

## **Suzano Petroquímica Announces its 2006 Results**

**Consistent raises in the EBITDA Margin, reaching 13.8% in 4Q06, consolidate a sustainable level of cash generation and the perspective of a new cycle of consistent growth**

**São Paulo, February 14, 2007** – Suzano Petroquímica S.A. (the “Company”) (BOVESPA: SZPQ4; LATIBEX: XSUPT), Latin American leader in the production of polypropylene and with shared management in important companies of the petrochemical sector – Rio Polímeros S.A. and Petroflex Indústria e Comércio S.A., and with a participation in Petroquímica União S.A. (PQU), announces today the results of fourth quarter (4Q06) and 2006.

### **Year Highlights**

#### **Recovery of profitability of Suzano Petroquímica in the second half**

Suzano Petroquímica's operating cash generation, measured as per the EBITDA criteria, reached R\$ 155.9 million in 2006, 80% of which were obtained in the second half of the year. EBITDA showed an important recovery path since the 3rd quarter, reaching in the fourth quarter the best result this year, of R\$ 65.2 million in the fourth quarter, surpassing even the EBITDA of 3Q06, which had been the best since 4Q04.

This strong recovery in the Company's cash generation was based on the strategy of privilege profitability in our business opportunities focusing on more specialized resins, with differentiated performance and with higher value-added. This movement was possible thanks to the increase in domestic prices, allowed by the recovery in domestic demand as from 3Q06 and supported by a positive international scenario, regarding both prices and demand for resins.

Suzano Petroquímica complied, therefore, with the position undertaken with the market and its shareholders of recovering the weak performance of the 1st semester, supported by the recovery of local prices and further by more stable costs of raw material.

#### **Movement of recovery of the EBITDA Margins during the year**

The Parent Company EBITDA margin, during the year of 2006, evolved 10.7 p.p., from 3.1% in the first quarter of the year to 13.8% in the 4th quarter. The improvement of performance was a result of the price recovery started in the 3rd quarter and consolidated in the 4th quarter, together with the fall in the prices of raw materials, which had strong rises during the year, as a consequence of the rise in the oil prices.

Following the evolution in the Parent Company, an important recovery also in the consolidated EBITDA margin occurred during the year, going from 3.1% in 1Q06 to 14.5% in 4Q06, for which the positive contribution of Riopol as from 3Q06 was also important.

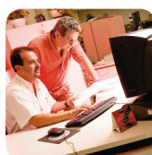
❖ **Conference calls:**  
**Feb 15, 2007**

Portuguese: 11:00 AM  
Brasília time (8:00 AM NY time)

English: 3:00 PM Brasília time (12:00 NY time)

Investor Relations Area:  
+ 55 11 3345-  
5827/5856/5887/5886

[szpq\\_ri@suzano.com.br](mailto:szpq_ri@suzano.com.br)



### Process of significant ongoing deleveraging

With the adverse scenario for the petrochemical industry in 1H06, causing a strong reduction in cash generation in a moment of a higher leverage due to the acquisition of Polibrasil, the Net Debt / (EBITDA + Dividends) ratio of the Parent Company reached 7.1 x in June 2006. With the strong evolution in the cash generation of the Company as from the 3rd quarter, this ratio followed an emphatic fall, reaching 5.5 x at the end of 2006.

The same way, consolidated leveraging also presented a strong orientation, also counting on the positive contribution of Riopol's EBITDA starting from the 3rd quarter. After reaching the maximum of 13.2x in June, the consolidated Net Debt / EBITDA ratio fell to 8.1 x at the end of 2006. The process of consolidated deleveraging shall steadily evolve in 2007, once Riopol's EBITDA shall remain in high levels during 2007 and for a hole fiscal year, once 2006 encompassed only the period between April and December.

### 1<sup>st</sup> year of Riopol's activities

In April 2006, after its pre-operating phase, Riopol took over the operation of its industrial complex and began its own polyethylene production, evolving from that moment on both in its operating learning curve and its penetration in the market.

During the year, Riopol achieved important advances in terms of production and market, with an average operating rate of 78.5% and reaching, in its first year, about 20% of the domestic sales of LLDPE and of HDPE, indicating its quick progress during the year.

Riopol represented, at the end of 2006, about 17% of the consolidated net income of the Company.

### Sale of Politeno

Suzano Petroquímica, together with the other shareholders of Politeno, sold its shares to Braskem in April, 2006.

According to the sale contract, SPQ Investimentos e Participações, a controlled company then shareholder of Politeno, received an initial payment of USD 60.6 MM, and the final sale value will be determined according to an agreed-upon formula based solely on the spread of polyethylene in the domestic market, calculated between the sale and the 18 consecutive months.

Politeno's sale contract was characterized as a hybrid financial instrument for expecting the realization of an additional installment in the future, being treated therefore as a derivative and registered in the accounting books for its fair value. The accounting of the contract in 2006 considered the ascertained value of the spread during the period, combined with the expected spreads for subsequent months, in order to calculate Politeno's sale contract fair value. Such accounting criteria generated a R\$ 64.4 million positive impact in the Parent Company's equity in affiliates.

In addition, in the transaction the Company promoted an exchange of 75,669,544 shares issued by Norquisa, held by its controlled company Polipropileno Participações, for 2,129,324 preferred shares issued by Braskem held by Odebrecht, that controls Braskem. Nowadays, SPQ holds such Braskem's shares.

### Suzano Petroquímica advances on its Corporate Governance Model

In 2006, the Company gave big steps in the improvement of its corporate governance practices. Among the main actions, we highlight the launching of the Code of Conduct, the creation of new committees of the Board of Directors and the nomination of the new Executive Board. As first acts, the new Executive Board adjusted the organizational structure of the Company, revised the structure of its committees, which are managerial coordination forums, and created Work Groups, permanent multifunctional teams directly associated to the Executive Board and focused in management by processes. Therefore, the Company established a more effective structure, aligned with its business vision and capable of reaching its strategic goals. Besides, we adhered to important volunteer commitments, such as the Global Compact and Instituto Ethos' Pact for Integrity and Anti-corruption, among other actions.

## **Suzano Petroquímica is included in the Corporate Sustainability Index (ISE)**

Suzano Petroquímica was included, as from December 2006, in the new portfolio of Bovespa's corporate sustainability index – ISE. The Company has been working hard in the path of sustainable development, namely in Environmental, Social and Corporate Governance aspects.

### **Special Characteristics of this Result Disclosure:**

With the taking over of Polibrasil's full control on September 1st, 2005 and its further incorporation by Suzano Petroquímica on November 30th, and yet with the sale of the participation of 33.9% in Politeno on April 4th, 2006, the Company decided to discuss its results in pro forma basis, aiming at allowing a better analysis of the business now held by Suzano Petroquímica and thus ensuring better comparison with previous periods, and estimates of future results. Therefore, the Company's operating and financial information, except where otherwise indicated, are presented based on pro forma consolidated numbers, considering 100% of participation in Polibrasil, and removing the participation in Politeno from all mentioned periods, and in Reals. The regular accounting data is available at the CVM (the Brazilian Securities and Exchange Commission).

(1) The pro forma analysis of Suzano Petroquímica's Parent Company results totally reflect the polypropylene business performance, formerly conducted by Polibrasil, and now carried out by the Company itself, in addition to the activities that it performed in the past (monitoring of participations in jointly-controlled companies).

(2) The pro forma analysis of Suzano Petroquímica's Consolidated results considers the Parent Company, as described in item (1), proportionally consolidating the participation that the Company holds in its jointly-controlled companies, Riopol (33.33%) and Petroflex (20.12%). The performance of the companies of which Suzano Petroquímica holds shared control is described in the analysis of Suzano Petroquímica's Consolidated Results. Furthermore, the result regarding Politeno's consolidation is not considered, as it was sold in April, 2006. This way, the pro forma result made public since the 3Q05 is different from the pro forma result that started to be made public in 2Q06.

(3) Until September 1st, 2005, Polibrasil's financial statements reflected the results of operations of polypropylene compounds that, at the time, were sold to Basell. For adjustments in past periods, aiming at refining the forecasts, we indicate that from 2003 to 2005, the volume of polypropylene compounds sales represented about 5% of Polibrasil's total sales volume, while the net revenues originated from those sales was equivalent, in average, to 8% of the net revenues of the then Polibrasil.

All comparisons made are related to same periods of 2005 (4Q05 or 2005), except when otherwise specified.

## **Message from Management**

The fiscal year 2006 was our first complete calendar year as a company with own operations, a leader in the Latin American polypropylene market and second greatest manufacturer of thermoplastic resins in Brazil. Within this new environment, we took important steps towards the evolution of our corporate governance and management structures, to strength the operating activities and to implement sustainable development oriented practices.

The focus on the improvement of our corporate governance practices was one of the main keynotes of the year. The Board of Directors implemented its Internal Regulation and created the Audit and Management Committees, extending the scope of the Strategy Committee to Sustainability and Strategy, all of them reporting to the Board. In June, the Suzano Group launched its Code of Conduct, which applies to all companies belonging to the Group and is based on the ethical principles which guide its activities: integrity, equity, transparency, professional acknowledgement, corporate governance and sustainable development. In September, the new Executive Board was designated, and one of its first actions was to adjust the Company's functional organogram, reviewed the structure of its Committees, forums of managerial coordination focused on results, and created the Work Groups, permanent multi-function teams, reporting directly to the Executive Board and focused on management through processes. As a consequence, we achieved a more efficient structure, consonant with our business vision and capable to reach our strategic objects.

The corporate governance and sustainability were elected the top policies of our corporate position in our annual cycle of strategic planning. Our Vision 2015 incorporated the guidance of business by the rules of sustainability, and the first steps of this new view of our Company were already taken. The efforts undertaken in the sustainable development field made feasible the inclusion of our preferred shares in the 2006 portfolio of the Corporate Sustainability Index (ISE) of Bovespa.

Our strategy is to focus on the polypropylene and polyethylene business, giving preference to our investments in the Southeast region, which responds to 60% of the Brazilian consumption and where is already located today 82% of our installed capacity for polypropylene production, which will be raised to 86% after our expansion plan is completed.

