

*(Convenience Translation into English from the
Original Previously Issued in Portuguese)*

Dixie Toga S.A. and Subsidiaries

*Financial Statements for the Years Ended
December 31, 2005 and 2004 and
Independent Auditors' Report*

Deloitte Touche Tohmatsu Auditores Independentes

(Convenience Translation into English from the Original Previously Issued in Portuguese)

DIXIE TOGA S.A. AND SUBSIDIARIES

BALANCE SHEETS AS OF DECEMBER 31, 2005 AND 2004

(In thousands of Brazilian reais - R\$)

<u>ASSETS</u>	<u>Company</u>		<u>Consolidated</u>		<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>Company</u>		<u>Consolidated</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>		<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and banks	3,949	2,593	9,366	8,882	Trade accounts payable	24,660	41,753	91,967	114,843
Temporary cash investments	257	391	99,183	77,863	Loans and financing	77,700	38,477	129,478	63,405
Trade accounts receivable	74,412	47,161	195,214	169,090	Taxes payable	15,539	9,965	40,500	27,598
Allowance for doubtful accounts	(470)	(232)	(6,076)	(4,419)	Payroll and related charges	12,469	11,848	22,745	23,526
Inventories	37,562	29,549	127,772	104,489	Other payables	3,636	6,834	13,395	11,643
Intercompany receivables	15,260	10,414	-	-	Intercompany payables	74,454	21,853	-	-
Dividends receivable from subsidiary	8,714	7,245	-	-	Dividends payable	<u>18,359</u>	<u>10,859</u>	<u>18,359</u>	<u>10,859</u>
Recoverable taxes	6,565	5,608	20,300	13,592		<u>226,817</u>	<u>141,589</u>	<u>316,444</u>	<u>251,874</u>
Other receivables	<u>2,262</u>	<u>2,519</u>	<u>7,758</u>	<u>9,278</u>					
	<u>148,511</u>	<u>105,248</u>	<u>453,517</u>	<u>378,775</u>	LONG-TERM LIABILITIES				
LONG-TERM ASSETS					Loans and financing	23,407	26,544	73,493	46,508
Deferred income and social contribution taxes	-	227	4,367	19,681	Securities issued abroad - eurobonds	180,234	180,552	180,234	180,552
Intercompany receivables	324	1,979	-	-	Securities issued abroad - subsidiary's portfolio	-	-	(166,471)	(180,552)
Escrow deposits	3,458	2,878	5,343	4,148	Deferred income and social contribution taxes	8,728	-	-	-
Recoverable taxes	2,059	1,667	7,921	4,619	Taxes payable	25,911	29,229	80,188	82,749
Other receivables	<u>2,906</u>	<u>2,791</u>	<u>6,289</u>	<u>6,450</u>	Reserve for contingencies	7,372	24,770	10,608	31,251
	<u>8,747</u>	<u>9,542</u>	<u>23,920</u>	<u>34,898</u>	Other payables	<u>120</u>	<u>120</u>	<u>579</u>	<u>120</u>
						<u>245,772</u>	<u>261,215</u>	<u>178,631</u>	<u>160,628</u>
PERMANENT ASSETS					MINORITY INTEREST	<u>-</u>	<u>-</u>	<u>149,561</u>	<u>127,758</u>
Investments:					SHAREHOLDERS' EQUITY				
In subsidiaries and affiliates	438,303	410,016	539	776	Capital	144,575	144,575	144,575	144,575
Other	<u>571</u>	<u>571</u>	<u>625</u>	<u>625</u>	Revaluation reserve	33,290	34,748	33,290	34,748
	438,874	410,587	1,164	1,401	Profit reserves	71,300	62,509	71,300	62,509
Property, plant and equipment	120,451	117,387	398,665	348,932	Treasury shares	(4,013)	-	(4,013)	-
Deferred charges	<u>1,158</u>	<u>1,872</u>	<u>10,782</u>	<u>15,797</u>	Accumulated deficit	<u>-</u>	<u>-</u>	<u>(1,740)</u>	<u>(2,289)</u>
	560,483	529,846	410,611	366,130		<u>245,152</u>	<u>241,832</u>	<u>243,412</u>	<u>239,543</u>
TOTAL ASSETS	<u>717,741</u>	<u>644,636</u>	<u>888,048</u>	<u>779,803</u>	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>717,741</u>	<u>644,636</u>	<u>888,048</u>	<u>779,803</u>

