

**Dixie Toga S.A.
and Subsidiaries**
Financial Statements at
December 31, 2007 and 2006
And Report of Independent Auditors

(A free translation of the original in Portuguese)

Report of Independent Auditors

To the Board of Directors and Stockholders
Dixie Toga S.A.

- 1 We have audited the accompanying balance sheets of Dixie Toga S.A. and the consolidated balance sheets of Dixie Toga S.A. and its subsidiaries as of December 31, 2007 and 2006 and the related statements of income, of changes in stockholders' equity and of change in financial position of Dixie Toga S.A., as well as the related consolidated statements of income and of changes in financial position, for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.
- 2 We conducted our audit in accordance with approved Brazilian auditing standards, which require that we perform the audit to obtain reasonable assurance about whether the financial statements are fairly presented in all material respects. Accordingly, our work included, among other procedures: (a) planning our audit taking into consideration the significant balances, the volume of transactions and the accounting and internal control systems of the Companies, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements, and (c) assessing the accounting practices used, significant estimates made by management, as well as evaluating the overall financial statement presentation.
- 3 In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of Dixie Toga S.A. and of Dixie Toga S.A. and its subsidiaries at December 31, 2007 and 2006, and the results of operations, the changes in stockholders' equity and the changes in financial position of Dixie Toga S.A., as well as the consolidated results of operations and of changes in financial positions, for the years then ended, in accordance with accounting practices adopted in Brazil.

São Paulo, February 26, 2008

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Carlos Alberto de Sousa
Contador CRC 1RJ056561/O-0 "S

Dixie Toga S.A. and Subsidiaries

Balance Sheets at December 31

In thousands of Brazilian reais

(A free translation of the original in Portuguese)

Assets	Parent company		Consolidated		Liabilities and stockholders' equity	Parent company		Consolidated	
	2007	2006	2007	2006		2007	2006	2007	2006
Current assets					Current liabilities				
Cash and banks	2,737	4,822	8,912	9,521	Suppliers (Note 11)	32,514	33,732	110,786	102,540
Financial investments (Note 4)	498	458	171,590	131,376	Loans and financing (Note 12)	85,400	99,517	109,129	136,150
Customers (Note 5)	77,398	82,527	177,243	182,350	Securities issued abroad - "Eurobonds" (Note 13)	299	254	299	254
Inventories (Note 6)	48,359	47,981	153,438	152,344	Taxes and contributions payable (Note 14)	12,080	10,441	34,216	36,885
Accounts receivables from subsidiaries (Note 7(c))	1,797	3,965			Salaries, payroll charges and contributions	9,296	11,301	20,119	21,422
Dividends receivable from subsidiaries (Note 7(c))	6,729	6,063			Accounts payable to subsidiaries (Note 7(c))	31,943	24,691		
Recoverable taxes	13,365	10,749	27,757	23,172	Dividends payable	28,159	20,112	28,159	20,112
Other accounts receivables	4,268	8,939	13,447	27,303	Other accounts payable	2,882	6,970	6,499	14,020
					Other liabilities with related parties (Note 7(c))		29,308		
	155,151	165,504	552,387	526,066					
						202,573	236,326	309,207	331,383
Non current assets					Non current liabilities				
Long-term assets					Long-term liabilities				
Deferred income tax and social contribution (Note 8(a))	104,707	107,883	124,954	124,189	Loans and financing (Note 12)	3,743	2,252	6,045	37,860
Other accounts receivable from subsidiaries (Note 7(c))	308	655			Securities issued abroad - "Eurobonds" (Note 13)	136,390	164,626	10,415	12,571
Judicial deposits	3,823	26,443	6,845	39,376	Deferred income tax and social contribution on revaluation (Note 8(a))	7,150	7,761	9,827	10,948
Taxes recoverable	1,863	3,989	6,093	9,263	Deferred income tax and social contribution (Note 8(a))	129,622	119,481	144,697	128,059
Other accounts receivable	2,694	2,637	8,546	6,452	Taxes and contributions payable (Note 14)	23,711	27,542	59,293	70,957
	113,395	141,607	146,438	179,280	Provision for contingencies (Note 15)	1,725	20,826	5,285	32,728
					Other accounts payable	1,754	120	1,754	276
Permanent assets						304,095	342,608	237,316	293,399
Investments					Minority interest			195,415	175,500
In subsidiaries and jointly-owned subsidiary (Note 7)	410,884	408,410	1	(268)	Stockholders' equity (Note 16)				
Other investments	571	571	625	625	Capital	144,575	144,575	144,575	144,575
	411,455	408,981	626	357	Revaluation reserve	30,093	31,521	30,093	31,521
Property, plant and equipment (Note 9)	138,260	144,094	348,517	367,547	Revenue reserves	138,057	106,451	138,057	106,451
Deferred charges (Note 10)	396	622	5,209	7,808	Treasury shares	(736)	(673)	(736)	(673)
	550,111	553,697	354,352	375,712	Accumulated deficit			(750)	(1,098)
						311,989	281,874	311,239	280,776
Total assets	818,657	860,808	1,053,177	1,081,058	Total liabilities and stockholders' equity	818,657	860,808	1,053,177	1,081,058

The accompanying notes are an integral part of these financial statements.

Dixie Toga S.A. and Subsidiaries

Statements of Income

Years Ended December 31

In thousands of Brazilian reais, except net
income per thousand shares

(A free translation of the original)

	<u>Parent company</u>		
	<u>2007</u>	<u>2006</u>	<u>2007</u>
Gross sales			
Domestic market	532,008	505,330	1,238,830
Foreign market	41,352	43,972	120,424
	<u>573,360</u>	<u>549,302</u>	<u>1,359,254</u>
Deductions from gross sales			
Taxes on sales	(133,566)	(128,455)	(277,543)
Returns and rebates	(8,509)	(11,636)	(19,276)
	<u>(142,075)</u>	<u>(140,091)</u>	<u>(296,819)</u>
Net sales	<u>431,285</u>	<u>409,211</u>	<u>1,062,435</u>
Costs of products sold	(351,910)	(327,770)	(866,808)
Gross profit	<u>79,375</u>	<u>81,441</u>	<u>195,627</u>
Operating (expenses) income			
Selling	(20,646)	(21,733)	(46,992)
General and administrative	(28,932)	(35,459)	(54,655)
Management fees	(1,676)	(3,432)	(3,210)
Other operating income (expenses), net	330	9,757	(829)
	<u>(50,924)</u>	<u>(50,867)</u>	<u>(105,686)</u>
Operating profit before equity investments and financial results	<u>28,451</u>	<u>30,574</u>	<u>89,941</u>
Investments in subsidiaries			
Equity in the earnings of subsidiaries and jointly-owned subsidiary (Note 7(a))	2,484	29,510	
Amortization of goodwill and negative goodwill on investments, net	269	(237)	269
Tax incentives in subsidiaries	389	590	
	<u>3,142</u>	<u>29,863</u>	<u>269</u>
Financial income (expenses)			
Monetary and exchange rate variations, net	19,118	5,448	(15,565)
Financial expenses	(10,683)	(10,203)	(20,371)
Financial income	19,012	5,734	53,325
	<u>27,447</u>	<u>979</u>	<u>17,389</u>

Dixie Toga S.A. and Subsidiaries

Statements of Income

Years Ended December 31

In thousands of Brazilian reais, except net
income per thousand shares

	<u>Parent company</u>		
	<u>2007</u>	<u>2006</u>	<u>2007</u>
Operating profit	<u>59,040</u>	<u>61,416</u>	<u>107,599</u>
Non-operating results			
Non-operating income	1,076	712	6,343
Non-operating expenses	(372)	(565)	(6,202)
	704	147	141
Profit before income tax, social contribution and minority interest	<u>59,744</u>	<u>61,563</u>	<u>107,740</u>
Income tax and social contribution (Note 8(c))			
Current	(6,991)	300	(33,380)
Deferred	(12,705)	(12,241)	(14,691)
	<u>(19,696)</u>	<u>(11,941)</u>	<u>(48,071)</u>
Profit before minority interest	40,048	49,622	59,669
Minority interest			(19,915)
Net income for the year	<u>40,048</u>	<u>49,622</u>	<u>39,754</u>
Shares outstanding at the end of the year - thousands	<u>274,406,638</u>	<u>274,436,038</u>	
Net income per thousand shares at the end of the year - R\$	<u>145.95</u>	<u>180.81</u>	

The accompanying notes are an integral part of these financial statements.