Our leadership in the polypropylene market will be guaranteed with the increase in 40% of our production capacity, the first stage of which was completed in July 2006, when we added 60 thousand tons/year to the Mauá (SP) unit, which capacity was raised to 360 thousand tons / year. Up to the end of 2007 we will increase the capacity of Duque de Caxias (RJ) to 300

thousand tons / year and, when we conclude the second stage of the Mauá enlargement to 450 thousand tons / year, in the second quarter of 2008, we will reach 875 thousand tons / year of polypropylene production capacity.

Concerning the polyethylene, we defined Riopol as our action and growth platform, for his adhesion to our long-term strategy. The company, located in Duque de Caxias (RJ), started its operating stage in 2006, being the first fully integrated Brazilian petrochemical company and which uses natural gas fractions as raw material for the polyethylene production. Within this background, in April 2006 we sold our participation in Politeño, a polyethylene manufacturing company which the Company did not consider as priority any more. This movement represented one more important step for the reorganization of the Brazilian petrochemical industry.

2006 was an extremely challenging year, specially the first semester, as a result of the high prices of raw materials, the still weak demand for resins and the appreciated Real, which increased the competitiveness of the resins imports and the finished products and negatively impacted our prices in Reals, which follow international prices in dollars. This scenario strongly reflected on our first semester results and on the price of our preferred share SZPQ4, which devaluated 29.1% during that time. To change this scenario, we implemented an strong results recovery plan, based mainly on an intense costs containment program and a business policy which privileged profitability instead of sale volumes. These initiatives allowed our result to recover in a significantly way in the second half, and our share valued 16.3% within this period. However, as a result of the high depreciation of the price in the first half, our preferred share still had a 17.6% devaluation in the year.

We believe that the business recovery, which took place in the second half of 2006, will remain throughout 2007 and 2008. Due to the weighted balance between offer and demand for plastic resins in Brazil and the world in this period, the heated demand and the expectation that new strong escalades in the oil prices will not occur, the background scenario may be favorable in the next two years.

This positive scenario reinforces the opportunities in the Brazilian petrochemical market, in special if linked to the waited economic growth in levels compatible with the capacity and needs of our Country. If we have a lower real interest rate, exchange rates compatible with the economics foundations, unburdening of the Brazilian manufacturing chain and people have a greater purchasing power, we will find an extremely promising environment to our business.

The Management

### SUZANO PETROQUÍMICA PARENT COMPANY

#### Sector Scenario and Economic Context

The year of 2006, for the petrochemical sector, may be divided in two different stages: (i) the first half, when there was a strong fall in the profitability of the thermoplastic resin producers, once the sector's main inputs, naphtha, ethylene and propylene had a quick rise, following the oil price trend, within an environment of valuation of the Real allied to a domestic demand for resins below the estimates, which made it difficult the pari-passu raise in sale prices; (ii) the second half of the year, when a recovery of the margins of the sector started to be drawn, thanks to the transfer to the resins prices of part of the rise in the raw materials costs during the year, supported by the recovery of local demand and in line with the movement which had been in place in the international market since April, and still with a scenario of more stable inputs prices, even falling in the end of the year.

As regards the raw materials used in the petrochemical industry, the year of 2006 registered an escalation of the costs of naphtha, ethylene and propylene, which increased during the year about 20%, 17% and 15%, respectively, following the movement of rise of oil during the first nine months of the year, although slower and in a smaller amplitude. This year, the oil has reached the maximum of USD 78 per barrel, in August, while naphtha has reached about USD 640 per ton, also in the same period. However, starting from September, a quick retreat was observed in naphtha and oil prices, closing 2006 priced USD 61 per barrel and USD 545 per ton, indicating a retreat of about 20% and 15%, respectively, as regards the record prices registered in the month of August.

Petrochemical inputs derived from natural gas also presented price increases in 2006, compared to 2005. Ethane and propane Mont Belvieu, basis USA, raised 4.8% and 11.0%, respectively, even if natural gas average price in the USA has presented a 26.5% retreat between this same periods.

The world's scenario panorama of resin consumption was very positive during the year of 2006. The growth in the economy the resins consumption, mainly in Asia and in the United States, allowed the increase in the prices of inputs of the petrochemical chain to be quickly transferred to the resins prices in the international market.

The Brazilian market of resins, starting from middle 2006, after a first semester of performance below the estimates, started to give signs of recovery. The growth in the domestic demand, mainly with the stronger seasonal sales of 3rd quarter, allied to a scenario of high international prices of resins, began to drive the recovery of domestic prices, overcoming the pressure that the appreciated Real imposed on the prices of resin in *Reals*, allowing thus the recomposing of the domestic resin prices as well.

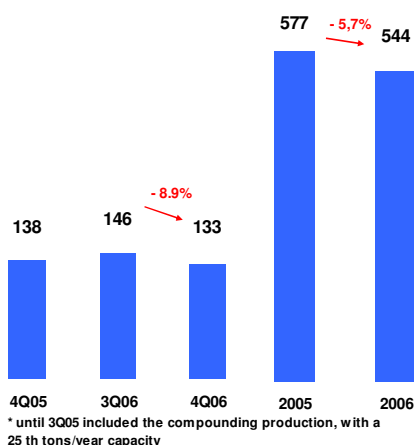
The thermoplastic resin market grew 9.6% in 2006 compared to 2005. Polypropylene, confirming to be the resin with the higher growth rate, presented growth in the domestic consumption higher in the resins group, of 12.5% in the same period. The domestic sales of polyethylene in 2006 presented a growth of 8.1% as regards 2005, specially the linear low-density polyethylene.

This way, the recovery in the domestic resin market during the second half of the year, made possible the recovery of part of the profitability lost in first half, with the support of the favorable international market, confirming the industry's capacity of the to overcome periods of adverse market scenarios.



### Production

In '000 tons



Suzano Petroquímica's polypropylene production in the 4Q06 was 133.3 thousand tons, with an accumulated total of 544.1 thousand tons in 2006, with an average operating rate of 77.8% in the quarter and of 83.3% this year, if considered the new production capacity of 685 thousand tons per year as of July 11.

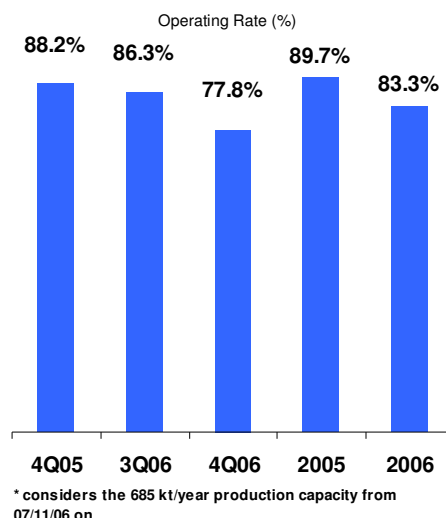
Thus, the production in 4Q06 was 8.9% lower than the one of the third quarter, as a result of the tests made to improve efficiency of the plants and the quality of products and further to adapt the production volume to the smaller demand in the quarter, adjusting also the inventories level. If compared to the same quarter of 2005, the

volume of polypropylene resins produced was 3.3% lower.

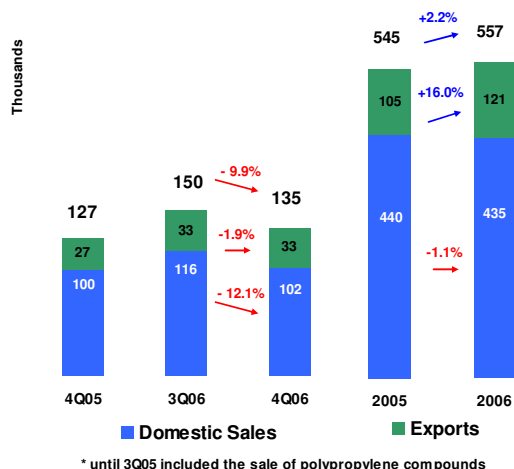
The accumulated production this year reached 544.1 thousand tons, 1.4% lower than the production in 2005. If we consider the total production in 2005, including composites, the accumulated production this year was of 5.7% lower.

In 2006, the Company carried out programmed stoppages in the Mauá plant to increase its production capacity and, in Duque de Caxias, to change the catalytic system, besides tests of new catalyst in Camaçari, all with the objective of enhancing the plants' competitiveness and the quality of their products.

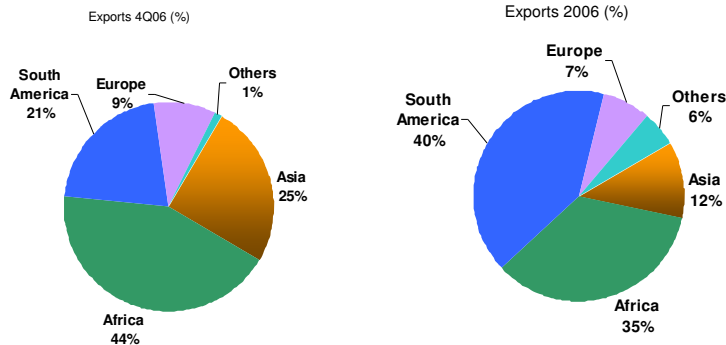
The Company intends, in the year of 2007, to operate its plants at levels of capacity use of about 90%.



### Sales



Taking advantage from the warmed international scenario and also from the good conditions of the local demand, the total sales of polypropylene of the Company in the 4Q06 reached 135.0 thousand tons, a volume 6.2% above the realized in the same quarter of 2005, in spite of the reduction in the produced volume, 9.9% lower however than the one realized in the 3Q06, a normal behavior of sales as a function of the sector's seasonality, in general heated in the third quarter. In 2006, the volume of polypropylene sold was of 556.8 thousand tons, 7.2% higher than the volume sold in 2005, as a result from the increase in domestic sales and the higher exported volume. If we consider the sales of polypropylene composites up to September 2005, the total sales increased in 2006 2.2% as regards 2005.