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

DIXIE TOGA S.A. AND SUBSIDIARIES

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

(In thousands of Brazilian reais - R\$, except earnings per thousand shares)

	<u>Company</u>		<u>Consolidated</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
GROSS SALES				
Sales of products and services	488,336	385,311	1,447,438	1,303,673
Returns, discounts and taxes on sales	<u>(124,415)</u>	<u>(92,027)</u>	<u>(331,435)</u>	<u>(301,713)</u>
	363,921	293,284	1,116,003	1,001,960
COST OF SALES	<u>(279,347)</u>	<u>(213,194)</u>	<u>(855,932)</u>	<u>(742,530)</u>
GROSS PROFIT	<u>84,574</u>	<u>80,090</u>	<u>260,071</u>	<u>259,430</u>
OPERATING EXPENSES				
Selling	(15,754)	(14,374)	(47,482)	(42,779)
General and administrative	(22,338)	(23,601)	(44,591)	(53,005)
Management compensation	(2,931)	(4,228)	(3,383)	(6,114)
Other, net	<u>(831)</u>	<u>(2,599)</u>	<u>828</u>	<u>(10,422)</u>
	(41,854)	(44,802)	(94,628)	(112,320)
INCOME BEFORE FINANCIAL ITEMS AND EQUITY IN SUBSIDIARIES	<u>42,720</u>	<u>35,288</u>	<u>165,443</u>	<u>147,110</u>
FINANCIAL ITEMS				
Monetary and exchange variations, net	13,276	6,146	(21,365)	(16,580)
Financial expenses	(12,615)	(18,327)	(20,866)	(32,461)
Financial income	<u>1,074</u>	<u>1,668</u>	<u>15,219</u>	<u>16,627</u>
	1,735	(10,513)	(27,012)	(32,414)
EQUITY IN SUBSIDIARIES				
Equity in subsidiaries and affiliates	24,780	28,545	-	-
Amortization of goodwill and negative goodwill, net	<u>(237)</u>	<u>(237)</u>	<u>(237)</u>	<u>(237)</u>
	24,543	28,308	(237)	(237)
INCOME FROM OPERATIONS	<u>68,998</u>	<u>53,083</u>	<u>138,194</u>	<u>114,459</u>
NONOPERATING INCOME (EXPENSES), NET	<u>(6,200)</u>	<u>3,131</u>	<u>(16,952)</u>	<u>(148)</u>

(Continues)

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DIXIE TOGA S.A. AND SUBSIDIARIES

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

(In thousands of Brazilian reais - R\$, except earnings per thousand shares)

(Continuation)

	<u>Company</u>		<u>Consolidated</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
INCOME BEFORE TAXES ON INCOME, EMPLOYEE PROFIT SHARING AND MINORITY INTEREST	62,798	56,214	121,242	114,311
INCOME AND SOCIAL CONTRIBUTION TAXES				
Current	(5,387)	(4,121)	(33,392)	(31,409)
Deferred	<u>(8,956)</u>	<u>2,304</u>	<u>(15,996)</u>	<u>(1,066)</u>
	<u>(14,343)</u>	<u>(1,817)</u>	<u>(49,388)</u>	<u>(32,475)</u>
INCOME BEFORE EMPLOYEE PROFIT SHARING AND MINORITY INTEREST	48,455	54,397	71,854	81,836
EMPLOYEE PROFIT SHARING	(4,725)	(9,842)	(6,259)	(15,538)
INCOME BEFORE MINORITY INTEREST	<u>43,730</u>	<u>44,555</u>	<u>65,595</u>	<u>66,298</u>
MINORITY INTEREST	-	-	(21,865)	(23,292)
NET INCOME	<u>43,730</u>	<u>44,555</u>	<u>43,730</u>	<u>43,006</u>
EARNINGS PER THOUSAND SHARES - R\$	<u>159.13</u>	<u>150.00</u>		

