	266,612	146,411	60,879	156,233	-	-	-	-	72,048	68,290
Other liabilities	120,090	120,149	241,321	305,929	-	-	7	-	89,218	80,645
Long-term liabilities	1,639,568	1,703,699	356,512	159,108	-	-	3,176	3,030	7,653	10,999
Loans	1,453,771	1,515,779	279,649	81,111	-	-	3,176	3,030	1,822	5,237
Other liabilities	185,797	187,920	76,863	77,997	-	-	-	-	5,831	5,762
	-	-	-	-	-	-	-	-	-	1
SHAREHOLDERS' EQUITY	1,455,407	1,455,407	321,429	326,336	828	888	31,666	22,309	480,804	493,184
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,481,677	3,425,666	980,141	947,606	828	888	34,849	25,339	649,725	653,119
INCOME STATEMENT										
Net revenue	-	43,285	308,378	377,659	-	-	-	-	276,745	308,614
Cost of goods sold	-	(41,008)	(278,730)	(266,641)	-	-	-	-	(235,847)	(234,137)
Gross profit	-	2,277	29,648	111,018	-	-	-	-	40,898	74,477
Operating expense	-	(4,638)	(24,206)	(28,148)	-	(5)	(9)	(67)	(29,408)	(28,168)
Interest income (expense)	-	38	(13,357)	(12,215)	16	310	(131)	(112)	558	(3,164)
Operating income	-	(2,323)	(7,915)	70,655	16	305	(140)	(179)	12,048	43,145
Nonoperating income	-	-	55	(1,946)	-	-	9,497	-	(240)	46
Income tax	-	756	2,951	(26,173)	-	-	-	-	(4,134)	(15,084)
Minority interest	-	-	-	-	-	-	-	24	-	-
NET INCOME (LOSS)	=	(1,567)	(4,909)	42,536	16	305	9,357	(155)	7,674	28,107

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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 03/31/2006		
	Assets		
	Current Accounts receivable	Non current Intercompany loans	<u>Revenues</u>
Consolidated related parties			
Polipropileno Participações S.A.	=	<u>3,177</u>	<u>147</u>
	=	<u>3,177</u>	<u>147</u>
	Company		
	<u>12/31/2005</u>		<u>3/31/2005</u>
	Liabilities		
	Current Accounts payable	Non current Intercompany loans	( <u>Expenses</u> )
Consolidated related parties			
Polipropileno Participações S.A.	3,030	-	-
Non consolidated related parties			
Suzano Holding S.A.	<u>-</u>	<u>282</u>	<u>(805)</u>
	<u>3,030</u>	<u>282</u>	<u>(805)</u>

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	Consolidated				
	03/31/2006			12/31/2005	3/31/2005
	Assets	Liabilities		Liabilities	Transactions
	Long-term	Current	Revenue	Current	Revenue
	Accounts receivable	Accounts payable	(expense or purchases)	Accounts payable	(expense or purchases)
Company with nonconsolidated related parties	-	-	-	282	(805)
From Suzano Química Ltda, with nonconsolidated parties	-	-	-	-	-
Jointly-controlled subsidiaries with nonconsolidated related parties	-	-	-	-	-
Polibrasil Participações S.A, (*)	-	-	-	-	-
Rio Polímeros S.A,	1,212	-	(84,942)	-	-
Politeno Indústria e Comércio S.A,	-	-	-	-	(86,124)
Petroflex Indústria e Comércio S.A,	58	-	(21,156)	-	(22,820)
	<u>1,270</u>	-	<u>(106,098)</u>	<u>282</u>	<u>(109,749)</u>

## 13) PROPERTY, PLANT AND EQUIPMENT

	Weighted yearly Average depreciation - %	Company					
		03/31/2006			12/31/2005		
		Net book			Valor		
		Cost	Depreciation	value	Cost	Depreciation	residual
Land	-	13,598	-	13,598	13,596	-	13,596
Buildings	4	95,419	(27,499)	67,920	95,419	(26,575)	68,844
Machinery and equipment	10	594,509	(258,107)	336,402	586,634	(243,176)	343,458
Furniture, fixture and installation	10	72,446	(45,781)	26,665	71,551	(44,934)	26,617
Computer hardware and other	20	15,335	(12,720)	2,615	14,942	(12,485)	2,457
Vehicles	20	3,953	(2,606)	1,347	3,651	(2,557)	1,094
Other items	10	5,435	(3,535)	1,900	11,059	(4,654)	6,405
Construction in progress	-	<u>11,320</u>	<u>-</u>	<u>11,320</u>	<u>11,247</u>	<u>-</u>	<u>11,247</u>
		<u>812,015</u>	<u>(350,248)</u>	<u>461,767</u>	<u>808,099</u>	<u>(334,381)</u>	<u>473,718</u>