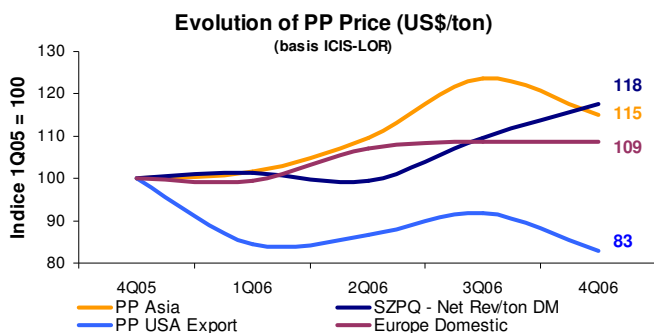
Sales in the domestic market totaled 102.1 thousand tons this quarter, a volume 12.1% lower than the one sold in the third quarter, as a result of the seasonal sales reduction. However, this reduction was lower than the 14.8% retreat recorded in the domestic market in the period. Comparing to the 4Q05, domestic sales grew 2.4% this quarter, capturing part of the growth of 4.1% in the sales of the local producers in

the domestic market. The accumulated domestic sales of polypropylene totaled 435.5 thousand tons, a volume 4.9% higher than the one sold in 2005, while according to preliminary data by Abiquim/Coplast, domestic consumption of polypropylene grew 12.5% this year as regards 2005. The Company's domestic sales did not follow the growth in Brazilian market accordingly, due to the strategy of valuing profitability instead of volume. If we consider the sales of composites in 2005, the domestic sales recorded in 2005 were 1.1% lower. In 2006, the best sectors for the Company were the packaging, for the food and cosmetic industries, as well as the consumption, automobile and electro-eletronic sectors.

Exports in the quarter totaled 32.8 thousand tons, or 24.3% of the total polypropylene sold, a volume aligned with the one sold in the third quarter this year, reinforcing the strong international demand and the good business opportunities. The highlight this quarter was the high volume exported to Africa, which presented, in this period, very attractive prices, besides competitive freight conditions. Exports in 2006 were 16.0% higher, reaching 121.4 thousand tons or 21.8% of the total sales of the Company, once again as a way to capture the high prices in force in the international market in 2006. This year, South America remained as the main destination of the Company's exports, with a share of 40% of the total exported, underlining however the growth in the volume exported to Africa, which represented 35% of the volume exported. The Company continues its policy of reinforcing its presence in Latin America, target-market for its exports.

## Sale Prices

The recovery of the local demand in the second half of this year and the high prices in the international market contributed to the maintenance of the domestic levels reached in 3Q06 until the end of the year, still if in 4Q06 international prices fell, following the oil behavior. Once raw materials presented a more stable behavior by the end of the year, the industry was able to recover part of the profitability lost with the strong rises of the beginning of the year, although the exchange rate scenario continued to be unfavorable to the sector.



Specifically for Suzano Petroquímica, with the maintenance of the strategy of prioritizing the sale of higher value-added resins, an even greater progress in the recovery of the Company's prices was verified. The average unitary net revenue assessed in the domestic market in the 4Q06, in *Reals*, grew 6.7% as the one of the third quarter of this year, and was 11.5% higher than in the same period last year, as a result of the maintenance of prices in the levels reached at the end of third quarter. In case it is measured in dollars, the rise was even greater, of 7.4% and 17.7% compared to 3Q06 and 4Q05, respectively.

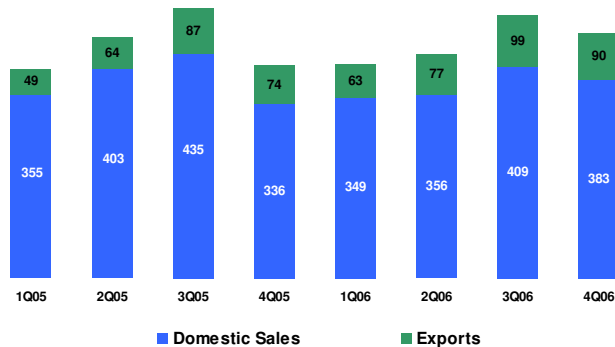
The international market remained with a good demand this quarter, allowing the retreat of resin prices to be more soft than the reduction in the raw materials cost. In the Asian market, for instance, the average price of polypropylene this quarter, according to the ICIS-LOR, was about USD 1,250/t, and the North American price for exports in about USD 1,150/t, showing a retreat of only 7% and 10% as regards the average practiced in the

previous quarter, while the reduction of naphtha in the period was of about 16%. This way, the exports of Suzano Petroquímica could benefit from this good moment of market, with high international demand and the international prices still at attractive levels.

### Net Revenues

Net revenues accounted in the fourth quarter totaled R\$ 473.5 million, 6.7% lower than the in third quarter, an effect of the 9.9% reduction in the volume sold, partially compensated by the 3.5% increase in the unitary net revenue, an effect from the maintenance of the prices at the same levels than in the closure of 3Q06. Comparing to the 4Q05, net revenues grew 15.5%, this time as a joint effect of the increase of 6.2% in the volume sold and of 8.7% in the unitary net revenue. When measured in Dollars, net revenues in 4Q06 fell 6.1% compared to 3Q06 and raised 21.8% as regards 4Q05.

R\$ million

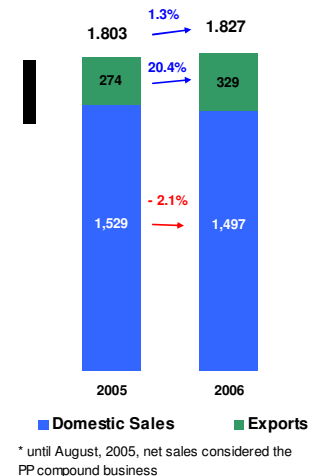


Net revenues originated from sales to the domestic market in this quarter were R\$ 383.5 million, 6.3% lower than in 3Q06, as a result of the 12.1% reduction in the volume sold, in spite of the 6.7% increase in the unitary net revenue. Comparing with same period of 2005, net revenues in the domestic market were 14.2% higher, mainly an effect of the 11.5% increase in the unitary net revenue and further of the 2.4% increase in the volume sold.

The exports revenue this quarter totaled R\$ 90.0 million, 8.7%

lower than the one realized last quarter, basically due to the 6.9% reduction in the unitary net revenue between the periods, as a result of the slight reduction of international prices of resins which followed the retreat of the oil and naphtha prices. Compared to 4Q05, exports revenue was 21.3% higher, as a result of the 20.3% increase in the volume sold. Unitary net revenue remained aligned in 4Q05 and 4Q06 due to the Real appreciation, which offset the 6.4% raise in unitary net revenue in Dollars.

In 2006, net revenues of the Company totaled R\$ 1,826.8 million, 1.3% higher than the one realized in 2005, as a result of the 2.2% increase in the sales volume, in spite of the 0.8% reduction of the average unitary revenue, in Reals, between the periods. The average unitary revenue of 2006 was affected by the behavior of the local prices during the first half, which, as a result of the appreciation of the Real in the period and the domestic demand below the expectations, did not follow the growing behavior of the resins prices in the international market. Starting from the 2<sup>nd</sup> half of 2006, domestic prices presented a significant recovery, surpassing the prices in force in the same period of 2005, and allowing the profitability recovery of the Company, even with an appreciated Real in the period. If measured in Dollars, the net revenues of 2006 were 12.2% higher than in 2005, an effect mainly of the 9.8% increase in unitary net revenue, combined with the 2.2% increase in the volume sold.

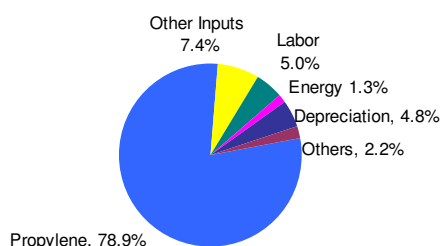




## Cost of Goods Sold (COGS)

The cost of goods sold (COGS) in this quarter was R\$ 382.8 million, 9.0% lower than the one realized last quarter, as a result of the 9.9% decrease in the volume sold. Still, compared to 4Q05, COGS raised 9.5% due to the 6.2% raise in the volume sold and the lower cost of propylene in this period.

Distribution of COGS in 4Q06



The unitary COGS this quarter was of R\$ 2,836/t, presenting an increase of 1.0% as regards 3Q06, despite the 0.8% reduction in propylene cost between the periods, and as a result of the lower dilution of fixed costs, resulting from the reduction in the volume sold and from non-recurring costs of stoppages at the plants. With the reduction in the propylene cost this quarter, it represented 78.9% of our COGS, compared to 80.3% in the 3Q06.

As regards the 4Q05, the unitary COGS was 3.1% higher, as a result of the rise in propylene cost. Unitary COGS assessed in dollars was of USD 1,319/t this quarter, 1.6% higher than the in

3Q06 and 8.7% higher than in 4Q05, as an effect of the lower sales volume and the higher cost of propylene.

2006 COGS totaled R\$ 1,567.5 million, aligned with the one recorded in 2005, because the effect of a greater volume sold this year (2.2%) was compensated by a 1.8% reduction in unitary COGS. The average acquisition price of propylene in 2006, in Reals, remained equivalent to the price in 2005, an effect of the appreciation of the Real in the period, which absorbed the impact, in Reals, of the increase in the cost of this raw material in Dollars. When mentioned in Dollars, the COGS and the unitary COGS increased 11.1% and 8.7%, respectively, as regards 2005, respectively.

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

Sales, general and administrative expenses (SG&A) totaled R\$ 48.0 million this quarter, 1.3% above 3Q06. Expenses with sales were reduced in 11.9% between the periods, as an effect of the lower volume sold, while administrative expenses rose 33.4%, mainly as an effect of the organizational restructuring performed by the Company in 4Q06. Comparing to same quarter of 2005, SG&A reduced 6.6%, thanks to the policy of freight optimization and in spite of the greater volume sold this quarter.

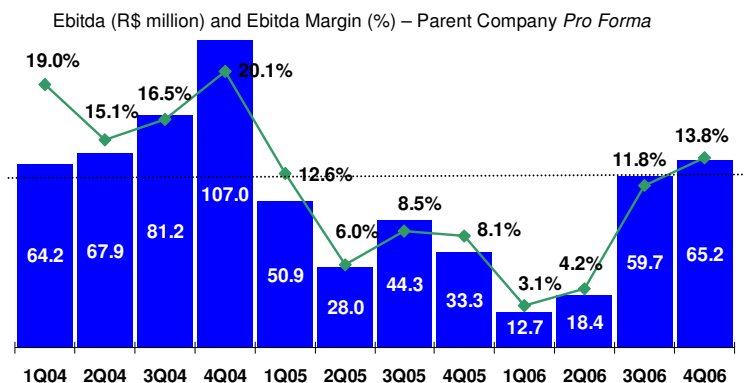
SG&A totaled, in 2006, R\$ 188.3 million, 2.0% above the same period last year, as a result of the rise in general and administrative expenses, in spite of the reduction in sales expenses, reached even with a higher volume of sales. If we consider the 2006 IPCA (a Brazilian inflation index) released by IBGE, which pointed to an accumulated inflation of 3.14% in the year, there was in fact a reduction in real terms in the Parent Company's SG&A.