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

DIXIE TOGA S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (COMPANY)

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

(In thousands of Brazilian reais - R\$)

	<u>Capital</u>	Revaluation <u>reserve</u>	<u>Profit reserves</u>		Treasury <u>shares</u>	Retained <u>earnings</u>	<u>Total</u>
			<u>Legal</u>	<u>Profit retention</u>			
BALANCES AS OF DECEMBER 31, 2003	144,575	35,858	2,390	28,457	(969)	-	210,311
Realization of revaluation reserve	-	(1,110)	-	-	-	1,110	-
Purchase of treasury shares	-	-	-	-	(2,175)	-	(2,175)
Cancellation of treasury shares	-	-	-	(3,144)	3,144	-	-
Net income	-	-	-	-	-	44,555	44,555
Legal reserve	-	-	2,228	-	-	(2,228)	-
Proposed dividends	-	-	-	-	-	(10,859)	(10,859)
Reserve for profit retention	-	-	-	32,578	-	(32,578)	-
BALANCES AS OF DECEMBER 31, 2004	144,575	34,748	4,618	57,891	-	-	241,832
Realization of revaluation reserve	-	(1,458)	-	-	-	1,458	-
Purchase of treasury shares	-	-	-	-	(30,496)	-	(30,496)
Cancellation of treasury shares	-	-	-	(25,116)	25,116	-	-
Sale of treasury shares	-	-	-	-	1,367	-	1,367
Result of sale of treasury shares	-	-	-	(531)	-	-	(531)
Net income	-	-	-	-	-	43,730	43,730
Legal reserve	-	-	2,187	-	-	(2,187)	-
Proposed dividends	-	-	-	-	-	(10,750)	(10,750)
Reserve for profit retention	-	-	-	32,251	-	(32,251)	-
BALANCES AS OF DECEMBER 31, 2005	<u>144,575</u>	<u>33,290</u>	<u>6,805</u>	<u>64,495</u>	<u>(4,013)</u>	<u>-</u>	<u>245,152</u>

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

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DIXIE TOGA S.A. AND SUBSIDIARIES

STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

(In thousands of Brazilian reais - R\$)

	<u>Company</u>		<u>Consolidated</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
SOURCES OF FUNDS				
From operations:				
Net income	43,730	44,555	43,730	43,006
Minority interest	-	-	21,865	23,292
Items not affecting working capital:				
Depreciation and amortization	12,929	12,964	52,480	56,037
Monetary variations on long-term items	(32,346)	(11,167)	(1,749)	9,305
Equity in subsidiaries and affiliates	(24,780)	(28,545)	-	-
Equity in subsidiaries and affiliates - nonoperating	(1,468)	(916)	-	-
Amortization of goodwill and negative goodwill	237	237	237	237
Deferred income and social contribution taxes	8,955	(2,303)	15,288	1,066
Net book value of permanent assets written off	230	2,724	2,525	3,396
Reserve for tax and labor contingencies	231	908	846	1,469
Provision for losses on property, plant and equipment	-	-	-	245
Capital gain from change in equity interest in subsidiary	(61)	-	-	-
Dividends receivable/received from subsidiaries	5,037	8,805	-	-
	<u>12,694</u>	<u>27,262</u>	<u>135,222</u>	<u>138,053</u>
From third parties:				
Increase in long-term liabilities, net	42,279	8,372	106,814	47,397
Decrease in long-term assets, net	-	20,754	-	-
Capital reduction in subsidiary	-	1,479	-	-
Transfer from permanent to current assets of property, plant and equipment items	8,961	1,285	17,672	-
Total sources	<u>63,934</u>	<u>59,152</u>	<u>259,708</u>	<u>185,450</u>
USES OF FUNDS				
Increase in long-term assets, net	18,130	-	28,229	357
Increase in investments	8,372	22,180	-	-
Additions to property, plant and equipment	23,259	2,897	119,977	49,327
Increase in deferred charges	91	11	1,896	38
Transfer from long-term to current liabilities	15,638	39,372	50,590	91,985
Purchase of treasury shares	30,496	2,175	30,496	2,175
Result of sale of treasury shares	(837)	-	(837)	-
Purchase of Eurobonds for portfolio	-	-	8,372	2,287
Proposed dividends	10,750	10,859	10,750	10,859
Decrease in minority interest	-	-	63	-
Total uses	<u>105,899</u>	<u>77,494</u>	<u>249,536</u>	<u>157,028</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>(41,965)</u>	<u>(18,342)</u>	<u>10,172</u>	<u>28,422</u>
REPRESENTED BY				
Current assets:				
At beginning of year	105,248	72,804	378,775	323,551
At end of year	<u>148,511</u>	<u>105,248</u>	<u>453,517</u>	<u>378,775</u>
	<u>43,263</u>	<u>32,444</u>	<u>74,742</u>	<u>55,224</u>
Current liabilities:				
At beginning of year	141,589	90,803	251,874	225,072
At end of year	<u>226,817</u>	<u>141,589</u>	<u>316,444</u>	<u>251,874</u>
	<u>85,228</u>	<u>50,786</u>	<u>64,570</u>	<u>26,802</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>(41,965)</u>	<u>(18,342)</u>	<u>10,172</u>	<u>28,422</u>