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Consolidated							
	Weighted yearly average depreciation rate - %	03/31/2006			12/31/2005		
		Cost	Depreciation	Net book value	Cost	Depreciation	Net book value
Land	-	24,466	-	24,466	22,569	-	22,569
Buildings	4	95,535	(27,502)	68,033	95,525	(26,577)	68,948
Buildings	2,5	14,686	(2,693)	11,993	14,686	(2,596)	12,090
Buildings	5	21,822	(16,451)	5,371	21,809	(15,332)	6,477
Machinery and equipment	10	595,882	(258,200)	337,682	587,874	(243,240)	344,634
Machinery and equipment	5,7	66,547	(21,963)	44,584	66,917	(22,510)	44,407
Machinery and equipment	6,7	168,395	(135,269)	33,126	166,060	(133,830)	32,230
Furniture, fixture and installations	10	77,007	(47,692)	29,315	75,911	(46,903)	29,008
Vehicles	20	4,394	(2,794)	1,600	4,110	(2,759)	1,351
Leasehold improvements	50	327	(232)	95	327	(216)	111
Leasehold improvements	4,7	-	-	-	1,893	(909)	984
Computer hardware and other	20	21,733	(17,172)	4,561	22,160	(16,242)	5,918
Other items	10	8,775	(4,748)	4,027	11,184	(4,658)	6,526
Construction in progress	-	<u>867,835</u>	<u>-</u>	<u>867,835</u>	<u>868,242</u>	<u>-</u>	<u>868,242</u>
		<u>1,967,404</u>	<u>(534,716)</u>	<u>1,432,688</u>	<u>1,959,267</u>	<u>(515,772)</u>	<u>1,443,495</u>

From the total balance of construction in progress, R\$867,835 (R\$868,242 in 2005) relate to the participation of the Company in the balance of investments made in the construction, assembly and engineering of the plant of Rio Polímeros, being conducted by ABB Lummus/Snamprogetti. The project involves the transfer of technology from Univation Technologies for the production of polyethylene and from ABB Lummus Global Technologies for the production of ethylene.

#### 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.

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14) DEFERRED CHARGES

	Politeno Indústria e Comércio S.A.	Rio Polímeros S.A.	Suzano Petroquímica S.A.	Goodwill reclassified from investments	Total
Technology	-	-	75,785	-	75,755
Preoperating expenses	16,180	211,108	35,892	-	263,189
Goodwill	-	-	418,374	-	418,374
Other	5,814	-	48,901	-	54,714
Amortization	(20,550)		(131,226)	-	(51,775)
Net book value - 2006	<u>1,455</u>	<u>211,108</u>	<u>447,696</u>	<u>-</u>	<u>660,258</u>
Net book value - 2005	<u>1,420</u>	<u>200,210</u>	<u>454,983</u>	<u>4,007</u>	<u>660,620</u>

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 preoperating 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 preoperating phase of the Rio Polímeros plant (R\$67,382), construction of a water transportation system in partnership with Petrobras (R\$16,373), and disbursements for payroll, services, taxes and other (R\$127,353) incurred during the preoperating phase.

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Goodwill

From the total balance of goodwill, R\$398,896 (net of amortization of R\$19,478) 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.



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## 15) LOANS

COMPANY	Index or currency	Yearly interest rate - %	03/31/2006		12/31/2005	
			Current	Long term	Current	Long term
In local currency:						
BNDES (National Bank for Economic and Social Development)	TJLP	5	27,429	13,715	27,195	20,396
BNDES – privatization	TR	6.50	-	-	6,382	-
Compror	CDI	0	13,041	-	-	-
Promissory notes	-	CDI + 0.60	-	-	377,184	-
Export credit note - Banco Itaú (1)	-	CDI + 0.462	4,856	75,000	1,738	75,000
Export credit note - Banco Bradesco	-	105.50 CDI	8,229	96,000	3,945	96,000
Export credit note - Banco do Brasil	-	106 CDI	<u>4,454</u>	<u>100,000</u>	<u>140</u>	<u>100,000</u>
			<u>58,009</u>	<u>284,715</u>	<u>416,584</u>	<u>291,396</u>
In foreign currency:						
IFC – Portion A	US\$	Libor + 2.75	1,143	85,810	-	-
IFC – Portion B	US\$	Libor + 2.00	2,875	240,049	-	-
IFC – Portion C	US\$	Libor	183	21,724	-	-
Compror (2)	US\$	5.40	19,861	-	-	-
Advance on export contracts	US\$	5.34	45,621	-	-	-
Advanced export - Banco ABN Amro						
Real	US\$	Libor + 1.60	61	119,483	53	128,739
Export credit note - Banco Votorantim	US\$	7.97	770	217,240	5,046	234,070
FINIMP (import funding)	US\$	5.20	52,283	-	57,656	-
Advanced export - Banco Santander	US\$	Libor + 1.79	397	27,155	861	29,268
Advanced export - Banco Itaú	US\$	Libor + 4.50	-	-	<u>7,501</u>	<u>4,422</u>
			<u>123,196</u>	<u>711,461</u>	<u>71,117</u>	<u>396,499</u>
			<u>181,205</u>	<u>996,176</u>	<u>487,701</u>	<u>687,895</u>