The 11.7% increase in general and administrative expenses in 2006 was a result of non recurring expenses originated from consultancy costs of financial operations and sale of participations, besides the organizational restructuring performed by the Company, in the amount of R\$ 6.2 million. If we do not consider non-recurring expenses, general and administrative expenses in 2006 remained in line with those of 2005, also as an effect of the strong program of expenses contention sponsored by the Company, which offset a great part of the non-recurring and contributed to the productivity gain if we still consider inflation between periods.

## EBITDA

Continuing the movement of recovery of margins verified in the third quarter of 2006, the maintenance of sales prices of polypropylene in 4Q06 and the strategy of focusing on products with higher value added, linked to a

scenario of falling propylene, made possible an increase in the operating cash generation – EBITDA of the Company, which reached R\$ 65.2 million this quarter, the best result of the year. The EBITDA in the 4Q06 was 9.2% higher than in 3Q06, in spite of the lower volume sold, and 95.5% higher than the one assessed in 4Q05. The EBITDA per ton, of R\$ 483, the highest since 4Q04, was 21.1% and 84.1% higher than those recorded in 3Q06 and 4Q05, respectively, proving the strong profitability recovery of the Company.



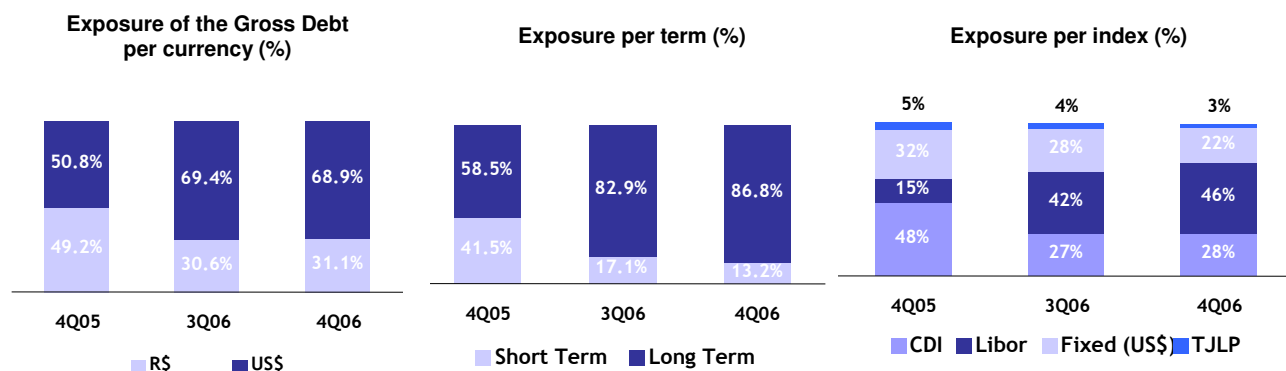
The EBITDA margin of the parent company this quarter was 13.8%, 2.0 p.p. superior to the margin achieved in the previous quarter and 5.7 p.p. above 4Q05.

2006 EBITDA totaled R\$ 155.9 million, aligned with the one assessed in the same period of 2005, once the strong recovery of cash generation in the 2<sup>nd</sup> half of the year reduced the impact of the weak performance of the sector in the first half of the year. The EBITDA per ton, of R\$ 280 in 2006 was slightly lower than the one of 2005, as a consequence of the scenario of high raw material costs, combined with the appreciation of the Real and a sluggish demand below the expectations during the first half of this year. The EBITDA per ton of the second half of the year, when the price recovery process in the domestic market was started, was of R\$ 439, representing a 52.7% increase as regards 2005 EBITDA.

### Financial Result and Debt

In the fourth quarter of 2006, the second and last disbursement by IFC, in the amount of USD 40 million, was made. Furthermore, the last standby facility was contracted with Safra bank in the amount of USD 25 million, completing thus the contracting of a total of USD 120 million (together with Bradesco and Santander facilities). Such pre-approved facilities have the purpose to allow the Company to face any cash needs for a three-year term.

On December 31, 2006, Suzano Petroquímica's Gross indebtedness (considering principal and interest) totaled R\$ 1,240.4 million, compared to R\$ 1,210.1 million in September 30, 2006. The debt remains concentrated on the long term, with a total of 86.8% of its maturity dates. The Company reduced its net indebtedness in 6.7%, to R\$ 900.2 million on Dec 31, 2006, as a result of the increase in the cash generation in the period, which reduced the need of working capital, despite the continuity of the investments for expansion of production capacity.



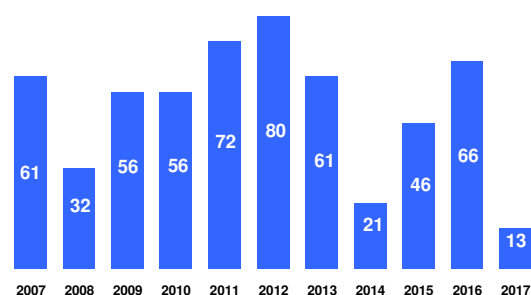
The parent company's financial result in 4Q06 was a net expense of R\$ 17.7 million. The largest financial expense this quarter regarded the payment of interest and adjustment for inflation of the contracted debt,

partially compensated by the entry of Petroflex's interests on equity, in the amount of R\$ 2.0 million, and by R\$ 2.2 million in financial investments revenues, according to the following table.

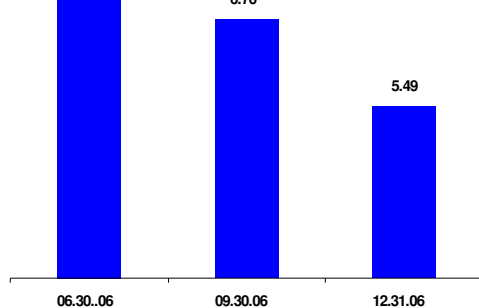
Financial Result (R\$ million)	4Q06	3Q06	4Q05	2006	2005
<b>Financial Expenses</b>	<b>(23.8)</b>	<b>(34.5)</b>	<b>(65.3)</b>	<b>(81.7)</b>	<b>(72.0)</b>
Interests (Advances on Ex. Cont./ Loans)	(26.9)	(27.7)	(40.4)	(111.8)	(50.4)
Monetary Variation	(0.1)	(0.2)	-	(1.3)	-
Forex Variation	10.8	(0.8)	(21.4)	59.8	(15.0)
Banks/ CPMF levy / IOF tax	(4.9)	(5.3)	(3.4)	(19.9)	(6.4)
Others	(2.7)	(0.5)	(0.1)	(8.4)	(0.2)
<b>Financial Income</b>	<b>6.1</b>	<b>2.7</b>	<b>2.4</b>	<b>23.0</b>	<b>6.0</b>
Interests	0.3	0.7	-	3.1	-
Monetary Variation	0.1	-	-	0.1	-
Forex Variation	-	-	-	-	-
Others	5.7	2.0	2.4	19.8	6.0
<b>Net Financial Result</b>	<b>(17.7)</b>	<b>(31.8)</b>	<b>(62.9)</b>	<b>(58.7)</b>	<b>(66.0)</b>

According to the debt amortization schedule, on December 31, 2006, the average term of maturity was 5.17 years. The average cost of the debt, in the fourth quarter of 2006, was USD + 6.75%, aligned with the cost measured in 3Q06.

Debt Amortization Schedule (US\$ million)



Net Debt/ (EBITDA+Dividends)  
Parent Company Pro Forma with  
Politeno's cash



## Net Debt / EBITDA

The pro forma Net Debt

/(EBITDA + dividends) ratio of the parent company, considering the cash received from Politeno's sale, and the value of our the shares to be sold, fell 1.3 p.p. in 4Q06, going from 6.76 on Sept 30, 2006 to 5.49 at the closure of the year, keeping the aimed reduction of the leveraging of the Company, as a result of the substantial improvement in the cash generation in the 2<sup>nd</sup> semester, in spite of the small increase in the parent company's net indebtedness. The financial leveraging of the Company shall continue to fall throughout 2007, by means of the maintenance of good levels of EBITDA generation.

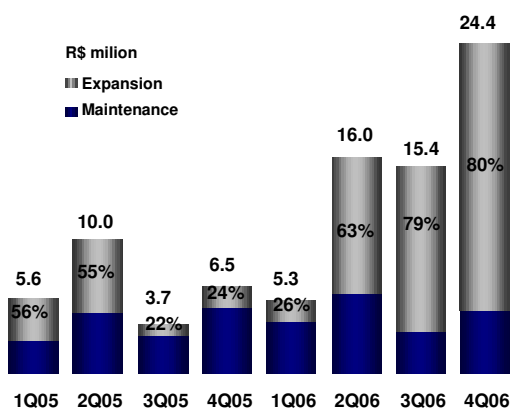
## Net Profit

The Company's strong recovery of results occurred in 2H06 allowed a R\$ 29.1 million net profit in the period, enough to offset the R\$ 29.1 million net loss of the 1H06. As a result, the Company registered a net profit of R\$ 16.7 thousand this year, despite the financial expenses, of R\$ 58.6 million, the recurring goodwill amortization, in the amount of R\$ 57.3 million and further from the consolidation of our share in Riopol's result, with a negative impact of R\$ 30.8 million. The accounting of the amount expected from the 2<sup>nd</sup> installment from the sale of Politeno, reflected in the equity from affiliates account, positively contributed for the Company's result with a net

amount of R\$ 64.4 million. The result from the participation of Suzano Petroquímica in Politenó during 1Q06, was reallocated in the *pro forma* financial statements to the minority participation line.

### Investments

Capex



The Company's investments totaled R\$ 61.2 million in 2006, from which 70.7% were destined to the projects of production capacity expansion of polypropylene, and the remaining to the maintenance of production equipment and other investments, according to accrual basis

The Company is undergoing a process to increase the production capacity of its Mauá and Duque de Caxias units, and is also investing in the construction of a sea terminal to receive propylene in Duque de Caxias.