Dixie Toga S.A.

Statements of Changes in Stockholders' Equity (Parent Company)

In thousands of Brazilian Reais

(A free translation of the original in Portuguese)

	<u>Capital</u>	<u>Revaluation reserve</u>	<u>Revenue reserves</u>		<u>Treasury shares</u>	<u>Retained earnings</u>	<u>Total</u>
			<u>Legal</u>	<u>Retention of profits</u>			
At December 31, 2005	144,575	33,290	6,805	64,495	(4,013)		245,152
Realization of revaluation reserve		(1,769)				1,769	
Purchase of treasury stock (Note 16(d))					(673)		(673)
Cancellation of treasury stock				(4,013)	4,013		
Net income for the year						49,622	49,622
Appropriation of net income							
Constitution of legal reserve			2,481			(2,481)	
Dividends proposed						(12,227)	(12,227)
Constitution of retention of profits reserve				36,683		(36,683)	
At December 31, 2006	144,575	31,521	9,286	97,165	(673)		281,874
Realization of revaluation reserve		(1,428)				1,428	
Purchase of treasury stock (Note 16(d))					(63)		(63)
Net income for the year						40,048	40,048
Appropriation of net income							
Constitution of legal reserve			2,002			(2,002)	
Dividends proposed (Note 17)						(9,870)	(9,870)
Constitution of retention of profits reserve				29,604		(29,604)	
At December 31, 2007	<u>144,575</u>	<u>30,093</u>	<u>11,288</u>	<u>126,769</u>	<u>(736)</u>		<u>311,989</u>

The accompanying notes are an integral part of these financial statements.

Dixie Toga S.A. and Subsidiaries

Statements of Changes in Financial Position Years Ended December 31

In thousands of Brazilian reais

(A free translation of the original)

	Parent company		
	2007	2006	2007
Financial resources were provided by			
Operations			
Net income for the year	40,048	49,622	39,754
Minority interest			19,915
Expenses (income) not affecting working capital			
Depreciation and amortization	15,762	14,285	51,979
Monetary and exchange variations on long-term assets and liabilities	(27,134)	(17,450)	5,129
Equity in earnings of subsidiaries and jointly-owned subsidiary	(2,873)	(30,100)	
Investment not consolidated in prior years			
Loss in the investment of subsidiary	1	219	
Amortization of goodwill and negative goodwill on investments	(269)	237	(269)
Deferred income tax and social contribution	12,705	12,241	14,691
Residual value of permanent asset disposals	442	645	272
Elimination of unrealized profit			642
Provision for tax and labor contingencies	240	(8,828)	849
	<u>38,922</u>	<u>20,871</u>	<u>132,962</u>
Third parties			
Capital decrease in subsidiary		11,107	
Reversal of dividends proposed by subsidiary in 2006	(646)		
Dividends receivable from subsidiaries	1,313	1,174	
Net increase in long-term liabilities			
Net decrease in long-term receivables	25,058		33,894
Transfer from permanent to current assets			
	25,725	12,281	33,894
	<u>64,647</u>	<u>33,152</u>	<u>166,856</u>
Merger of subsidiaries		19,060	
Total funds provided	<u>64,647</u>	<u>52,212</u>	<u>166,856</u>

Dixie Toga S.A. and Subsidiaries

Statements of Changes in Financial Position

Years Ended December 31

In thousands of Brazilian reais

	Parent company		
	2007	2006	2007
Financial resources were used for			
Increase in long-term receivables		2,609	
Net decrease in long-term liabilities	12,689	(8,323)	13,962
Permanent assets			
Property, plant and equipment	10,144	8,727	36,266
Deferred charges		379	
Transfer from long-term to current liabilities	8,481	28,436	58,198
Purchase of treasury shares	63	673	63
Proposed dividends	9,870	12,227	9,870
Total funds used	41,247	44,728	118,359
Increase in working capital	23,400	7,484	48,497
Changes in working capital			
Current assets			
At the beginning of the year	165,504	148,511	526,066
At the end of the year	(155,151)	165,504	(552,387)
	<u>10,353</u>	<u>16,993</u>	<u>26,321</u>
Current liabilities			
At the beginning of the year	236,326	226,817	331,383
At the end of the year	(202,573)	236,326	(309,207)
	<u>33,753</u>	<u>9,509</u>	<u>22,176</u>
Increase in working capital	23,400	7,484	48,497

The accompanying notes are an integral part of these financial statements.

(A free translation of the original in Portuguese)

Dixie Toga S.A. and Subsidiaries

Notes to the Financial Statements at December 31, 2007 and 2006

In thousands of reais, unless otherwise indicated

1 Operations

Dixie Toga S.A. ("Company") is a corporation headquartered in the municipality of Curitiba, Brazil, and its principal parent company is Bemis Inc., headquartered in the USA. The Company shares the structures and corporate, managerial and operating costs with its subsidiary, Bemis do Brasil, a jointly-owned subsidiary.

The Company is engaged in the manufacture and sale of rigid packages, cartridge and disposable products, mainly for the food, drink, personal hygiene and cleaning product industries, both in the domestic and foreign markets.

In addition, the Company has direct investments in subsidiaries, in Brazil and abroad, which have complementary activities, such as the manufacture and sale of plastic laminated flexible packaging printed by rotogravure and flexography processes.

2 Significant Accounting Practices

These financial statements were approved by the Company's Executive Board on February 18, 2008.

The financial statements were prepared and are presented in accordance with the accounting practices adopted in Brazil, based on the provisions of Corporate Law and the Brazilian Securities Commission (CVM) regulations.

The preparation of financial statements requires the use of estimates to record assets, liabilities and other transactions. The Company's financial statements, therefore, contain various estimates related to the useful lives of property, plant and equipment, provisions necessary for contingent liabilities, determination of provisions for taxes and other items. Actual results may differ from the estimates.

(a) Determination of net income

Net income is determined on the accrual basis of accounting. The provision for income tax is constituted including the tax incentive portion. Deferred taxes are recorded considering the effective rates for income tax and social contribution on tax losses and temporary differences to the extent that their realization is considered probable (Note 8).

Dixie Toga S.A. and Subsidiaries

Notes to the Financial Statements at December 31, 2007 and 2006

In thousands of reais, unless otherwise indicated

(b) Current assets and long-term receivables

The allowance for doubtful accounts is calculated based on the losses considered probable, at an amount considered sufficient to cover losses on the realization of receivable.

Inventories are stated at average acquisition or production cost, adjusted to market when applicable. Imports in transit are stated at the accumulated cost of each item.

Other assets are stated at cost or realizable value, including, when applicable, a provision for earnings and monetary and exchange rate variations.

(c) Permanent assets

Permanent assets are stated at cost monetarily restated through 1995, combine the following aspects:

- . Equity in the results of subsidiaries evaluated on the equity method, plus/less goodwill/negative goodwill and less a provision for losses, when applicable.
- . Capitalization of financial charges, when applicable, incurred during the construction of property, plant and equipment.
- . Depreciation of property, plant and equipment, calculated on the straight-line annual rates mentioned in Note 9.
- . Revaluation of property, plant and equipment, based on the appraisal of independent experts.
- . Amortization of deferred charges over a period of five to ten years as from their operations, based on the expected recovery of the assets. Deferred charges are when fully amortized.

(d) Current and long-term liabilities

These liabilities are stated at known or estimated amounts, including, when applicable, accrued charges and exchange and monetary rate variations incurred.

Dixie Toga S.A. and Subsidiaries

Notes to the Financial Statements at December 31, 2007 and 2006

In thousands of reais, unless otherwise indicated

(e) Swap and forward operations

The Company maintains derivative instruments to hedge its exposure to raw material and currency, index and interest rate risks, with the redemptions scheduled to occur in accordance with the final maturity of the respective liabilities denominated in foreign currencies. These operations, designated in the accounting records as the object of hedges, are recorded at cost, calculated based on the contractual conditions established between the Company and the third parties (paper curve), and their net results are recorded under "Monetary/economic variations, net" with a corresponding entry to "Loans and financing" for swap operations and "Cash and banks" for forward operations carried out at the Brazilian Mercantile & Finance Exchange (BM&F).