- (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.
- (2) The Company contracted a cross-currency swap to exchange the interest rate of this contract for the greater between the fluctuation of US\$ and 51% to 59% of CDI.

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SUBSIDIARIES	Index or currency	Yearly interest rate - %	03/31/2006		12/31/2005	
			Current	Long term	Current	Long term
Rio Polímeros S.A.:						
Local currency:						
BNDES - Subcredit A	TJLP	5	21,185	162,236	16,347	161,105
BNDES - Subcredit B	TJLP	5	4,163	31,878	3,204	31,656
BNDES - Subcredit C	Currency basket	5	5,566	41,760	4,651	44,979
BNDES - Sub A	TJLP	4.50	798	5,509	638	5,471
BNDES - Sub B	US\$	3	<u>131</u>	<u>924</u>	<u>116</u>	<u>996</u>
			<u>31,843</u>	<u>242,307</u>	<u>24,956</u>	<u>244,207</u>
Foreign currency:						
U,S, Exim Bank	US\$	5.51	14,771	138,368	10,102	152,741
Advance on Export Contracts	US\$	5.10 a 5.48	31,346	-	-	-
SACE	US\$	5.51	<u>10,911</u>	<u>103,915</u>	<u>13,746</u>	<u>108,312</u>
			<u>57,028</u>	<u>242,283</u>	<u>23,848</u>	<u>261,053</u>
			88,871	484,590	48,804	505,260

			03/31/2006		12/31/2005	
<u>SUBSIDIARIES</u>	<u>Index or currency</u>	<u>Yearly interest rate - %</u>	<u>Current</u>	<u>Long term</u>	<u>Current</u>	<u>Long term</u>
Petroflex Indústria e Comércio S,A.:						
Local currency:						
	TJLP/UMB					
BNDES	ND	3.50 and 5	2,246	5,779	1,580	4,841
FINEP	URTJLP	6.40	616	5,765	739	5,756
Resolution No, 2,770	-	105.50 CDI	-	-	22,921	-
			<u>2,862</u>	<u>11,544</u>	<u>25,240</u>	<u>10,597</u>
Foreign currency:						
Exim Bank	US\$	Libor + 1.25	199	291	223	418
BNDES	BNDES currency basket	-	-	-	465	1,537
Interest on discount export bills	US\$	4.75	109	-	160	-
Advance on export contracts	US\$	Libor + 2.50	65	12,237	66	3,768
Advances on export exchange contracts	US\$	5	4,525	-	2,451	-
FINIMP	US\$	4.50	2,658	-	2,827	-
			<u>7,556</u>	<u>12,528</u>	<u>6,192</u>	<u>5,723</u>
			<u>10,418</u>	<u>24,072</u>	<u>31,432</u>	<u>16,320</u>

## FEDERAL PUBLIC SERVICE

## SECURITIES AND EXCHANGE COMMISSION (CVM)

## CORPORATION LAW

## QUARTERLY INFORMATION

Base Period - 06/30/2005

## COMMERCIAL AND MANUFACTURING COMPANIES AND OTHER (1)

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			03/31/2006		12/31/2005	
<u>SUBSIDIARIES</u>	<u>Index or currency</u>	<u>Yearly interest rate - %</u>	<u>Current</u>	<u>Long term</u>	<u>Current</u>	<u>Long term</u>
Politeno Indústria e Comércio S,A,:						
Local currency:						
BNDES	TJLP	3.30	1,042	401	654	428
FINAME	TJLP	8.30 to 9.30	-	-	325	212
FINEP	TJLP	2.36	-	-	139	-
			<u>1,042</u>	<u>401</u>	<u>1,118</u>	<u>640</u>
Foreign currency:						
FINIMP	US\$	Libor + 2	12,774	221	15,590	1,148
Advances on export exchange contracts	US\$	2.75 to 3.98	<u>10,802</u>	<u>-</u>	<u>6,611</u>	<u>-</u>
			<u>23,576</u>	<u>221</u>	<u>22,201</u>	<u>1,148</u>
			<u>24,618</u>	<u>622</u>	<u>23,319</u>	<u>1,788</u>
SPQ Investimentos e Participações Ltda,-						
Overdraft bank account			<u>-</u>	<u>-</u>	<u>12</u>	<u>-</u>
Consolidated:						
Local currency			93,755	538,967	467,910	546,840
Foreign currency			<u>211,355</u>	<u>966,494</u>	<u>123,359</u>	<u>664,421</u>
			<u>305,110</u>	<u>1,505,461</u>	<u>591,269</u>	<u>1,211,261</u>

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% CDI. On March 31, 2006 the proportional amount of the obligation consolidated by the Company was R\$34,021, being R\$1,830 current and R\$32,191 non current.