The beginning of operations of the new capacities is scheduled as follows: (1) construction of a sea terminal in Duque de Caxias to receive propylene for the Duque unit, which should be completed in 3Q07; (2) expansion of the production capacity of polypropylene of the Duque unit in 100 thousand tons/year in 4Q07; (3) second stage of enlargement of the production

capacity of polypropylene of the Mauá unit, which will add another 90 thousand tons/year, foreseen to 2Q08.

The projects are within the estimate term, and the agreements for purchase of crucial equipment for the two expansions have been already signed. However, according to the cash criteria, the disbursement schedule suffered a slight modification, once the disbursement occurred until 2006, of US\$ 31.2 million, was a bit lower than the initial estimate, of USD 34.3 million.

US\$ million	Real unt.			Total
	2006	2007	2008	
Capex Projects	31.2	60.0	35.7	126.9
Sea Terminal	4.5	13.1	0.0	17.6
Expansions	26.7	46.9	35.7	109.3

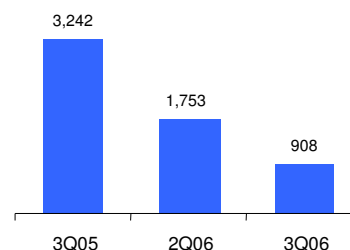
The estimated total amount for the projects of expansion of capacity and the construction of the sea terminal, including the already carried out expansion of the Mauá unit, is of USD 126.9 million, and the disbursement shall be done as the chart below. The projects above mentioned count with defined resources, and are being financed by the *International Finance Corporation*-IFC and also by BNDES.

### Capital Markets

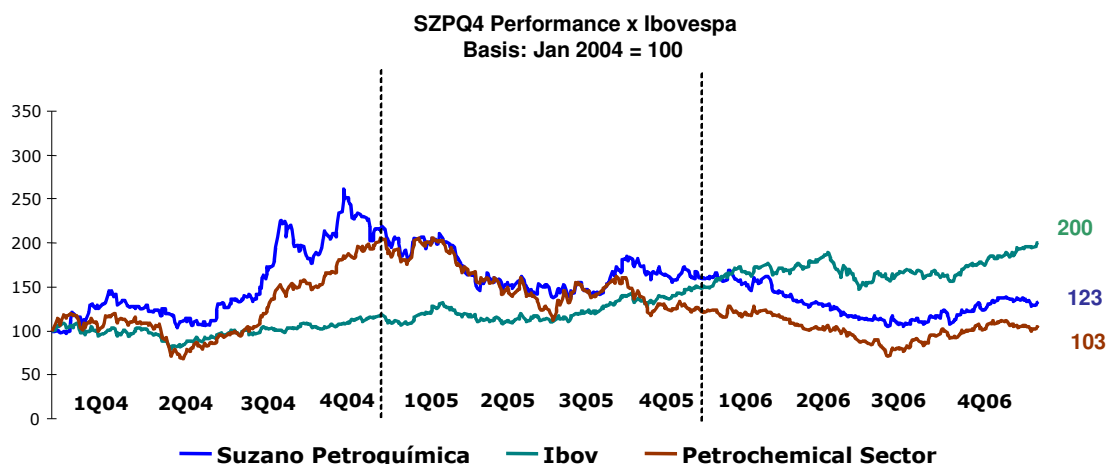
The average daily financial volume of Suzano Petroquímica's preferred shares (SZPQ4) negotiated at Bovespa (the São Paulo Stock Exchange) this quarter increased 61% as regards the 3Q06, to R\$ 1.4 million, as a result of the 16.3% valuation of the share, combined with a greater demand. In 2006, the average volume negotiated was of R\$1.7 million a day, 40% lower than 2005 average, as a consequence of the weak performance of the sector at the start of the year, reflected in the share price. In 2006, Ibovespa had a daily average of R\$ 2.0 billion, 49% higher than the daily volume negotiated in 2005, proving the strengthening of the Brazilian capital markets.

Suzano Petroquímica's preferred share negotiated in the Stock Exchange closed 2006 priced at R\$ 3.92/share, with a devaluation of 17.6% as regards the closure of 2005, showing a recovery path in the 2H06, when it appreciated 16.3%. The performance of the average index of the

Average Daily Volume SZPQ  
(R\$ '000/day)



petrochemical sector had the same behavior, devaluating 16.0% in 2005. The Ibovespa had a valuation of 32.9% in the same period.



Information on the Share	Dec 31, 2006
Total number of shares	226,695,380
Common	97,375,446 (43.1%)
Preferred	129,319,934 (56.9%)
Market Value	
R\$ million	888.6
USD million	415.6
Daily average negotiated volume – 2006 (R\$ million)	1.7

## Perspectives for the polypropylene business

After an year in which the oil, important variable to determine prices of petrochemical raw materials, presented strong oscillation in its prices, varying between USD 60-75 per barrel and up to USD 78 in August, we started 2007 with a favorable expectation for its prices, which must be around USD 50-60 per barrel throughout 2007, as a result of the world inventories of oil and the new production capacities.

This expectation of oil prices in a lower level helps to keep the prices of petrochemical raw materials in an inferior average level than the one verified in 2006, what does not mean that resins sale prices will follow a similar behavior. The variation of resins future prices is more subject to the relation between supply and demand for products than to an analysis strictly aimed at the behavior of raw material prices. In fact, the price levels we are observing nowadays reflect the partial recovery of an increase in the costs of raw materials which took place before, but which, as a result of the market situation, had not yet been transferred to sales prices.

As regards the thermoplastic resins market, the main international *drivers* of demand, United States, Índia and Asia, continue to present strong growth rates in their economies, as well as in resins consumption. The world



demand is heated this beginning of the year, and for that reason it is expected that the resins prices continue, during 2007, in line with the levels reached at the end of 2006.

The set of factors described above should contribute to a positive year for the petrochemical industry, with the expansion of the domestic demand and the maintenance of a positive international scenario. Suzano Petroquímica, in particular, may benefit from the increase in internal consumption of polypropylene, with its enlarged production capacity, and may also count with a scenario of more attractive margins, with the maintenance of the resins prices and a more favorable scenario of raw material costs.

### **Social and Environmental Responsibility for Sustainable Development**

#### **Social Actions:**

The investments in corporate projects carried out by the Company in 2006 totaled R\$ 1.5 million, attending 259 thousand people.

As a acknowledgement for the work developed with Cooperativa de Materiais e Recicláveis de Camaçari (Coopmarc – a cooperative for recycling), in the State of Bahia, we won the 5th Marketing Best Social Responsibility Prize with the program “Environment Partners”, which encompasses actions for the improvement of work conditions, training to cooperates and improvement in the income generation. With the implementation of the “Environment Partners Program”, the cooperates were trained and today they have better income, improving about 60% their sales, besides applying more efficiently the practices of environmental management and safety in the work environment.

In 2006, the Plastivida – an initiative that we support and that aims to give incentive to the reuse and recycling of plastics, besides supporting environmental education programs related to selective waste collection and recycling – promoted a partnership with Association RecicLázaro, with the objective to increase the selective waste collection and plastic recycling in the West Zone of the city of São Paulo, to give instruction to teachers and students of fundamental schools on the importance of selective waste collection and plastic recycling, to spread the importance of environmental preservation and to promote the reintegration of the socially-excluded people into society.

This year, we supplied about 50 tons of polypropylene to AACD (Assistance to Disabled Children Association), which develops works aiming to socially rehabilitate and include disabled children, teenagers and adults. This partnership exists since 1994 and the polypropylene supplied is used to manufacture orthopedic devices, prostheses, corsets and any kind of accessories intended to physically disabled people.

#### **Health, Safety and Environmental Control Highlights:**

In 2006 we invested R\$ 4.1 million in projects in the areas of health, safety and environment, R\$ 2.2 million of which in the Duque de Caxias unit, R\$ 1.1 million in the Mauá unit and R\$ 825 thousand in the Camaçari unit. Some of the main investments were carried out in:

- Improvement in the effluent treatment system;
- Fire-fighting system, advances on process safety, implementation of our own System of Equipment Inspection and acquisition ergonomic furniture to all employees.

This year, we fulfilled the compliance to the environmental directives by the World Bank in all plants, completed 10 year free of accidents with leave in the Duque de Caxias Unit and performed simulated emergency exercises in all plants to the better training of the emergency attention teams.



## SUZANO PETROQUÍMICA CONSOLIDATED

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

Summary (R\$ million)	4Q06	4Q05	Δ% 4Q06/4Q05	3Q06	Δ% 4Q06/3Q06	2006	2005	Δ% 2006/2005
Net Revenues	622.6	476.6	30.6	695.7	(10.5)	2,385.7	2,111.3	13.0
Gross Profit	120.6	69.1	74.5	106.0	13.7	317.9	299.1	6.3
Gross Margin	19.4%	14.5%	4.3 p.p.	15.2%	4.2 p.p.	13.3%	14.2%	-0.9 p.p.
EBITDA	90.1	37.3	141.8	73.1	23.1	193.3	189.8	1.8
EBITDA Margin	14.5%	7.8%	6.7 p.p.	10.5%	4.0 p.p.	8.1%	9.0%	-0.9 p.p.

Production (000 t)	4Q06	4Q05	Δ% 4Q06/4Q05	3Q06	Δ% 4Q06/3Q06	2006	2005	Δ% 2006/2005
Riopol <sup>1</sup>	109.9	-	-	110.4	(0.5)	317.9	-	-
Petroflex	86.2	81.8	5.4	87.0	(0.9)	337.0	331.6	1.6

1- Considers only the production of the pre-operating phase. The production during 1Q06 refers to the pre-operating stage, started in November 2005 and ended on March 31, 2006

Sales (000 t)	4Q06	4Q05	Δ% 4Q06/4Q05	3Q06	Δ% 4Q06/3Q06	2006	2005	Δ% 2006/2005
Riopol <sup>1,2</sup>	94.7	7.0	-	104.4	(9.2)	293.7	35.1	-
DM	47.5	4.6	-	65.9	(27.9)	179.2	32.7	-
EM	47.2	2.4	-	38.5	22.8	114.5	2.4	-
Petroflex	83.9	81.8	2.5	90.2	(7.0)	338.7	322.2	5.1
DM	56.2	48.7	15.4	57.6	(2.4)	218.6	203.8	7.3
EM	27.7	33.1	(16.4)	32.6	(15.2)	120.1	118.4	1.5

1 – Up to the 1Q06 regarding the pre-operating stage.