(f) Net income per share

The net income per share is calculated based on the number of outstanding shares as of the balance sheet date.

3 Consolidated Financial Statements

The consolidated financial statements were prepared in accordance with the applicable accounting practices and include the financial statements of the Company and its subsidiaries and jointly-owned subsidiary: Itap Bemis Ltda. and subsidiaries, Imp. Paranaense S.A., Insit Embalagens Ltda., Laminor S.A. (jointly-owned subsidiary), Plast S.A., American Packaging S.A. and Dixie Toga International Ltd. These consolidated financial statements were prepared in accordance with the following criteria:

- (a) Elimination of balances between consolidated companies.
- (b) Elimination of investments in consolidated companies against the respective stock equity of the investee.
- (c) Elimination of revenues and expenses resulting from transactions between consolidated companies.
- (d) Elimination of profit in inventory, when applicable, arising from sales between consolidated companies.

Dixie Toga S.A. and Subsidiaries

Notes to the Financial Statements at December 31, 2007 and 2006

In thousands of reais, unless otherwise indicated

- (e) Determination of minority interest in consolidated stockholders' equity and incor

The financial statements of the subsidiaries American Plast S.A. and American Packaging S.A., based in Argentina, and of Dixie Toga International Ltd., based in Cayman, were prepared in U.S. dollars in accordance with accounting practices identical to those adopted by the Company and translated into Brazilian reais at rates prevailing at the end of the periods.

The reconciliation between the Parent company's and Consolidated stockholder equity for the years ended December 31, 2007 and 2006, is as follows:

	<u>Stockholders' Equity</u>
	<u>2007</u>
Balance - Parent company	311,989
Unrealized profit on sale of property, plant and equipment to subsidiaries	(750)
Consolidated	<u>311,239</u>

As provided for in article 32 of CVM Instruction No. 247/96, the Company effectuates proportional consolidation of the financial statements of the jointly-owned subsidiary Laminor S.A., the main information on which is as follows:

	<u>2007</u>
Dixie Toga S.A. ownership interest - %	<u>50</u>
Proportional balance sheet amounts	
Current	
Assets	12,340
Liabilities	(15,428)
Long-term	
Receivables	699
Liabilities	(1,023)
Permanent assets	<u>11,783</u>
Stockholders' equity	<u>(8,371)</u>
Consolidated proportional statement of income amounts	
Net sales	47,026
Gross profit	6,158

Dixie Toga S.A. and Subsidiaries

Notes to the Financial Statements at December 31, 2007 and 2006

In thousands of reais, unless otherwise indicated

	<u>2007</u>
Operating expenses, net	(2,025)
Financial expenses, net	(1,778)
Non-operating result, net	(9)
Income tax and social contribution	88
Employee profit sharing	(29)
	<u>2,405</u>
Net income for the year	<u>2,405</u>

4 Financial Investments

	<u>Parent company</u>		
	<u>2007</u>	<u>2006</u>	<u>2007</u>
Bank Deposit Certificates - CDB In U.S. dollars	498	217 241	169,202 2,388
	<u>498</u>	<u>458</u>	<u>171,590</u>

The Company and its subsidiaries are subject to credit risk related to their financial investments. This risk is mitigated by the policy of investing available funds only in financial institutions. At December 31, 2007 and 2006, the balance of investments in foreign currencies, Parent company and consolidated, referred to fixed-income securities.

5 Customers

	<u>Parent company</u>		
	<u>2007</u>	<u>2006</u>	<u>2007</u>
Local customers	71,388	71,743	152,335
Foreign customers	8,173	12,340	32,574
Allowance for doubtful accounts	(2,163)	(1,556)	(7,666)
	<u>77,398</u>	<u>82,527</u>	<u>177,243</u>

Dixie Toga S.A. and Subsidiaries

Notes to the Financial Statements at December 31, 2007 and 2006

In thousands of reais, unless otherwise indicated

6 Inventories

	Parent company		
	2007	2006	2005
Finished products	14,177	13,736	41,835
Work in process	4,048	3,695	24,826
Raw and packaging materials	22,738	23,394	63,934
Provision for loss on realization of inventories	(1,204)	(1,137)	(2,675)
Other	8,600	8,293	25,515
	<u>48,359</u>	<u>47,981</u>	<u>153,439</u>

7 Investments in Subsidiaries and Jointly-owned Subsidiary

(a) Significant information on subsidiaries and jointly-owned subsidiary

	Number of shares held - in thousand:	Capital	Stockholders' equity (net capital deficiency)	Percentage holding - total and voting capital	stockholders' equity
At December 31, 2007					
Itap Bemis Ltda.	131,684	239,426	415,150	55.00	2
Impressora Paranaense S.A.	3,631,614	14,512	33,343	100.00	
Insit Embalagens Ltda.	€	10	194	90.00	
Laminor S.A. (jointly-owned subsidiary)	€	10,031	16,742	50.00	
American Plast S.A.	4,512	12,422	21,760	60.55	
Dixie Toga International Ltd.	72,383	128,212	127,479	100.00	1
					<u>4</u>
At December 31, 2006					
Itap Bemis Ltda.	131,684	239,426	367,492	55.00	2
Goodwill on acquisition of Itap Bemis Ltda.					
Impressora Paranaense S.A.	3,631,614	14,512	32,001	100.00	
Negative goodwill on acquisition of Impressora Paranaense S.A.					
Dixie Toga Nordeste S.A.				100.00	
Insit Embalagens Ltda.	€	10	(411)	90.00	
Laminor S.A. (jointly-owned subsidiary)	€	10,031	11,006	50.00	
American Plast S.A.	4,512	15,420	25,797	60.55	
American Packaging S.A.	2,343	4,098	1	98.05	
Dixie Toga International Ltd.	72,383	154,755	153,795	100.00	1
					<u>4</u>

Dixie Toga S.A. and Subsidiaries

Notes to the Financial Statements at December 31, 2007 and 2006

In thousands of reais, unless otherwise indicated

(i) Itap Bemis Ltda.

The principal activity of the company is the manufacture of flexible packaging using flexography and rotogravure printing technologies. Additionally, Itap Bemis has direct investments in subsidiaries in Brazil (Itap Bemis Centro Oeste Indústria e Embalagens Ltda.) and abroad (Curwood Itap Chile Ltda. and Itap Bemis Argentina). The company also performs complementary activities, such as the manufacture of printed flexible packaging.

Goodwill resulting from the acquisition of the controlling interest in this company is amortized on a straight-line basis over a period of ten years from January 1998, based on projections prepared at the time of the acquisition.

(ii) Impressora Paranaense S.A.

Impressora Paranaense S.A. is a privately-held company that manufactures cartons, packages and labels for the food, hygiene and cleaning industries at its operating plant located in Curitiba - PR. The negative goodwill arising from the acquisition of this subsidiary was amortized in proportion to the realization of its assets.

On April 30, 2007, the subsidiary's Ordinary General Meeting approved the distribution of dividends proposed by the Board of Directors at December 31, 2006, in the amount of R\$ 10,000,000.

Based on the results obtained in 2007, the subsidiary proposed the distribution of dividends at December 31, 2007 to the parent company Dixie Toga S.A., in the amount of R\$ 10,000,000, which will be paid in 2008.

(iii) Dixie Toga Nordeste S.A.

A wholly-owned subsidiary established to meet regional demand through the manufacture of flexible packaging for the food and personal hygiene industries.

On April 28, 2006, the subsidiary's Ordinary General Meeting approved the distribution of dividends proposed by Management at December 31, 2005, in the amount of R\$ 10,000,000.

On October 31, 2006, the Extraordinary General Meeting approved the merger of the subsidiary Dixie Toga Nordeste S.A. with its parent company Dixie Toga S.A. The financial balances are summarized as follows:

Dixie Toga S.A. and Subsidiaries

Notes to the Financial Statements at December 31, 2007 and 2006

In thousands of reais, unless otherwise indicated

Assets
Current
Long-term receivables
Permanent

Total assets

Liabilities
Current
Long-term
Stockholders' equity

Total liabilities and stockholders' equity

(iv) Insit Embalagens Ltda.