The long-term portion of loans matures as follows:

Jointly-controlled subsidiaries					
	Company	Rio Polímeros S.A.	Petroflex Indústria e Comércio S.A.	Politeno Indústria e Comércio S.A.	Consolidated
2007	13,715	48,459	1,940	622	64,736
2008	73,612	56,151	4,591	-	134,354
2009	107,215	58,458	6,715	-	172,388
2010	107,215	58,458	5,926	-	171,599
2011 onwards	<u>694,419</u>	<u>263,064</u>	<u>4,901</u>	<u>-</u>	<u>962,384</u>
	<u>996,176</u>	<u>484,590</u>	<u>24,073</u>	<u>622</u>	<u>1,505,461</u>

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The indices or reference rates of loans referred to above posed the following variations during the twelve months period from April 1, 2005 to March 31, 2006 and for 2005 fiscal year:

<u>Index or rate</u>	<u>Yearly rate %</u>	
	<u>04/01/2005 a</u> <u>03/31/2006</u>	<u>2005</u>
TJLP - long-term interest rate	9,75	9,75
CDI - interbank deposit certificate	16,50	18,92
UMBNDDES - monetary unit of BNDDES	(19,52)	(14,00)
URTJLP - TJLP related ratio	3,41	3,59
TR - reference rate	2,79	2,83
IGP-M - general market price index	0,36	1,20

Guarantees of loans

Company

Promissory notes are guaranteed by the parent company, Suzano Holding S.A., with a cost of 0,3% 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 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 is conducting negotiations with banks to obtain the extension of loan terms by means of postponing initial maturities to 2007.

- Petroflex Indústria e Comércio S.A.

- BNDDES - 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.

- Politeno Indústria e Comércio S.A, - guaranteed by subject financed equipment (Government Agency for Machinery and Equipment Financing - FINAME), personal

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guarantees of management officers (BNDES), inventories (Financiadora de Estudos e Projetos - FINEP) and promissory notes (FINIMP).

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 is formed by the individual provisions of the Company and jointly-controlled subsidiaries as follows (proportional amounts in the case of the later):

	<u>03/31/2006</u>	<u>12/31/2005</u>
Tax matters:		
Suzano Petroquímica S.A.	<u>4,355</u>	<u>4,354</u>
Politeno Indústria e Comércio S.A.	<u>=</u>	<u>1,968</u>
Petroflex Indústria e Comércio S.A.	<u>1,738</u>	<u>1,718</u>
	<u>6,093</u>	<u>8,040</u>
Labor matters:		
Suzano Petroquímica S.A.	<u>5,533</u>	<u>5,601</u>
Petroflex Indústria e Comércio S.A.	<u>468</u>	<u>471</u>
	<u>6,001</u>	<u>6,072</u>
Civil matters:		
Suzano Petroquímica S.A.	<u>6,474</u>	<u>6,059</u>
Other-		
Petroflex Indústria e Comércio S.A.	<u>194</u>	<u>193</u>
	<u>18,762</u>	<u>20,364</u>

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Labor lawsuit concerning clause 4 (relating to the Company (only the plant located in Camaçari) and jointly-controlled subsidiary Politenó)

Under the collective negotiation agreement between the Company (plant located in Camaçari, State of Bahia) and Politenó, 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 with the Superior Labor Court. In 1998, the companies' association filed an extraordinary appeal with the Federal Supreme Court.

Initially the Federal Supreme 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 Federal Supreme 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 until then 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

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this special reserve for future capital increase might be destined to the statutory reserve till this reserve reaches 20% of capital.