2 – Sales until March, 2006 reflect the pre-marketing activity (do not include sales of own-production resin), or pre-operating stage production which was not taken into the result. From January to March, 2006, 40.5 tons of polyethylene were sold, referring to Riopol's pre-operating phase. Sales occurred from April 2006 on were totally of resins produced by Riopol, during its operating stage.

### Riopol

The polyethylene domestic demand this quarter retreated 13.8% comparing to 3<sup>rd</sup> quarter, a period which normally is heater as a result of the sales for end of the year and vacations period. The internal consumption in 2006, on its turn, was 8.1% higher than in 2005, a volume captured by local producers, since imports remained stable as regards 2005. The increase in the polyethylene supply in the domestic market, with the entry of Riopol, is being accommodated by the local market growth, and also by the increase in polyethylene exports, both Riopol's and the other domestic producers'. The volume exported by national producers of that resin grew 39.4% in 2006 as regards 2005, benefiting from the good moment in the international market.

During the fourth quarter of 2006, Riopol kept the plant operation level verified during the third quarter, operating in average at 81.4% of its production capacity. The volume produced in the period was of 109.9 thousand tons, totaling 385.7 thousand tons in the year, 67.7 thousand tons of which were produced in the pre-operating period, when the constructor was performing tests in the equipment. The expectation is that Riopol continue to evolve during 2007 in the increase of its operating rate, going trough the learning curve of units of such complexity and size.

The sales of Riopol this quarter were impacted by the seasonal deceleration. This way, total sales volume was 9.2% lower than in 3Q06, in spite of the increase of 22.8% in exports, since the readjustment of prices movement and recovery of profitability of Riopol limited its domestic sales. From the volume sold in 4Q06, 50.1% was allocated in the domestic market and the remaining exported. The exports of polyethylene were higher than the contractual commitment to export, as a way to take advantage from the good moment in the international market and to reduce the inventories level. In 2006, the total volume sold by Riopol in its operating period, was of 293.7 thousand tons, of which 61% was allocated in the domestic market and the remaining exported. Furthermore, Riopol sold 40.5 thousand tons of polyethylene in 1Q06, a volume not accounted as result.

Riopol's result in 1Q06 was accounted in the deferred asset of the company, not generating result in that quarter, as the company was in pre-operating phase yet. Only as of 2Q06 the results have been entered into the books in the Company's results and consolidated results, proportionally to our share. Riopol's result that had been accounted until 2005 referred to pre-marketing activities, that were completed last year, and are not, therefore, comparable to results obtained in 2006.

## Petroflex

Petroflex's elastomers production in the 4Q06 was of 86.2 thousand tons, a volume 5.4% higher than the one produced in the same quarter of 2005 and aligned with 3Q06. The average operating rate of the plant was 83.9% this quarter, keeping the volume produced compatible with the local demand and the production planning, aiming at a richer mix, with products of performance and special elastomers. The 2006 production totaled 337.0 thousand tons, representing an average operating rate of 82.0% this year. During the year, Petroflex's total production capacity was expanded from 410 to 422 thousand tons of elastomers a year.

The volume sold this quarter was of 83.9 thousand tons, 2.5% higher than in the same period of 2005 but 7.0% lower than the one achieved in 3Q06, an effect of the lower seasonal demand of the fourth quarter, when some clients even stopped their production. This year, the volume sold by Petroflex reached 338.7 thousand tons, 5.1% higher than in 2005, highlighting the increase in domestic sales, of 7.3% in this same period. Petroflex's domestic market share in 2006 was of 68% of the elastomers market.

## Net Revenues

The consolidated net revenues in this quarter was R\$ 622.6 million, 30.6% above the one recorded in the same period of 2005, primarily because of the consolidation of Riopol's net revenue, that responded in this quarter for 16.8% of the consolidated net revenue. However, the net income was 10.5% lower than in the 3Q06, an effect of the lower volume sold by the companies after the seasonal increase in sales during the third quarter and the adjustments in the elimination of intercompanies sales in the consolidated result, with an impact of R\$ 34.4 million in 4Q06. In 2006, the consolidated net revenues totaled R\$ 2,385.7 million, 13.0% higher than in 2005, once again for the consolidation of Riopol's results, as of 2Q06. In 2005, Riopol only carried out pre-marketing sales.

Net Revenues								
R\$ million	4Q06	4Q05	Δ (%)	3Q06	Δ (%)	2006	2005	Δ (%)
<b>Suzano Petroquímica Parent Company</b>	<b>473.5</b>	<b>410.0</b>	<b>15.5</b>	<b>507.7</b>	<b>(6.7)</b>	<b>1.826.8</b>	<b>1.802.5</b>	<b>1.3</b>
Riopol <sup>1,3</sup>	110.1	(1.7)	-	114.6	(3.9)	319.3	32.5	-
Petroflex <sup>1</sup>	73.4	65.0	12.9	73.5	(0.1)	273.9	276.3	(0.8)
<b>Eliminations<sup>4</sup></b>	<b>(34.4)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(34.4)</b>	<b>-</b>	<b>-</b>
<b>Suzano Petroquímica Consolidated<sup>2</sup></b>	<b>622.6</b>	<b>476.7</b>	<b>30.6</b>	<b>695.7</b>	<b>(10.5)</b>	<b>2.385.7</b>	<b>2.111.3</b>	<b>13.0</b>

1 – Participation of Suzano Petroquímica of 33.33% in Riopol and 20.12% in Petroflex

2 – Pro forma consolidation, considering for all mentioned periods a participation of 100% in Polibrasil, consolidated with participations in Petroflex and Riopol. It does not consider the participation held in Politeno in the periods previous to its sale, which took place on Apr 04, 2006.

3 – The net income in 4Q05 and in 2005 reflects only Riopol's pre-marketing activities (does not include sales of resin of its own production).

This way, Riopol's data is not compatible with the realizations as of April 2006.

4 – When consolidating a Balance, sales and costs among companies must be eliminated. In the 4Q06, it was done the full adjustment of operations between Suzano Petroquímica and Riopol during 2006 and referring to the supply of polypropylene. As from 1Q07, the elimination of operations inter companies will be normally done each quarter.

**Riopol:** net revenues this quarter were R\$ 330.2 million, representing a reduction of 3.9% compared to the net revenues of 3Q06, due to the 9.2% lower volume sold, which was partially compensated by the increase of 5.0% in the polyethylene unitary net revenue between the periods. From the total net revenues, 88% come from polyethylene sales and the remaining from by-products sales (propylene, hydrogen and pyrolysis gasoline).

In 2006, Riopol's net revenue, corresponding to its operating period started in April, was of R\$ 958.0 million, result not comparable to revenues earned in 2005, as in the past it came from the pre-marketing phase, and the volume placed was very inferior to the one currently sold by the company.

Riopol responded this quarter for 16.8% of the consolidated net revenues, and for 13.2% of net revenues in 2006. It is important to point out that Riopol only contributed for the consolidated result as of April.

- **Petroflex:** net revenues of Petroflex were R\$ 365.0 million in the 4Q06, aligned with the one of 3Q06, as the reduction of 7.0% in the volume sold was offset by the movement of increase of elastomers prices, which caused an increase of 7.4% in the unitary net revenue. As regards the same period of 2005, net revenues grew 12.9%, a joint effect of the 2.5% increase in the volume sold and of 7.7% in the unitary net revenue.

In 2006, net revenues totaled R\$ 1,361.5 million, 0.8% lower than in 2005, resulting from the reduction of 6.0% in the unitary net revenue, as a function of the fall in the natural rubber prices in the international market, partially compensated by the 5.1% increase in the volume sold.

Petroflex responded this quarter for 11.2% of the consolidated net revenue, and for 11.3% of the consolidated net revenue in 2006.

## Cost of Products Sold

The consolidated cost of products sold (COGS) this quarter was R\$ 502.0 million, 14.9% lower than the one recorded in the 3Q06, as a result of the reduction in the volume sold, also because of the adjustment in the elimination of inter companies sales in the consolidate result, with a R\$ 34.4 million in 4Q06. As regards the 4Q05, the consolidated COGS was 31.6% higher, derived mainly from the consolidation of cost of products sold by Riopol, which had been deferred in 4Q05. The accumulated COGS in 2006 was of R\$ 2,102.2 million, 16% higher than the one realized in 2005, once again as a result of the recording of Riopol's COGS as of April 2006 and also of the increase of Petroflex's COGS.

Cost of Goods Sold (COGS)								
R\$ million	4Q06	4Q05	Δ (%)	3Q06	Δ (%)	2006	2005	Δ (%)
<b>Suzano Petroquímica Controlling Company</b>	<b>382.8</b>	<b>349.6</b>	<b>9.5</b>	<b>420.6</b>	<b>(9.0)</b>	<b>1,567.5</b>	<b>1,561.5</b>	<b>0.4</b>
Riopol <sup>1,3</sup>	89.1	0.3	-	105.6	(15.6)	293.2	31.4	-
Petroflex <sup>1</sup>	64.5	57.7	11.8	63.5	1.5	241.5	219.1	10.2
<b>Eliminations<sup>4</sup></b>	<b>(34.4)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(34.4)</b>	<b>-</b>	<b>-</b>
<b>Suzano Petroquímica Consolidated<sup>2</sup></b>	<b>502.0</b>	<b>407.6</b>	<b>23.2</b>	<b>589.7</b>	<b>(14.9)</b>	<b>2,067.8</b>	<b>1,812.1</b>	<b>14.0</b>

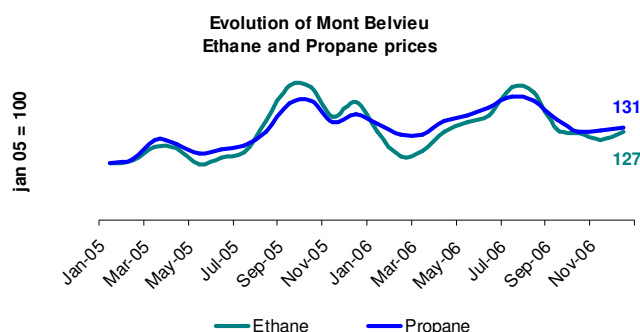
1 – Participation of Suzano Petroquímica of 33.33% in Riopol and 20.12% in Petroflex

2 – Pro forma consolidation, considering for all mentioned periods a participation of 100% in Polibrasil, consolidated with participations in Petroflex and Riopol. It does not consider the participation held in Politeno in the periods previous to its sale which took place on Apr 04, 2006.