The subsidiary's main activity is the production, manufacture and sale of packaging. The company started its activities in July 2002.

(v) Laminor S.A.

A jointly-owned subsidiary, which is a joint venture between Dixie Toga S.A. and Finance B.V. (based in the Netherlands), whose main activity is the manufacture and export of plastic laminates to be used for the manufacture of tubes for personal hygiene, medication and cleaning products. The company started its activities in November 2007.

Based on the results obtained in 2007, the subsidiary proposed the distribution of dividends for the period ending December 31, 2007 to its jointly-owner parent company Dixie Toga S.A., in the amount of R\$ 571, which will be paid in 2008.

(vi) American Plast S.A.

A publicly-traded company based in Argentina which is a leader in the market for packaging and products for fast food restaurants.

(vii) American Packaging S.A.

A subsidiary established in 2001 in Argentina as a result of the partial spin-off of assets and liabilities of the subsidiary American Plast S.A. Its main activity is the manufacture and sale of paper, cardboard and carton packages and labels and other similar products. The company's operations were officially terminated on April 25, 2007.

(viii) Dixie Toga International Ltd.

A wholly-owned subsidiary, based in Grand Cayman, in the Cayman Islands, whose main activity is managing foreign investments.

Dixie Toga S.A. and Subsidiaries

Notes to the Financial Statements at December 31, 2007 and 2006

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**(b) Additional information on investments in subsidiaries
and jointly-owned subsidiary**

								2007	2006
Investments movement	Itap Bemis (i)	Impressora (ii)	Insit (i)	Laminor (ii)	American Plast (iii)	American Packaging (ii)	DTI (i)	Total	Total
Balances at the beginning of the year	202,229	31,624	(370)	5,503	15,628	1	153,795	408,410	438,303
Equity in the results	26,212	2,083	545	2,405	(2,445)		(26,316)	2.484	29,510
Capital gain with addition of tax incentives on income tax (IRPJ) and other				389				389	590
Reversal of dividends proposed in 2006				646				646	
Dividends proposed		(742)		(571)				(1,313)	(1,174)
Loss on investment						(1)		(1)	(219)
Amortization of goodwill/negative goodwill	(108)	377						269	(237)
Incorporation of investment									(47,256)
Decrease in capital									(11,107)
Balances at the end of the year	<u>228,333</u>	<u>33,342</u>	<u>175</u>	<u>8,372</u>	<u>13,183</u>		<u>127,479</u>	<u>410,884</u>	<u>408,410</u>

(i) Legal nature - limited liability partnership

(ii) Legal nature - closely-held company

(iii) Legal nature - publicly-traded company

Dixie Toga S.A. and Subsidiaries

Notes to the Financial Statements at December 31, 2007 and 2006

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(c) Balances and transactions with related parties

	Current assets		Long-term receivables	Current liabilities	
	Dividends receivable	Accounts receivable	Other receivables	Accounts payable	Other payables
Itap Bemis Ltda.		454	297	7,109	
Impressora Paranaense S.A.	6,070	100	4	18,104	
Insit Embalagens Ltda.		514	2	3,182	
Laminor S.A.	659	167	5	3,551	
American Plast S.A.		562			
December 31, 2007	<u>6,729</u>	<u>1,797</u>	<u>308</u>	<u>31,946</u>	
Itap Bemis Ltda.		197	68	6,691	29,308
Impressora Paranaense S.A.	5,328	296	56	7,416	
Dixie Toga Nordeste S.A.					
Insit Embalagens Ltda.		3,050	531	1,269	
Laminor S.A.	735	80		9,315	
American Plast S.A.		342			
December 31, 2006	<u>6,063</u>	<u>3,965</u>	<u>655</u>	<u>24,691</u>	<u>29,308</u>

Transactions classified as trade accounts receivable and trade accounts payable are commercial in nature and refer to the purchase/sale of products directly related to the operating activities of the companies.

The balances of "Other receivables" and "Other payables" are represented by loan agreements, subject to Financial charges of 103% of the Interbank Deposit rate for domestic loans and LIBOR + 1.25% for foreign loans.

(d) Sureties and guarantees granted to subsidiaries

Total sureties and guarantees granted by the Company on behalf of the subsidiaries were R\$ 22,466 at December 31, 2007 (2006 - R\$ 36,633).

8 Income Tax and Social Contribution

In accordance with CVM Resolution No. 273/98 and CVM Instruction No. 371/02, tax credits were recorded on tax losses, the negative basis of social contribution and

Dixie Toga S.A. and Subsidiaries

Notes to the Financial Statements at December 31, 2007 and 2006

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differences related to the Company, its subsidiaries and jointly-owned subsidiary credits are recorded in long-term assets/long-term liabilities considering their expected realization.

In order to determine the deferred income tax amount to be recorded, the management of the Company, its subsidiaries and jointly-owned subsidiary used projections of future taxable income assessed, on a consistent basis, the realizability of these credits based on the expected taxable income

(a) Nature of deferred taxes

	<u>Parent company</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Assets			
Temporarily non-deductible provisions	97,733	97,901	116,383
Tax losses	3,562	5,355	4,864
Negative basis of social contribution	3,412	4,627	3,707
	<u>104,707</u>	<u>107,883</u>	<u>124,954</u>
Liabilities			
Revenues with deferred taxation	(129,284)	(118,938)	(144,359)
Accelerated depreciation with tax incentive	(338)	(543)	(338)
	<u>(129,622)</u>	<u>(119,481)</u>	<u>(144,697)</u>
Revaluation of property, plant and equipment	<u>(7,150)</u>	<u>(7,761)</u>	<u>(9,827)</u>
	<u>(136,772)</u>	<u>(127,242)</u>	<u>(154,524)</u>

(b) Expected realization of tax credits

Pursuant to CVM Resolution No. 273/98 and Instruction No. 371/02, management expects tax credits to be realized from 2008 to 2012, as shown below:

Dixie Toga S.A. and Subsidiaries

Notes to the Financial Statements at December 31, 2007 and 2006

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	<u>Parent company</u>
2008	1,049
2009	103,532
2010	126
2011	
2012	
	<u>104,707</u>

(c) Reconciliation of income tax and social contribution

The reconciliation of the recorded amounts of income tax and social contribution amounts computed at nominal rates is as follows:

	<u>Parent company</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Income before taxes, employee profit sharing and minority interest	<u>59,744</u>	<u>61,563</u>	<u>107,74</u>
Nominal tax rate - %	34	34	3
Income tax and social contribution tax expenses at nominal tax rate	(20,312)	(20,931)	(36,63)
Adjustments to the effective tax rate			
Non-deductible provisions, net	(321)	(553)	(4,93)
Equity in earnings of subsidiaries	844	10,033	
Tax credits not recorded in national/foreign subsidiaries			(9,45)
Other	93	(482)	2,70
Income tax and social contribution charge before tax benefits	(19,696)	(11,933)	(48,31)
Tax benefits			
Workers' Meal Program (PAT) and Rouanet Law		(8)	24
Income tax and social contribution charge in the statement of income	<u>(19,696)</u>	<u>(11,941)</u>	<u>(48,07)</u>

Dixie Toga S.A. and Subsidiaries

Notes to the Financial Statements at December 31, 2007 and 2006

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9 Property, Plant and Equipment