18) NET SALES AND COST OF PRODUCTS SOLD

	Company			Consolidated					
	03/31/2006			03/31/2006			03/31/2005		
	Net sales	Cost of sales	Gross profit	Net sales	Cost of sales	Gross profit	Net sales	Cost of sales	Gross profit
Domestic market	349,285	(307,736)	41,549	468,012	(409,377)	58,635	329,476	(261,105)	68,371
Foreign markets	<u>63,363</u>	<u>(63,494)</u>	<u>(131)</u>	<u>103,502</u>	<u>(100,444)</u>	<u>3,058</u>	<u>70,824</u>	<u>(55,655)</u>	<u>15,168</u>
	<u>412,648</u>	<u>(371,230)</u>	<u>41,418</u>	<u>571,514</u>	<u>(509,821)</u>	<u>61,693</u>	<u>400,300</u>	<u>(316,761)</u>	<u>83,539</u>

19) COMPENSATION OF DIRECTORS AND SENIOR OFFICERS

	<u>03/31/2006</u>	<u>03/31/2005</u>	<u>03/31/2006</u>	<u>03/31/2005</u>
Compensation	<u>2,478</u>	<u>1,699</u>	<u>3,039</u>	<u>2,834</u>

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

20) FINANCIAL INCOME (EXPENSES)

	<u>03/31/2006</u>	<u>03/31/2005</u>	<u>03/31/2006</u>	<u>03/31/2005</u>
Financial expenses	(42,293)	(332)	(47,133)	(12,721)
Exchange gains on foreign-currency denominated liabilities	<u>49,217</u>	<u>-</u>	<u>51,004</u>	<u>(841)</u>
	<u>6,924</u>	<u>(332)</u>	<u>3,871</u>	<u>(13,562)</u>
Financial income	11,013	1,030	12,255	4,717
Exchange losses on foreign-currency denominated assets	<u>-</u>	<u>-</u>	<u>(835)</u>	<u>989</u>
	<u>11,013</u>	<u>1,030</u>	<u>11,421</u>	<u>5,706</u>

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**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 March 31, 2006 which are different from the corresponding book values can be summarized as follows:

	<u>Book value</u>	<u>Fair value</u>
Marketable securities (stock for sale)	34,779	33,047
Investments carried at cost-		
Petroquímica União S.A,	33,385	50,049
Swap contracts	3,689	69

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:

- 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.

The criteria used to determine the fair values in the above table are as follows:

- Investments carried at cost

Estimated in accordance with the discounted cash flow, as discussed above for preferred shares.

- Swap contracts

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

There were no unrecorded financial instruments as of March 31, 2006 (Company and jointly-controlled subsidiaries).



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**22) INSURANCE COVERAGE (Unaudited )**

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:

<u>Entity and type of risk</u>	<u>Subject assets or individuals</u>	<u>Coverage amount (*)</u>
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	Inventories	183,573
Fire, lightning and explosion	Buildings, building content and unrealized profits	1,111,694
Civil responsibility	Directors and management officers	23,407
Civil responsibility	Miscellaneous	15,629
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
Politeno Indústria e Comércio S.A.:		
Civil responsibility and unrealized profits	Products and operations	756,280
Civil responsibility	Directors and management officers	23,407
Civil responsibility	Miscellaneous	18,699

(\*) Proportional amounts for jointly-controlled subsidiaries,

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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:

	<u>2006</u>	<u>2005</u>
Petroflex Indústria e Comércio S.A.- BNDES	<u>16,746</u>	<u>16,746</u>
Rio Polímeros S.A.:		
Carta de fiança – Unibanco	<u>19,226</u>	<u>49,085</u>
Carta de fiança - Banco do Brasil	<u>9,027</u>	<u>9,027</u>
	<u>28,253</u>	<u>58,112</u>
	<u>44,999</u>	<u>74,858</u>

## 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.

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 relating to 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 Previnor and its sponsors and their relatives. 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\$913 (R\$637 in 2005).

The pension plan of Politenio 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\$107 as of March 31, 2006 (R\$105 in 2005).

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The jointly-controlled subsidiaries Politeno and Petroflex disclose in their financial statements the information required by CVM Instruction No. 371/00, and there is no additional deficit arising from pension plans attributable to these companies that should be recorded.

**25) “PRO FORMA” FINANCIAL INFORMATION**

As a result of the acquisition of Basell Brasil Poliolefinas Ltda., the consolidated financial statements for the year ended March 31, 2006, which incorporate all merged operations of Polibrasil, are not comparable to the financial statements for the quarter ended March 31, 2005, which consolidated only 50% of those operations.

In the original statements of income, only 50% of Polibrasil's operations are included from January to March of 2005 while 100% are included for the same period of 2006.

The following “pro forma” financial information consolidates 100% of Polibrasil companies as if the acquisition of the its remaining capital stock and the merger of the companies had taken place on January 1<sup>st</sup>, 2005, Basell's interest was recorded as minority interest.

The “pro forma” information is presented only for comparative purposes and does not purport to be indicative of what would have occurred if the acquisition had actually been made at January 1<sup>st</sup>, 2005, nor is it necessarily indicative 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 1<sup>st</sup>, 2005 (50%) was classified as minority interest for periods prior to the acquisition date.
- b) The participation in the result of the quarter ended March 31, 2005, equivalent to the shares acquired on September 1<sup>st</sup>, 2005 (50%) 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 had it occurred on January 1, 2005.
- 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 quarter ended March 31, 2005 were integrally consolidated to the prior income statement of the Company and other controlled and jointly-controlled subsidiaries.