3 – The CPV in the 4Q05 and in 2005 reflects only the pre-marketing activity (purchase of resin for resale). Therefore, the data is not comparable to the one realized as of April 2006.

4 – When consolidating a Balance, sales and costs among companies must be eliminated. In the 4Q06, it was done the full adjustment of operations between Suzano Petroquímica and Riopol during 2006 and referring to the supply of polypropylene. As from 1Q07, the elimination of operations inter companies will be normally done each quarter.

- **Riopol:** the COGS this quarter was of R\$ 267.4 million, 15.6% below the one realized in the 3Q06, as a joint effect of the reduction of 9.2% in the volume sold and also of 7.0% in the unitary COGS. From the COGS, 81% were variable production costs (raw material, catalysst, utilities, etc.), 12% depreciation/amortization and 7% fixed costs. The reduction in the COGS per ton this quarter was a consequence of the higher operating efficiency of the plant, which has been improving specific consumption indexes of inputs, through a better utilization of raw material and also from the movement of retreat in the Mont Belvieu ethane and propane prices, which are a reference to Riopol's raw materials costs.



Source: Blommborg

The average prices of ethane and propane Mont Belvieu\*, which serve as basis for the formula of price formation of the main raw materials of Riopol, were reduced 18% and 14%, respectively, in the average between 4Q06 and 3Q06, according to the chart aside.

**Petroflex:** the COGS of Petroflex this quarter was of R\$ 320.6 million, 11.8% higher than the one recorded in the same period last year, as a result of the increase of 9.1% in the unitary COGS and also of the 2.5% higher volume sold. As regards the 3Q06, the COGS was 1.5%

higher, also as a result of a unitary COGS 9.2% higher, partially compensated by the sales volume, 7.0% lower. This year, the COGS of Petroflex, of R\$ 1,200.0 was 10.2% above the recorded in 2005, a joint effect of the increase of 5.1% in the volume sold and of 4.8% in the unitary COGS. The butadiene, one of the main raw materials for elastomers production, and which represents about 55% of Petroflex's variable production costs, rose 8.8% this year, pressed by the tight supply and demand balance of this input worldwide.

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

The consolidated sales, general and administrative expenses (SG&A) totaled R\$ 65.8 million this quarter, aligned with the ones recorded in the 3Q06, and 12.3% higher comparing to the 4Q05, mainly as a result from the expenses arising from the Riopol's operation, which were not accounted in 2005. In 2006, the SG&A totaled R\$ 249.7 million, 16.5% above the one recorded in 2005, once again as a result primarily from the consolidation of expenses of Riopol, which were not significant in 2005, arising only from the pre-marketing operation.

- **Riopol:** the SG&A of the company in the 4Q06 was R\$ 38.1 million, aligned with the one realized in the 3Q06, as a result of the raise in sales expenses resulting from the higher volume exported, offset by the 9.2% reduction in the volume sold and by the reduction in the cost of third parties services. From the SG&A, 75% were sales expenses and 25% general and administrative expenses. In 2006, from April to December, SG&A totaled R\$ 113.1 million, 69% of which referring to sales expenses and 31% to general and administrative expenses. Said results are not comparable with the results obtained in 2005, in which only the expenses with sales related to the pre-marketing activity of the company were recorded.
- **Petroflex:** Petroflex's SG&A reached R\$ 29.9 million this quarter, aligned with 3Q06, and were 20.9% higher than in 4Q05, for the greater volume sold and the increase in the general and administrative expenses. In 2006 there was a reduction of 7.5% in the SG&A as regards 2005, totaling R\$ 105.8 million this year, due to the optimization of freight expenses, which was partially neutralizes by the raise in

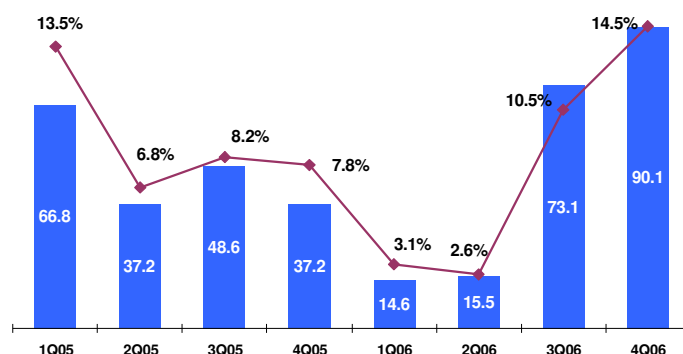


general and administrative expenses, due to the reduction in the number of employees and indemnity expenses.

## EBITDA

The EBITDA in the 4Q06 continued to increase, growing 23.1% as regards the 3Q06, up to R\$ 90.1 million this quarter. As regards the EBTDA in the 4Q05, the growth was of 141.8%. The growth of the EBITDA was a result of two main reasons: the consolidation of Riopol's EBITDA, and the increase in the parent company's EBITDA. The EBITDA margin was of 14.5% this quarter, advancing 4.0 p.p. as regards last quarter and 6.7 p.p. comparing to the 4Q05. Said margins recovery occurred mainly because of the movement of prices recovery, which took place in the 3Q06, and kept during the 4Q06, both in the parent company and Riopol, increasing the profitability of the two companies. It is worth mentioning that EBITDA Margin is impacted by the adjustment in consolidated net revenues in 4Q, because of the elimination of the transactions between companies occurred during 2006, but concentrated in the last quarter. Distributing the effect of such transactions along the year, EBITDA Margin in 4Q06 would be 13.9% in 4Q06.

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



In 2006, the consolidated EBITDA reached R\$ 193.3 million, 1.8% above 2005, once again as an effect of the consolidation of the operating result of Riopol, with a positive contribution starting from the 3Q06, which more than compensated the reduction of 47.7% in the EBITDA of Petroflex. The consolidated EBITDA margin in 2006 was of 8.1%, 0.9 p.p. lower than the margin realized in 2005, as a result of the small retreat of 0.2 p.p. in the parent company's margin and of 6.8 p.p. in Petroflex's margin. The consolidation of the positive result related to the Riopol's activity generated a positive EBITDA of R\$ 19.7 million in the consolidated cash generation of 2006.

EBITDA								
R\$ million	4Q06	4Q05	Δ (%)	3Q06	Δ (%)	2006	2005	Δ (%)
<b>Suzano Petroquímica Controlling Company</b>	<b>65.2</b>	<b>33.3</b>	<b>95.5</b>	<b>59.7</b>	<b>9.2</b>	<b>155.9</b>	<b>156.5</b>	<b>(0.3)</b>
Riopol <sup>1,3</sup>	19.0	0.3	-	7.6	150.8	19.7	(1.9)	-
Petroflex <sup>1</sup>	5.0	6.7	(26.6)	6.3	(21.0)	19.9	38.1	(47.7)
Other expenses consolidated <sup>4</sup>	0.9	(3.1)	-	(0.5)	-	(2.2)	(2.9)	-
<b>Suzano Petroquímica Consolidated<sup>2</sup></b>	<b>90.1</b>	<b>37.2</b>	<b>141.8</b>	<b>73.1</b>	<b>23.1</b>	<b>193.3</b>	<b>189.8</b>	<b>1.8</b>

1 – Participation of Suzano Petroquímica of 33.33% in Riopol and 20.12% in Petroflex

2 – Pro forma consolidation, considering for all mentioned periods a participation of 100% in Polibrasil, consolidated with participations in Petroflex and Riopol. It does not consider the participation held in Politeño in the periods previous to its sale which took place on Apr 04, 2006.

3 – The CPV in the 3Q05 and in the 9M05 reflects only the pre-marketing activity (does not include sales of resins of own production). This way, the data comparable to the one realized as of April 2006.

4 – It reflects the consolidated operating expenses of SPQ Investimentos e Participações Ltda., of Suzanopar Petroquímica Ltda. and of Polipropileno Participações up to September 30, 2006.

**Note: consolidated Ebitda figures presented for 1Q05, 2Q05 and 3Q05 had a minor accounting mistake, and therefore were corrected in the chart above and also in the complete 2005 value, presented in the table above, in order to guarantee a better comparison of results and help in the projections for future performance.**

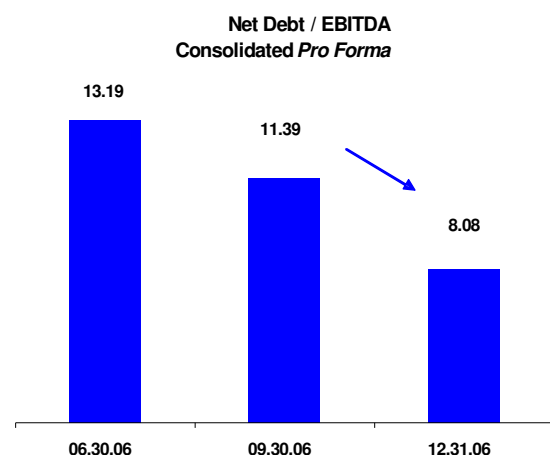
- **Riopol:** the EBITDA generated in the 4Q06 was of R\$ 57.0 million, presenting an increase of 150.8% as regards the result of the 3Q06, as a function mainly of the effect of the readjustment of prices implemented during the 3Q06 and fully captured in the 4Q06, and from the continued process of increase of the operating efficiency of the plant and the retreat in the raw materials costs. With the positive generation of EBITDA as of 3Q06, the accumulated EBITDA in 2006 totaled R\$ 59.0 million. The EBITDA margin in the 4Q06 was of 17.3% and 6.2% in 2006.
- **Petroflex:** the EBITDA of Petroflex this quarter, of R\$ 24.7 million, was 21.6% higher than the one realized in the 4Q05, as a result of the increase in SG&A and unitary COGS that followed the effect of the raise in the volume sold and the unitary net revenue. As regards 3Q06, EBITDA fell 21.0%, as a result of the reduction of 10.4% in the gross profit. The EBITDA of 2006 totaled R\$ 99.1 million, 47.7% lower than the one realized in 2005, because of the pressure of costs of the main raw materials and a price scenario not very favorable during the year. The EBITDA margin of the company was of 6.8% in 4Q06 and 7.3% in 2006.