(a) Parent company

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Industrial facilities</u>	<u>Furniture, fixtures and IT equipment</u>	<u>Vehicles</u>	<u>Other</u>	<u>Total</u>
Balances at December 31, 2005	20,915	36,952	48,434	3,368	1,736	48	8,996	120,451
Acquisitions		928	14,482	973	1,884	819	(10,359)	8,727
Merger	1,276	1,580	20,184	2,567	281		2,932	28,822
Depreciation		(1,854)	(9,534)	(962)	(616)	(73)	(221)	(13,261)
Disposal			(197)	(15)	(371)		(61)	(645)
Balances at December 31, 2006	<u>22,192</u>	<u>37,607</u>	<u>73,369</u>	<u>5,931</u>	<u>2,915</u>	<u>794</u>	<u>1,287</u>	<u>144,094</u>
Total cost	22,192	58,630	186,336	15,869	8,401	1,225	2,608	295,261
Accumulated depreciation		(21,023)	(112,968)	(9,938)	(5,486)	(431)	(1,321)	(151,167)
Residual value	<u>22,192</u>	<u>37,607</u>	<u>73,369</u>	<u>5,931</u>	<u>2,915</u>	<u>794</u>	<u>1,287</u>	<u>144,094</u>
Balances at December 31, 2006	22,192	37,607	73,369	5,931	2,915	794	1,287	144,094
Acquisitions		27	8,009	529	923		656	10,144
Merger								
Disposals								
Revaluation								
Transfer to assets for sale								
Depreciation		(1,928)	(11,563)	(1,129)	(578)	(156)	(240)	(15,593)
Write-off			(268)			(111)	(6)	(385)
Balances at December 31, 2007	<u>22,192</u>	<u>35,706</u>	<u>69,546</u>	<u>5,331</u>	<u>3,260</u>	<u>527</u>	<u>1,697</u>	<u>138,260</u>
Total cost	22,192	58,657	193,794	16,398	9,260	1,037	3,251	304,588
Accumulated depreciation		(22,951)	(124,247)	(11,066)	(6,000)	(510)	(1,544)	(166,328)
Residual value	<u>22,192</u>	<u>35,706</u>	<u>69,546</u>	<u>5,331</u>	<u>3,260</u>	<u>527</u>	<u>1,697</u>	<u>138,260</u>
Weighted average depreciation rates - %		4	10	10	20	20	20	

Dixie Toga S.A. and Subsidiaries

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(b) Consolidated

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Industrial facilities</u>	<u>Furniture, fixtures and IT equipment</u>	<u>Vehicles</u>	<u>Other</u>	<u>Total</u>
Balances at December 31, 2005	30,258	88,012	209,367	12,954	4,258	508	53,308	398,665
Acquisitions		4,168	58,467	2,330	3,773	827	(38,940)	30,626
Transfer to assets for sale	(1,042)	(4,375)						(5,416)
Depreciation		(4,289)	(41,865)	(2,048)	(1,437)	(206)	(532)	(50,377)
Exchange variation	(148)	(527)	(762)	(96)	(31)		(1,584)	(3,148)
Write-off			(3,091)	(15)	(554)	(94)	952	(2,802)
	<u>29,068</u>	<u>82,990</u>	<u>222,117</u>	<u>13,125</u>	<u>6,009</u>	<u>1,035</u>	<u>13,204</u>	<u>367,547</u>
Balances at December 31, 2006	<u>29,068</u>	<u>82,990</u>	<u>222,117</u>	<u>13,125</u>	<u>6,009</u>	<u>1,035</u>	<u>13,204</u>	<u>367,547</u>
Total cost	29,068	124,981	560,315	27,532	16,770	1,913	20,925	781,504
Accumulated depreciation		(41,991)	(338,198)	(14,407)	(10,761)	(878)	(7,722)	(413,957)
Residual value	<u>29,068</u>	<u>82,990</u>	<u>222,117</u>	<u>13,125</u>	<u>6,009</u>	<u>1,035</u>	<u>13,203</u>	<u>367,547</u>
Balances at December 31, 2006	29,068	82,990	222,117	13,125	6,009	1,035	13,204	367,547
Acquisitions		225	18,137	544	2,118	39	15,202	36,266
Depreciation		(4,265)	(40,328)	(1,980)	(1,412)	(215)	(1,237)	(49,437)
Exchange variation	(99)	(200)	(2,660)	(144)	(44)	(3)	(2,494)	(5,644)
Write-off			72		(10)	(271)	(6)	(215)
	<u>28,968</u>	<u>78,749</u>	<u>197,339</u>	<u>11,546</u>	<u>6,661</u>	<u>585</u>	<u>24,668</u>	<u>348,517</u>
Balances at December 31, 2007	<u>28,968</u>	<u>78,749</u>	<u>197,339</u>	<u>11,546</u>	<u>6,661</u>	<u>585</u>	<u>24,668</u>	<u>348,517</u>
Total cost	28,968	124,594	562,782	27,528	18,497	1,472	32,664	796,506
Accumulated depreciation		(45,844)	(365,443)	(15,982)	(11,836)	(888)	(7,996)	(447,989)
Residual value	<u>28,968</u>	<u>78,749</u>	<u>197,339</u>	<u>11,546</u>	<u>6,661</u>	<u>584,620</u>	<u>24,668</u>	<u>348,517</u>
Weighted average depreciation rates - %		4	10	10	20	20	20	

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Prior to 1999, the Company recorded partial revaluations of its property, plant and equipment, mainly land, buildings, constructions and machinery and equipment, based on a valuation prepared by independent experts, the corresponding entry for which was recorded in stockholders' equity account, net of income tax and social contribution. As from CVM Resolution No. 288, the Company opted for the adoption of the restated valuation in the valuation of its assets, maintaining the amounts of the previous revaluations were within reasonable market values on that occasion. The balance of the above revaluations of the Company's property, plant and equipment at December 31, 2007, totaled R\$ 30,093 (2006 - R\$ 31,521). The depreciation of the revalued items, charged to income for the year ended December 31, 2007, totaled R\$ 1,560 (2006 - R\$ 1,6

Dixie Toga S.A. and Subsidiaries

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10 Deferred Charges

(a) Parent Company

	<u>Pre-operation expenses</u>	<u>Lalekla Merger</u>	<u>Restructuring expenses</u>	<u>Implementation of system</u>	<u>Other</u>	<u>Total</u>
Balances at December 31, 2005	80		386	368	324	1,159
Acquisitions	68			311		378
Disposals						
Amortization	(152)		(386)	(422)	(63)	(1,024)
Merger	110					110
Write-off						
	<u>105</u>			<u>257</u>	<u>260</u>	<u>622</u>
Balances at December 31, 2006	105			257	260	622
Total cost	2,208	3,742	3,312	1,672	441	11,375
Accumulated amortization	(2,103)	(3,742)	(3,312)	(1,416)	(180)	(10,753)
Residual value	<u>105</u>			<u>257</u>	<u>260</u>	<u>622</u>
Balances at December 31, 2006	105			257	260	622
Acquisitions						
Disposals						
Amortization				(103)	(66)	(169)
Merger						
Write-off	(57)					(57)
	<u>48</u>			<u>154</u>	<u>194</u>	<u>396</u>
Balances at December 31, 2007	48			154	194	396
Total cost	2,208	3,742	3,312	1,672	441	11,375
Accumulated amortization	(2,160)	(3,742)	(3,312)	(1,518)	(247)	(10,979)
Residual value	<u>48</u>			<u>154</u>	<u>194</u>	<u>396</u>

The pre-operating expenses in 2007 in the Parent company arose from the merger of the subsidiary Dixie Toga Nordeste.