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“PRO FORMA” CONSOLIDATED STATEMENTS OF INCOME FOR THE QUARTERS ENDED  
MARCH 31, 2006 AND 2005

	<u>Company</u>		<u>Consolidated</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
		Pro forma		Pro forma
GROSS REVENUES	546,357	535,174	741,871	782,647
Deductions of gross revenue	(133,709)	(131,338)	(170,357)	(180,429)
NET REVENUES	412,648	403,836	571,514	602,218
Cost of sales	(371,230)	(335,061)	(509,821)	(484,291)
GROSS PROFIT	41,418	68,775	61,693	117,927
OPERATING EXPENSES				
Selling expenses	(31,317)	(28,161)	(41,661)	(39,994)
General and administrative	(15,418)	(12,850)	(20,811)	(18,160)
Interest expenses	6,924	(15,004)	3,871	(20,827)
Interest income	11,013	2,139	11,421	5,972
Equity in gains (losses) of subsidiaries	(24,032)	24,772	-	-
Goodwill amortization	(17,589)	(1,090)	(17,589)	(1,090)
Other operating income (expenses)	40	5,644	378	4,785
OPERATING INCOME (LOSS)	(28,961)	44,225	(2,698)	48,613
Nonoperating expenses	(155)	(3,633)	(25,860)	(4,008)
INCOME (LOSS) BEFORE INCOME TAXES	(29,116)	40,592	(28,558)	44,605
Current income taxes	-	(6,308)	(978)	(10,364)
Deferred income taxes	738	(1,047)	1,763	(1,028)
INCOME (LOSS) BEFORE MINORITY INTEREST	(28,378)	33,237	(27,773)	33,213
Minority interest	-	(6,195)	(605)	(6,171)
NET INCOME	<u>(28,378)</u>	<u>27,042</u>	<u>(28,378)</u>	<u>27,042</u>

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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.

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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.

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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.

## j) Impairment of long-lived assets

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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:



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	3/31/2006			12/31/2005		
	<u>Common</u>	<u>Preferred</u>	<u>Total</u>	<u>Common</u>	<u>Preferred</u>	<u>Total</u>
Basic and diluted:						
Net (loss) income available under U.S. GAAP	(26.3)	-	(26.3)	(73.9)	-	(73.9)
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\$)	(0.27)	-	-	(0.76)	-	-

## 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 Politen. 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

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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 December 31, 2005 (as of December 31, 2004, the Company had no outstanding derivative instruments):

Type	Maturity date	Notional amount	Gain (loss)
CDI rate x interest of 5.40% p.y. + U.S. dollar	2006	9,189	(5)
CDI rate x interest of 5.40% p.y. + U.S. dollar	2006	9,675	(3)
CDI rate x interest of 7.84% p.y. + U.S. dollar	2008	8,333	(22)
CDI rate x interest of 7.84% p.y. + U.S. dollar	2009	8,333	(35)
CDI rate x interest of 7.84% p.y. + U.S. dollar	2009	8,333	(45)
CDI rate x interest of 7.84% p.y. + U.S. dollar	2010	8,333	(36)
CDI rate x interest of 7.84% p.y. + U.S. dollar	2010	8,333	(54)
CDI rate x interest of 7.84% p.y. + U.S. dollar	2011	8,333	(34)
CDI rate x interest of 7.84% p.y. + U.S. dollar	2011	8,333	(4)
CDI rate x interest of 7.84% p.y. + U.S. dollar	2012	8,333	113
CDI rate x interest of 7.84% p.y. + U.S. dollar	2012	8,333	56
Total fair value			(69)
Settlement value recorded under BR GAAP			3.607
U.S. GAAP adjustment			(3,676)

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.

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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.

q) Classification of export notes

Certain subsidiaries of the Company have discounted certain export notes under recourse financing arrangements 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\$2,047 and R\$11,427 as March 31, 2006 and 2005 and 2004, respectively.

r) 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.

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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.