## Financial Result and Indebtedness

The Company presented, in the 4Q06, a consolidated net financial expense in the amount of R\$ 25.9 million, impacted preponderantly by the R\$ 17.7 million negative financial result of the parent company and by the negative R\$ 7.6 million impact of the consolidation of the Riopol's net financial expense, both as a result of interests, in spite of the positive effect of the 1.7% appreciation of the Real on the inventory of indebtedness denominated in Dollars.

The consolidated gross indebtedness of the Company (considering principal and interests) on Dec 31, 2006 was R\$ 1,934.1 million, 2.3% higher than the position on Sept 30, 2006. The net indebtedness, however, was 2.4% lower, totaling R\$ 1,561.9 million this quarter, as a result of the increase in the cash resulting from better operating results of the parent company and Riopol.

### Net Indebtedness / EBITDA



Considering the *pro forma* Consolidated Financial Statements, there was a strong leveraging reduction, with the Net Indebtedness/EBITDA ratio presenting a fall of 3.59 p.p., from 11.39 on Sep 30, 2006, to 8.08 at the year's closing. Such a reduction results from an increase in the accumulated *pro forma* consolidated EBITDA in the last 12 months, because of the strong growth in the EBITDA of the parent company, 95.5% higher than in 4Q05 and also for the positive contribution of the consolidation of Riopol's EBITDA, positive as of 3Q06, totaling R\$ 19.7 million in the year, while all the contribution of its debt had already been consolidated. This process of leveraging reduction shall continue in the next quarters, with the improvement in the results of the parent company and the progress of Riopol's operations. It is important to stress that the indebtedness both of the parent company and Riopol are concentrated on the long term, and there is no risk of rolling-over

or fulfillment of the financial commitments, which are comfortably scheduled for the next years, despite the still high Net Indebtedness / EBITDA ratio.

## Net Profit / Loss of the Exercise

The Company's strong recovery of results occurred in 2H06 allowed a R\$ 29.1 million net profit in the period, enough to offset the R\$ 29.1 million net loss of the 1H06. As a result, the Company registered a net profit of R\$

16.7 thousand this year, despite the financial expenses, of R\$ 58.6 million, the recurring goodwill amortization, in the amount of R\$ 57.3 million and further from the consolidation of our share in Riopol's result, with a negative impact of R\$ 30.8 million. The accounting of the amount expected from the 2nd installment from the sale of Politeño, reflected in the equity from affiliates account, positively contributed for the Company's result with a net amount of R\$ 64.4 million. The result from the participation of Suzano Petroquímica in Politeño during 1Q06, was reallocated in the pro forma financial statements to the minority participation line.

### Annexes

1. Balance Sheets – Parent Company and Consolidated
2. Statement of Income – Parent Company and Consolidated



**Annex 1 – Balance Sheet**

**Suzano Petroquímica - Parent Company  
Balance Sheet**

R\$ 000

	31/12/2006	31/12/2005 pro forma
Cash and cash equivalents	169.592	218.274
Other current assets	422.719	408.009
Long-term assets	198.892	122.869
Other permanent assets	1.179.414	1.213.889
Property, plant and equipment	465.164	473.718
<b>Total Assets</b>	<b>2.435.781</b>	<b>2.436.759</b>
Suppliers	127.641	130.837
Short-term loans	163.460	487.701
Other short-term liabilities	58.497	101.736
Long-term loans	1.076.925	687.895
Other long-term liabilities	21.417	37.170
Future Periods Results	21.271	24.866
Minority interest	-	-
Shareholders' equity	966.570	966.554
<b>Total liabilities</b>	<b>2.435.781</b>	<b>2.436.759</b>

**Suzano Petroquímica - Consolidated  
Balance Sheet**

R\$ 000

	31/12/2006	31/12/2005 pro forma
Cash and cash equivalents	393.335	245.841
Other current assets	697.103	539.229
Long-term assets	296.570	175.818
Other permanent assets	631.678	880.388
Property, plant and equipment	1.356.765	1.396.690
<b>Total Assets</b>	<b>3.375.451</b>	<b>3.237.966</b>
Suppliers	197.620	193.958
Short-term loans	256.517	567.949
Other short-term liabilities	94.836	137.740
Long-term loans	1.677.631	1.209.473
Other long-term liabilities	143.413	115.502
Future Periods Results	38.864	45.318
Minority interest	0	1.472
Shareholders' equity	966.570	966.554
<b>Total Liabilities</b>	<b>3.375.451</b>	<b>3.237.966</b>



**Annex 2 – Income Statement - Parent Company**

**Suzano Petroquímica - Parent Company**  
**Income Statement**

R\$ thousand

(*) ex Politeno	4Q 06	4Q 05 (*) forma	pro	Var. %	2006	2005 forma	pro	Var. %
Gross Revenues	609.018	533.397		14%	2.375.750	2.361.875		1%
Gross Revenues Deductions	(135.543)	(123.403)		10%	(548.936)	(559.331)		-2%
<b>Net Revenues</b>	<b>473.475</b>	<b>409.994</b>		<b>15%</b>	<b>1.826.814</b>	<b>1.802.544</b>		<b>1%</b>
Cost of Goods Sold	(382.792)	(349.554)		10%	(1.567.509)	(1.561.537)		0%
<b>Gross Income</b>	<b>90.683</b>	<b>60.440</b>		<b>50%</b>	<b>259.305</b>	<b>241.007</b>		<b>8%</b>
<i>Gross Margin</i>	<i>19,2%</i>	<i>14,7%</i>			<i>14,2%</i>	<i>13,4%</i>		
Selling Expenses	(29.627)	(37.301)		-21%	(127.966)	(130.623)		-2%
General and Administrative Expenses	(18.401)	(13.684)		34%	(60.351)	(54.050)		12%
Other Net Operating Revenue (Expenses)	2.658	5.930		-55%	9.884	28.967		-66%
<b>Activity Result</b>	<b>45.313</b>	<b>15.385</b>		<b>195%</b>	<b>80.872</b>	<b>85.301</b>		<b>-5%</b>
<i>Activity Margin</i>	<i>9,6%</i>	<i>3,8%</i>			<i>4,4%</i>	<i>4,7%</i>		
Net Financial Revenues (Expenses)	(17.711)	(69.893)		-75%	(58.645)	(52.723)		11%
Financial Revenues	6.117	4.244		44%	23.098	19.467		19%
Financial Expenses	(23.828)	(74.137)		-68%	(81.743)	(72.190)		13%
Equity Results	3.135	4.325		-28%	23.233	42.156		-45%
Goodwill Amortization	(13.866)	(13.936)		-1%	(57.321)	(20.692)		177%
Net non-Operating Revenues (Expenses)	(589)	(277)		113%	(1.158)	(25.970)		-96%
<b>Income Before Income Tax and Social Contribution</b>	<b>16.282</b>	<b>(64.396)</b>		<b>-125%</b>	<b>(13.019)</b>	<b>28.072</b>		<b>-146%</b>
Income Tax and Social Contribution	(6.596)	30.883		-121%	13.035	4.132		215%
Minority Interest	-	(6.716)		-100%	-	(16.960)		-100%
<b>Net Income/Loss for the Year</b>	<b>9.686</b>	<b>(40.229) -</b>			<b>16</b>	<b>15.244</b>		<b>-100%</b>
EBITDA	65.188	33.336		96%	155.952	156.488		0%
<i>EBITDA Margin</i>	<i>13,8%</i>	<i>8,1%</i>			<i>8,5%</i>	<i>8,7%</i>		





**Annex 2 –Income Statement - Consolidated**

**Suzano Petroquímica - Consolidated  
Income Statement**

R\$ thousand

(*) ex Politeño	4Q 06	4Q 05 (*) forma	pro	Var. %	2006 forma	pro 2005 forma	pro	Var. %
Gross Revenues	794.825	613.196		30%	3.064.281	2.741.155		12%
Gross Revenues Deductions	(172.242)	(136.545)		26%	(678.621)	(629.882)		8%
<b>Net Revenues</b>	<b>622.583</b>	<b>476.651</b>		<b>31%</b>	<b>2.385.660</b>	<b>2.111.273</b>		<b>13%</b>
Cost of Goods Sold	(502.026)	(407.564)		23%	(2.067.791)	(1.812.122)		14%
<b>Gross Income</b>	<b>120.557</b>	<b>69.087</b>		<b>75%</b>	<b>317.869</b>	<b>299.150</b>		<b>6%</b>
<i>Gross Margin</i>	<i>19,4%</i>	<i>14,5%</i>			<i>13,3%</i>	<i>14,2%</i>		
Selling Expenses	(42.072)	(40.845)		3%	(166.378)	(148.133)		12%
General and Administrative Expenses	(23.778)	(16.796)		42%	(83.282)	(66.103)		26%
Other Net Operating Revenue (Expenses)	3.450	6.820		-49%	14.039	29.632		-53%
<b>Activity Result</b>	<b>58.157</b>	<b>18.266</b>		<b>218%</b>	<b>82.248</b>	<b>114.546</b>		<b>-28%</b>
<i>Activity Margin</i>	<i>9,3%</i>	<i>3,8%</i>			<i>3,4%</i>	<i>5,4%</i>		
Net Financial Revenues (Expenses)	(25.916)	(70.537)		-63%	(92.300)	(65.756)		40%
Financial Revenues	46.017	7.743		494%	120.580	19.506		518%
Financial Expenses	(71.933)	(78.280)		-8%	(212.880)	(85.262)		150%
Equity Results	0	-			-	-		
Goodwill amortization	(13.866)	(13.936)		0%	(57.321)	(20.692)		177%
Net non-Operating Revenues (Expenses)	(559)	(266)		110%	36.962	(26.272)		-
<b>Income Before Income Tax and Social Contributi</b>	<b>17.815</b>	<b>(66.473) -</b>			<b>(30.411)</b>	<b>1.826</b>		<b>-1765%</b>
Income Tax and Social Contribution	(8.129)	23.393		-135%	28.301	734		3755%
Minority Interest	-	2.851		-100%	2.127	12.684		-83%
<b>Net Income/Loss for the Year</b>	<b>9.686</b>	<b>(40.229) -</b>			<b>16</b>	<b>15.244</b>		<b>-100%</b>
EBITDA	90.061	37.250		142%	193.339	189.831		2%
<i>EBITDA Margin</i>	<i>14,5%</i>	<i>7,8%</i>			<i>8,1%</i>	<i>9,0%</i>		