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(b) Consolidated

	<u>Pre-operation expenses</u>	<u>Restructuring expenses</u>	<u>Implementation of system</u>	<u>Kraft contract</u>	<u>Other</u>	<u>Total</u>
Balances at December 31, 2005	7,445	386	368	1,730	852	10,782
Acquisitions	323		311			634
Disposals						
Amortization	(1,855)	(386)	(422)	(741)	(202)	(3,608)
Write-off						
	<u>5,913</u>		<u>257</u>	<u>989</u>	<u>650</u>	<u>7,808</u>
Balances at December 31, 2006						
Total cost	13,996	3,312	2,267	7,414	1,832	28,821
Accumulated amortization	(8,083)	(3,312)	2,010	(6,425)	(1,182)	(21,014)
Residual value	<u>5,913</u>		<u>257</u>	<u>989</u>	<u>650</u>	<u>7,808</u>
Balances at December 31, 2006	5,913		257	989	650	7,808
Acquisitions						
Disposals						
Amortization	(1,492)		(103)	(741)	(206)	(2,542)
Merger						
Write-off	(57)					(57)
	<u>4,364</u>		<u>154</u>	<u>247</u>	<u>444</u>	<u>(5,209)</u>
Balances at December 31, 2007						
Total cost	13,996	3,312	2,267	7,414	1,832	28,821
Accumulated amortization	(9,633)	(3,312)	(2,113)	(7,167)	(1,338)	(23,612)
Residual value	<u>4,364</u>		<u>154</u>	<u>247</u>	<u>444</u>	<u>5,209</u>

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11 Suppliers

	Parent company		
	2007	2006	2007
Local	24,488	20,709	80,915
Foreign	8,026	13,023	29,871
	<u>32,514</u>	<u>33,732</u>	<u>110,786</u>

12 Loans and Financing

(a) Composition

	Parent company		
	2007	2006	2007
Foreign currency			
For working capital, subject to LIBOR plus 5% per year (*)		21,856	
For working capital, subject to exchange variation plus interest of 3.92% and 5.23% per year	81,251	69,598	95
For acquisition of raw materials and permanent assets, with average maturity of 180 days, subject to U.S. dollar exchange variation and LIBOR plus spread from 3.00% to 4.00% per year			
Local currency			
For working capital - Resolution No. 2770		5,401	
Provision for losses on swap operations	5,736	1,929	7
For acquisition of fixed assets, with funds from the National Economic and Social Development Bank (BNDES), subject to the variation of the Brazilian long-term interest rate (URTJLP) plus interest of 6% per year and spread of 3.5% per year and part based on the BNDES basket of currencies index (UMC) plus interest of 10.5% per year	2,253	2,848	8
For acquisition of fixed assets, with funds from Workers' Support Fund (FAT), subject to interest of 14% per year			
Other	(97)	137	3
	89,143	101,769	115
Long-term liabilities	<u>(3,743)</u>	<u>(2,252)</u>	<u>(6)</u>
Current liabilities	<u>85,400</u>	<u>99,517</u>	<u>109</u>

(*) The Company had a loan agreement with Banco do Brasil S.A. in the amount of US\$ 10 million R\$ 21,856 at December 31, 2006), which matured in April 2007.

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The Company is compliant with the existing contractual clauses related to these agreements as of December 31, 2007.

(b) Maturities

The maturities of long-term loans and financing are as follows:

<u>Year</u>	<u>Parent company</u>		
	<u>2007</u>	<u>2006</u>	<u>2007</u>
2007		661	
2008		733	
2009	2,885	764	3,909
2010	764	94	1,957
2011	94		145
2012			34
	<u>3,743</u>	<u>2,252</u>	<u>6,045</u>

Financing is guaranteed as follows:

	<u>2007</u>
Trade notes receivable	1,876
Property, plant and equipment (net values)	
Mortgaged/lien	46,794
	<u>48,670</u>

13 Securities Issued Abroad - "Eurobonds"

In March 1997, the Company placed bonds in the European market in the gross US\$ 77 million, equivalent to R\$ 136,689 at December 31, 2007 (December 31, R\$ 164,880), maturing in March 2009, subject to annual interest of 9.625%, pay: annually since September 1997. These bonds have restrictive covenants including other limitations, restrictions on providing guarantees of assets, goods or revenue in excess of the amounts borrowed; acquisition or merger of the Company, if the net stockholders' equity is less than US \$ 200 million; sale, assignment, transfer or liquidation of significant assets; indebtedness of the subsidiaries; and transactions carried out by the companies.

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The interest provided for semi-annually, which will be paid by the Company in a period, amounted to US\$ 169 thousand, equivalent to R\$ 299 at December 31, 2007 (December 31, 2006 - R\$ 254), and is classified in current liabilities under "Securities held abroad - Eurobonds".

The Company is compliant with all existing contractual clauses related to Eurobonds held at December 31, 2007.

In March 2003, upon the approval by the majority of their holders, these bonds were reclassified into two categories, in accordance with their holders: (a) "global bonds" - securities held in the open market, whose conditions and yield are those previously described; (b) "reset global bonds" - securities owned by the Dixie Toga Group affiliated companies, whose yield is currently zero, a percentage which will be maintained until agreed.

In previous periods, the subsidiary Dixie Toga International Ltd. effected partial payments of Eurobonds, which are held in portfolio. Consequently, at December 31, 2007, the Company held US\$ 71,120 thousand, equivalent to R\$ 125,975 (December 31, 2006 - R\$ 125,975).

14 Taxes and Contributions Payable

	Parent company		
	2007	2006	2005
Short term			
Value-added Tax on Sales and Services - ICMS	7,187	7,368	21,000
Excise Tax - IPI	2,688	2,059	4,000
Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL)	899	330	5,000
Social Integration Program (PIS) and Social Contribution on Revenues (COFINS)	583	282	1,000
Withheld Income Tax (IRRF)	648	336	1,000
Other	75	66	1,000
	12,080	10,441	34,000
Long term			
Value-added Tax on Sales and Services (ICMS)	23,711	27,542	52,000
Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL)			6,000
	23,711	27,542	59,000
	35,791	37,983	93,000

The Company and its subsidiaries Itap Bemis Ltda. and Insit Embalagens Ltda. have benefited from production investment support programs - Good Employment and More Employment (later replaced by the Paraná Development Program - PRODEPAR), granted by

Dixie Toga S.A. and Subsidiaries

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State Government, for the purpose of supporting the implementation and expansion of companies, as well as the technological modernization and increase in the employment in the State. In accordance with the conditions of these programs, the companies may be required to make payment of ICMS amounts generated by their operations for a four-year period. The amortization of the amounts, monetarily restated based on the ICMS restatement started in 2003 for the Company, in 2004 for the subsidiary Itap Bemis Ltda., and in 2005 for the subsidiary Insit Embalagens Ltda.

The balances payable at December 31, 2007 relating to these Programs were R\$ 70,722 (Parent company) and R\$ 70,722 (Consolidated), of which R\$ 6,892 (Parent company) and R\$ 18,821 (Consolidated) were recorded in current liabilities under the caption "contributions payable" and R\$ 23,711 (Parent company) and R\$ 51,900 (Consolidated) recorded under the same caption in long-term liabilities.

On July 31, 2003, the subsidiary Impressora Paranaense S.A. joined a program introduced by Law No. 10684/03 which permits the payment of tax debts to the Federal Revenue Service in installments. The total debt, in the amount of R\$ 7,203 (R\$ 7,203 amount), relating to litigations discontinued by the subsidiary, was calculated and approved by the program's regulatory agencies through the "PAES Statement" form on October 31, 2003. As from July 31, 2003, the subsidiary has been regularly paying this debt, which is classified in current and long-term liabilities in accordance with the maturity date.

The Company and its subsidiary Itap Bemis Centro Oeste Indústria e Comércio Embalagens Ltda. have joined the Mato Grosso Commercial and Industrial Development Program (PRODEIC), sponsored by the State of Mato Grosso Government.

15 Provision for Contingencies

- (a) The Company and its subsidiaries are parties to pending labor, tax and civil law suits. For these lawsuits, the Company and its subsidiaries have filed administrative and judicial defenses which, when applicable, are supported by judicial deposits. Management and its legal counsel believe that the Company and its subsidiaries are likely to succeed in the lawsuits. The Company and its subsidiaries have recognized provisions to cover probable losses resulting from adverse final decisions, the final balances of which are summarized as follows:

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	Parent company		
	2007	2006	2007
Nature of the contingency			
Tax (i)		18,089	1,782
Labor/civil (ii)	1,725	2,737	3,503
Provision for contingencies	1,725	20,826	5,285

- (i) Ordinary proceeding through which the Company and its subsidiaries questioned the system introduced by Law No. 9718/98, which increased the Social Integration Program (PIS) and the Social Contribution on Revenues (COFINS) calculation, which also increased the COFINS rate.

During 2006 and 2007, the Company and its subsidiaries Itap Bemis Ltda. a Paranaense S.A. obtained favorable unappealable final decisions related to that questioned the PIS and COFINS on other revenues (extension of the calculation of Law No. 9718/98), and, consequently, unfavorable decisions were obtained with respect to the questionings about the COFINS rate increase, in respect of which these companies made judicial deposits. These decisions resulted in the reversal of the provision write-off of the respective judicial deposits in the amounts of R\$ 18,089 (Parent Company) and R\$ 24,691 (Consolidated).