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

	<u>Ref.</u>	<u>Quarter ended March 31, 2006</u>
Net loss as reported under BR GAAP		(28,378)
U.S. GAAP adjustments relating to investments accounted for using the equity method	(l)	7,953
Adjustments from consolidated companies:		
Inflation accounting, net of depreciation	(a)	(305)
Different criteria for-		
Capitalization of interest, net from depreciation	(c)	2,600
Pension plan	(g)	
Different criteria for amortization of technology	(e)	497
Derivative financial instruments	(o)	(201)
Direct financing lease	(f)	
Business combinations Polibrasil	(h)	12,340
Transactions between entities under common control	(m)	4,007
Minority interest on U.S. GAAP adjustments	(n)	(1,665)
Reversal of provision for loss of investment - Norquisa	(p)	(10,271)
Deferred income tax on the above adjustments		(12,883)
Net loss under U.S. GAAP		<u>(26,306)</u>

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

	<u>Ref.</u>	<u>March 31, 2006</u>
Shareholders' equity as reported under BR GAAP		938,176
U.S. GAAP adjustments relating to investments accounted for using the equity method	(l)	(137,765)
Adjustments from consolidated companies:		
Inflation accounting, net of depreciation	(a)	5,362
Different criteria for:		
Capitalization of interest, net from depreciation	(c)	(57,368)
Pension plan	(g)	4,712
Different criteria for amortization of technology	(e)	4,325
Derivative financial instruments	(o)	(3,676)
Minority interest on U.S. GAAP adjustments	(n)	
Business combinations Polibrasil	(h)	53,396
Transactions between entities under common control	(m)	20,452
Equity adjustment in Norquisa's investment	(p)	(35,099)
Deferred income tax on the above adjustments		(15,675)
Shareholders' equity under U.S. GAAP		<u>776,840</u>

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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

<u>Assets</u>	<u>03/31/2006</u>	<u>12/31/2005</u>
Current assets:		
Cash and cash equivalents	16,278	185,388
Short-term investment	34,779	40,521
Trade accounts receivable	210,992	119,440
Inventories	243,889	208,727
Deferred taxes	18,686	16,583
Other debtors	97,572	75,069
Prepaid expenses	<u>10,688</u>	<u>11,868</u>
Total current assets	<u>632,884</u>	<u>657,596</u>
Investments	<u>575,634</u>	<u>591,237</u>
Goodwill, net	424,788	424,290
Property, plant and equipment	462,370	469,773
Long-term assets:		
Intangible, net	36,608	37,377
Deferred income tax	37,533	38,898
Recoverable VAT	40,855	45,530
Trade accounts receivable	10,254	11,406
Other debtors	<u>28,404</u>	<u>28,376</u>
Total long-term assets	<u>153,654</u>	<u>161,587</u>
Assets	<u>2,249,330</u>	<u>2,304,483</u>

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<u>Liabilities and shareholders' equity</u>	<u>03/31/2006</u>	<u>12/31/2005</u>
Current liabilities:		
Trade accounts payable	128,120	130,837
Payroll and related charges	8,824	17,009
Taxes payable other than income	7,150	5,135
Short-term debt	183,252	468,254
Interest payable on short-term debt	-	30,755
Dividends proposed and payable	4,393	-
Other accounts payable	<u>62,460</u>	<u>77,708</u>
Total current liabilities	<u>394,199</u>	<u>729,698</u>
Noncurrent liabilities:		
Loans and financings	996,176	678,318
Fair market value of derivative financial instruments	69	7,421
Provision for contingencies	16,362	16,014
Interest payable on long-term debt	-	9,577
Deferred income taxes	<u>43,481</u>	<u>30,598</u>
Other accounts payable	<u>20,159</u>	<u>29,906</u>
Total noncurrent liabilities	<u>1,076,247</u>	<u>771,834</u>
Minority interest	<u>2,046</u>	<u>(192)</u>
Shareholders' equity:		
Share capital	826,283	826,283
Profit reserves	<u>(49,445)</u>	<u>(23,139)</u>
	<u>776,838</u>	<u>803,144</u>
Liabilities and shareholders' equity	<u>2,249,330</u>	<u>2,304,484</u>



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

	<u>03/31/2006</u>
Net sales	412,648
Cost of sales	<u>(372,608)</u>
Gross profit	40,040
Operating expenses:	
Selling and marketing	(31,316)
General and administrative	(15,657)
Other operating income (expenses), net	<u>498</u>
Operating expenses	(6,435)
Nonoperating income (expenses):	
Financial income (expenses), net	20,053
Other	<u>(36,060)</u>
Loss before income tax, equity in affiliates and minority interest	(22,442)
Income tax benefit (expense):	
Current	-
Deferred	<u>(12,145)</u>
Loss before equity in earnings (losses) of affiliates and minority interest	(34,587)
Equity in earnings (losses) of affiliates	<u>10,520</u>
Loss before minority interest	(24,067)
Minority interest	<u>(2,239)</u>
Net loss for the quarter	<u>(26,306)</u>
 (Loss) earnings per share - common	(0.27)
(Loss) earnings per share - preferred	-

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

	<u>2006</u>
At beginning of the quarter	803,144
Capital increase	
Net loss	(26,306)
Dividends and interest attributed to shareholders' equity declared	<u>-</u>
At end of the quarter	<u>776,838</u>

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**27) SUBSEQUENT EVENT**

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 purchase agreement with Braskem, in order to sell their total capital stock in the jointly-controlled subsidiary Politenó.