- (ii) Represented mainly by labor claims and social security charges and claims arising from on-the-job accidents and related to consumption, which were not covered by insurance coverage.

The Company's management considers that there are no future significant risks arising from these contingencies by appropriate provisions in the financial statements.

The Company is questioning assessments by the Municipality of São Paulo relating to the supposed incidence of Service Tax (ISS) on its activities, because of the underselling of its products are subject exclusively to the incidence of Value-added Tax on Sales (ICMS). Based on the opinion of its legal advisors, the Company has not recognized a provision for these assessments.

- (b) The movements of the provision in 2007 are shown below:

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	<u>Parent company</u>
	<u>2007</u>
Balance at December 31, 2006	20,826
Additions	240
Write-offs	(19,341)
Balance at December 31, 2007	<u>1,725</u>

16 Stockholders' Equity

(a) Capital

At December 31, 2007 and 2006, subscribed and paid-up capital was represented by 274,810,038 registered shares with no par value, of which 191,100,116 were common shares and 83,709,922 preferred shares. The authorized capital was R\$ 600,000 at December 31, 2007 and 2006.

(b) Revaluation reserve (prior to 1999)

The revaluation reserve is realized based on the depreciation, write-offs or disposal of respective revalued assets, and the realized portion is transferred to retained earnings, considering the tax effects of the provisions recognized.

(c) Revenue reserves

These reserves refer to the retention of the balance remaining from retained earnings for the business growth project established in the investment plan, pursuant to the proposal proposed by the Company's management, to be decided on at the General Meeting in compliance with article 196 of Corporate Law.

The following matters were approved at the General and Extraordinary Stockholders Meeting of April 30, 2007:

- (i) The Distribution of dividends to stockholders in the amount of R\$ 12,227, equivalent to R\$ 43.25 per thousand common shares and R\$ 47.57 per thousand preferred shares. Dividends were paid to the stockholders in May 2007.

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- (ii) The Constitution of a retention of profits reserve in the amount of R\$ 36,683, in accordance with management's proposal for investment in a capital investment plan, including an amount of R\$ 1,769 related to the amortization of the revaluation reserve.

(d) Treasury shares

The Company maintains the policy, which was initiated in 1996, of acquiring its own shares, observing the 10% limit defined in CVM Instruction No. 10/80, amended by CVM Instruction No. 268/97. The following changes occurred in this account during 2007:

- Acquisition in the market of 29,400 preferred shares of its capital, for R\$ 2.14 totaling R\$ 63. The minimum acquisition price was R\$ 2.06 and the maximum average price of these shares at December 28, 2007, negotiated on the São Paulo Stock Exchange, was R\$ 3.17.

As a result, considering the above-mentioned changes, the Company held in treasury 29,400 preferred shares in the amount of R\$ 736 (December 31, 2006 - R\$ 673).

17 Dividends Proposed

Under the terms of the Company's by-laws, holders of common shares are entitled to a minimum dividend of 25% of net income adjusted as established by corporate law. Holders of preferred shares are entitled to dividends 10% higher than the dividends paid to common shares.

Preferred shares have no voting rights, but have priority in the redemption of capital and the participation in capital increases arising from the capitalization of revenue on an equal basis with the common shares.

In 2007, dividends were calculated based on corporate net income as follows:

Net income for the year	
Legal reserve	
Net effect of the realization of the revaluation reserve	
Available net income	
Mandatory minimum dividends (25% on the calculations basis) and proposed by Management	
Estimated dividends per thousand shares - R\$	
Common	
Preferred	

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The financial statements were prepared on the assumption that this proposal will be approved by the stockholders.

The remaining balance of retained earnings at December 31, 2007, in the amount of R\$ 29,604, has been transferred, as proposed by Management, to the "Revenue Reserve" account, on the assumption that the Ordinary General Meeting will approve the plan to meet the business growth and expansion project.

18 Profit Sharing

During the year ended December 31, 2007, the Company, its subsidiaries and the wholly owned subsidiary recognized a provision for profit sharing in the amounts of R\$ 5,448 in consolidated (December 31, 2006 - R\$ 3,491) and R\$ 4,695, related to the performance of 2007. The portion related to the performance of the first half of 2007 was settled in September 2007. The profit sharing was defined based on operating performance indicators and goals and are not linked solely to the results of operations reported by the Company, its subsidiaries and jointly-owned subsidiaries.

19 Financial Instruments

(a) Identification and valuation of the financial instruments

The Company operates with various financial instruments, with emphasis on assets including financial investments, trade notes receivables, trade accounts payable, bank financing and securities issued abroad - "Eurobonds". The Company also operates with derivatives, especially swap operations.

Considering the terms and characteristics of these instruments, which are systematically renegotiated, their book values approximate fair values.

(i) Parent company

At December 31, 2007, the Company had derivative financial instruments to hedge assets and liabilities against exchange and interest rate risks, as mentioned below:

- Foreign currency future purchase contracts (U.S. dollar) equivalent to US\$ 5.0 million. At December 31, 2007, these operations generated accumulated net losses for the amount of R\$ 2,209, which were fully recognized in the results.

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In thousands of reais, unless otherwise indicated

Foreign currency swap contracts equivalent to US\$ 34,947,000 (R\$ 66,351) to hedge the exchange of foreign currency risk plus spread for 104.82% of the CDI. In 2007, operations of this nature generated accumulated losses for the Company, which were recognized in the results, in the total amount of R\$ 20,708, recorded under the "Loans and financing" caption.

(ii) Jointly-owned subsidiary

With the same objective as the Company, the jointly-owned subsidiary Laminor carried out foreign currency future purchase transactions (U.S. dollar) in the form of non-forward contracts, equivalent to US\$ 1 million at December 31, 2007. These operations generated accumulated losses for the jointly-owned subsidiary, which were recognized in the results, in the total amount of R\$ 896, recorded under the "Loans and financing" caption.

Laminor S.A. also carried out foreign currency swap operations equivalent to US\$ 12,743 thousand (R\$ 12,743 thousand) that ensured the exchange variation plus spread for 104.52% of the CDI. Operations of this nature generated in 2007 accumulated losses for the subsidiary, which were recognized in the results, in the total amount of R\$ 1,866 recorded under the "Loans and financing" caption.

(iii) Subsidiaries

At December 31, 2007, the subsidiary Itap Bemis Ltda. had foreign currency future purchase contracts (U.S. dollar) equivalent to US\$ 6.75 million. In 2007, operations of this nature generated losses for the subsidiary, which were recognized in the results, in the total amount of R\$ 3,333, recorded under the "Loans and financing" caption.

The subsidiary Impressora Paranaense S.A. carried out foreign currency swap operations equivalent to US\$ 2,797 thousand (R\$ 5,452) and ¥ 234,113 thousand (R\$ 3,644) to hedge the exchange variation plus spread, guaranteeing 105.10% of the CDI. In 2007, operations of this nature generated losses for the subsidiary, which were recognized in the results, in the total amount of R\$ 2,715, recorded under the "Loans and financing" caption.

(c) Credit risk - concentration

The Company and its subsidiaries are potentially subject to credit risk in connection with accounts receivable due to the large concentration in the customer portfolio, which is related to the packaging sector. The Company has a sales policy consisting of strict credit management and customer selection, and procedures for monitoring sales financial performance by business segment and individual limits, in order to minimize default problems with accounts receivable.

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Notes to the Financial Statements at December 31, 2007 and 2006

In thousands of reais, unless otherwise indicated

(d) Exchange rate risk - foreign currency exposure

The indebtedness and the results of operations of the Company and its subsidiaries are subject to risk associated to the possibility that they may incur losses because of exchange rate fluctuations, which could reduce the nominal amounts billed or increase future payments. The policy adopted by the Company is primarily to reduce the indebtedness in foreign currency and to use financial instruments, as previously described, to hedge foreign currency exposure.

As a portion of the Company's billing (approximately 7%) has been in U.S. dollars, the Company's strategies is that this billing will act as a natural hedge for its liabilities denominated in U.S. dollars, in conjunction with the financial instruments mentioned in item (b).

Foreign currency exposure is mainly linked to U.S. dollars, as follows:

	Parent company		
	2007	2006	2007
Assets			
Financial assets	498	241	2,388
Customers	8,173	12,340	32,574
Investments	127,479	153,795	
	<u>136,150</u>	<u>166,376</u>	<u>34,962</u>
Liabilities			
Liabilities			
Loans and financing	(81,251)	(91,454)	(95,894)
Suppliers	(8,026)	(13,023)	(29,871)
Eurobonds	(136,690)	(164,880)	(10,415)
	<u>(225,967)</u>	<u>(269,357)</u>	<u>(136,180)</u>
Liabilities, net - R\$	<u>(89,817)</u>	<u>(102,981)</u>	<u>(101,218)</u>
Liabilities, net - equivalent in US\$	<u>(50,707)</u>	<u>(58,139)</u>	<u>(57,143)</u>

The above foreign currency exposure is partially hedged by U.S. dollar future purchase contracts and swap agreements.

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Notes to the Financial Statements at December 31, 2007 and 2006

In thousands of reais, unless otherwise indicated

(e) Estimated market values

The book values of the financial instruments do not present significant difference with their market values, which were obtained by calculating their present value, the interest rates currently practiced in the market for operations with similar terms. As regards loans and financing, the characteristics of which are disclosed in Note 13, their values approximate their market values. It is difficult to evaluate the market value of securities issued abroad - "Eurobonds", described in Note 13, as there are no active negotiations.

20 Non-operating Income

Non-operating income principally comprises the profit on the sale of permanent investments of R\$ 664 thousand - Parent company and R\$ 98 thousand - consolidated (R\$ 274 - Parent company and R\$ 386 - consolidated).

21 Insurance

The Company adopts a risk management program to limit its risks, searching for coverage compatible with its size and operations. The coverage was contracted at an amount sufficient by management to cover possible losses, considering the nature of its risks involved in its operations and the opinion of its insurance advisors.

The Company had the following main insurance policies at December 31, 2007:

- Robbery/theft
- Property, plant and equipment and inventories
 - Vehicles
 - Industrial facilities, machinery, equipment and inventories

22 Subsequent Events

Change in Brazilian Corporation Law for 2008

Law No. 11638/2007 was enacted on December 28, 2007, altering the Brazilian Law in relation to certain accounting practices, bookkeeping and the preparation of financial statements, as from the fiscal year ending December 31, 2008.

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In thousands of reais, unless otherwise indicated

The main issues addressed by the new Law, which may affect the Company's financial statements for the next year, may be summarized as follows:

- (a) Replacement of the Statement of Changes in Financial Position by the Statement of Cash Flows and the inclusion of the Statement of Added Value in the formal set of financial statements.
- (b) Introduction of the adjustment to present value concept for long-term asset and transactions and for significant short-term ones.
- (c) Tax incentives will no longer be classified as capital reserves, but will be included for the year. The Stockholders' General Meeting may allocate the portion of net income corresponding to these incentives to form the Tax Incentive Reserve, created as revenue reserves, which may be excluded from the mandatory dividend calculation.
- (d) Creation of a new account subgroup, "Asset valuation adjustments", in stockholders' equity to permit the registration of certain valuations of assets at market prices, principally exchange instruments; the registration of exchange variations on corporate investments at market prices accounted for on the equity method (up to December 31, 2007, this exchange variation will be recorded in results for the year); and the adjustments of assets and liabilities to market prices as a result of the merger between unrelated parties which are linked to the acquisition of control.
- (e) Evaluate the elimination of the revaluation reserve or maintain balances of this reserve. It will be realized in accordance with the provisions of the new law.

As these changes have been enacted only recently and some of them still depend on regulations by the regulatory agencies in order to be applied, the Company's Management has not as yet been able to assess all of the effects the changes could have on the financial statements and on the results of future years.

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Dixie Toga S.A. and Subsidiaries

Management Report at December 31, 2007 and 2006

In thousands of reais, unless otherwise indicated

To the Stockholders,

In compliance with the legal and statutory provisions, the Board of Directors of C presents for your appreciation the financial statements for the year ended December 31, 2007, with the report of the independent auditors.

1 Operations

The year 2007 in the Dixie Toga Group was marked by the consolidation of business units that had been incorporated in prior years, by the operational maturity of the new packaging unit built in 2005, and by the continuity of the operational development of all the business units of the Group.

Based on new business feasibility studies, the Group has decided to invest in a packaging manufacturing unit in Argentina, especially oriented to the food industry. This unit will use a good portion of the administrative structure that is already active in the subsidiary American Plast and investments are estimated at eleven million U.S. dollars (US\$ 11 million). The operations of this new unit are scheduled to start in the second half of 2008.

The Group's direct exports continue to increase in volume, but their participation in total revenues has decreased from 12% of net sales in 2006 to 11% in 2007, because of the exchange devaluation of 17.2% over the course of 2007.

On analyzing the sales volumes, it can be noted that there was an increase during 2007, mainly the increase in packaging for the beverages market. Despite this, total net sales presented a slight decrease of 2% as compared to 2006, in view of the devaluation of the Real against the U.S. dollar, which has affected both the amount and, indirectly, the amount of sales in the domestic market. The impact of the exchange rate was noticeable not only in the volume of exports but also in the volumes sold in the domestic market, as some of the Group's major customers have transferred part of their purchases to Asian countries, consequently transferring to those countries the production of their respective packagings.

Continuing increases in petroleum prices have caused the cost of the main thermoplastic resins, such as polyethylene and polypropylene (two of the principal raw materials of the Group) to end the year with a significant increase. However, the process of recovering prices is being effected gradually and, consequently, this increase in costs significantly affected the Group's margins in the second half of 2007.

Dixie Toga S.A. and Subsidiaries

Management Report at December 31, 2007 and 2006

In thousands of reais, unless otherwise indicated

The pressure from customers to contain and reduce selling prices, contrasting with the increase in the cost of raw materials, has negatively affected the gross profit and, in order to mitigate this impact, the Group endeavored to reduce expenses, continuing with quality programs, optimization of manpower, redesigning processes and exerting a strong budgetary control. A strategy adopted in the course of 2007 was the development of suppliers for imported raw materials, including resins and card paper, to replace some of the local suppliers, resulting in an increase in the volume of imports as compared to the previous year, which has helped to partially contain the increase in the cost of inputs.

Consequently, in relation to Net Sales, the Gross Margin decreased from 21% in 2006 to 18.4% in 2007 and the Operating Margin decreased from 12.1% in 2006 to 8.5% in 2007.

	<u>Accumulated</u>
	<u>2007</u>
Net revenue - millions of reais	1,062.4
Gross profit - millions of reais	195.6
Gross margin - %	18.4
Operating result before financial - millions of reais	89.9
Operating margin - %	8.5
Net income for the year - millions of reais	39.7
Net income - %	3.7

2 Finances

Despite the reduction in the operating margin in 2007, the impact on net income was mitigated, presenting a decrease from 4.6% in 2006 to 3.7% in 2007, mainly because of the generation of operating cash. Although lower than in 2006 because of the above effects, there was a cash generation of R\$ 141.6 million in 2007.

	<u>2007</u>
Cash generation - EBITDA - million reais	141.6
Net indebtedness - short term	71.1
Net indebtedness - long term	(16.5)
Net indebtedness - millions of reais	54.6
Net indebtedness - millions of U.S. dollars	30.8

Dixie Toga S.A. and Subsidiaries

Management Report at December 31, 2007 and 2006

In thousands of reais, unless otherwise indicated

The Group's net indebtedness totaled R\$ 45.9 million at the end of 2006. In 2007, with strong cash generation, the Group inverted this position and ended the year with net cash of R\$ 54.6 million.

The Group continues with a conservative focus in relation to liabilities in foreign currencies, using hedge instruments to protect against exchange rate exposure.

3 Additional Information

In compliance with CVM Instruction No. 381/03, we inform that our independent auditors do not render any other services to the audited companies.

Management would like to thank each of the Group's employees for their efforts and creativity during 2007. We would also like to thank our customers, stockholders and financial institutions for their trust and contribution during this year.

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