The initial amount paid by Braskem to SPQ and to the Japanese Group, on April 6 2006, was equivalent to US\$111,275,800, being US\$60,629,210 attributable to SPQ. The final price of the transaction will be calculated based on the price adjustment formula which will measure the so-called "spread" of actual polyethylene price, in relation to the ethylene price, in the domestic market in the period of eighteen months from the date of the agreement. The preliminary result of the sale of Politenó's stock represents a loss of R\$35,099, which was provided for in the financial statements for the quarter ended March 31, 2005.

The Company, through its subsidiary Polipropileno Participações S.A., exchanged with Odebrech 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. On March 31, 2006 the market value of such shares was R\$34.3 million (R\$16.12 per share) and the book value was R\$24.8 million.

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

	Quarter ended March 31, 2006	
	Company	Consolidated
<b>SOURCES OF FUNDS</b>		
From operations:		
Net loss	(28,378)	(28,376)
Minority interest	-	606
Items not affecting working capital:		
Depreciation and amortization	17,961	20,826
Splitter depreciation - Polibrasil	4	307
Deferred income taxes - long term	1,365	944
Realization of recoverable ICMS	-	320
Provision for contingency	415	435
Equity in losses of subsidiaries	24,032	-
Goodwill amortization	17,589	17,589
Monetary and exchange variations on long-term items, net	(11,973)	(32,932)
Other	-	25,632
Funds from operations	21,015	5,351
Other sources:		
Borrowings (long-term loans)	318,787	361,014
Increase in long-term liabilities	-	130
Decrease in long-term assets	10,302	11,245
Other	(1)	(1)
<b>TOTAL SOURCES</b>	<b>350,103</b>	<b>377,739</b>
<b>USES OF FUNDS</b>		
In permanent assets		
Additions to permanent investments	30	35,160
Additions to property, plant and equipment	4,052	8,611
Additions to deferred charges	9,190	19,844
	13,272	63,615
Additions to long-term assets	8,176	16,690
Decrease in long-term liabilities	4,013	8,069
Other	-	60
<b>TOTAL USES</b>	<b>25,461</b>	<b>88,434</b>
<b>INCREASE IN WORKING CAPITAL</b>	<b>324,642</b>	<b>289,305</b>
Increase (decrease) in current assets	(11,370)	2,949
Increase (decrease) in current liabilities	(336,012)	(286,356)
<b>INCREASE IN WORKING CAPITAL</b>	<b>324,642</b>	<b>289,305</b>

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COMPLEMENTARY INFORMATION

STATEMENT OF CASH FLOWS

(In thousands of Brazilian reais - R\$)

	Quarter ended March 31, 2006	
	Company	Consolidated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	(28,378)	(28,378)
Minority interest	-	644
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17,962	20,827
Disposal of permanent assets	4	307
Equity in losses of subsidiaries	24,032	-
Goodwill amortization	17,589	17,589
Monetary and exchange variations	(17,980)	(16,810)
Provision for contingencies	415	415
Deferred income taxes	(738)	(1,159)
Allowance for recoverable VAT	1,316	1,636
Allowance for losses in investments	-	25,633
Other	(7,011)	(5,961)
Changes in assets and liabilities:		
Decrease in trade account receivables	(101,944)	(121,904)
Decrease in inventories	(33,542)	(38,539)
Decrease in recoverable taxes	(16,816)	(18,674)
Increase in other current and long-term assets	624	3,112
Increase in trade accounts payable	(2,998)	(11,877)
Decrease in other current and long-term liabilities	(60,595)	(61,582)
Net cash from operating activities	<u>(208,060)</u>	<u>(234,761)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash collected on sale of equipment	73	72
Acquisitions, net of cash acquired (including goodwill)	(39)	(38)
Acquisition of minority interest	(30)	(30)
Additions to property, plant and equipment	(4,051)	(20,354)
Additions to deferred charges	<u>(9,191)</u>	<u>(19,845)</u>
Net cash from investing activities	<u>(13,238)</u>	<u>(40,195)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of dividends	40	(1,857)
Borrowings	438,002	549,467
Repayments of loans	<u>(385,768)</u>	<u>(448,061)</u>
Net cash from financing activities	<u>52,274</u>	<u>99,549</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(169,024)</u>	<u>175,407</u>
Cash and cash equivalents at beginning of period	183,495	215,729
Cash and cash equivalents at end of period	14,471	40,322