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

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Dixie Toga S.A.
São Paulo - SP

1. We have audited the accompanying individual (Company) and consolidated balance sheets of Dixie Toga S.A. and subsidiaries as of December 31, 2005 and 2004, and the related statements of income, changes in shareholders' equity, and changes in financial position for the years then ended, all expressed in Brazilian reais and prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.
2. Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Company and its subsidiaries, (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the significant accounting practices and estimates adopted by management, as well as the presentation of the financial statements taken as a whole.
3. In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, the individual and consolidated financial positions of Dixie Toga S.A. and subsidiaries as of December 31, 2005 and 2004, and the results of their operations, the changes in shareholders' equity, and the changes in their financial positions for the years then ended in conformity with Brazilian accounting practices.
4. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, February 7, 2006

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Agenor N. Yamamoto
Engagement Partner

(Convenience Translation into English from the Original Previously Issued in Portuguese)

DIXIE TOGA S.A. AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

(Amounts in thousands of Brazilian reais - R\$, unless otherwise indicated)

1. OPERATIONS

Dixie Toga S.A. (the “Company”) is engaged in the production of rigid packages, cartridge-type packages, labels and disposable products for the food, beverage, hygiene and cleaning industry, intended to industrial and consumer users.

In addition, the Company has direct investments in subsidiaries, in Brazil and abroad, with related activities, such as the manufacturing and sale of plastic laminates and flexible packages printed by the rotogravure and flexographic processes.

2. PRESENTATION OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

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

The following is a summary of the significant accounting practices adopted in the preparation of these financial statements:

a) Temporary cash investments

Stated at cost plus income earned to the balance sheet dates, adjusted to market value, when applicable.

b) Allowance for doubtful accounts

Recognized based on an analysis of receivables, in an amount considered sufficient by management to cover probable losses on the realization of receivables.

c) Inventories

Stated at average acquisition or production cost, which does not exceed replacement cost or realizable value. Imports in transit are stated at each import’s accumulated cost.

d) Investments

Investments in subsidiaries and affiliates are carried under the equity method of accounting. Other investments are stated at cost, monetarily restated through December 31, 1995. Goodwill resulting from the acquisition of investments is amortized on a straight-line basis over a period of ten years from January 1, 1996. Negative goodwill resulting from the acquisition of investments is amortized based on the realization of the assets of the subsidiary that originated the negative goodwill. The financial statements of the subsidiaries American Plast S.A. and American Packaging S.A., based in Argentina, and Dixie Toga International Ltd., based in Grand Cayman, were prepared or adjusted, as applicable, in accordance with Brazilian accounting practices adopted by the Company, in U.S. dollars, and were translated into Brazilian reais at the exchange rates prevailing on December 31, 2005 and 2004.

e) Property, plant and equipment

Recorded at acquisition or construction cost, monetarily restated through December 31, 1995, including interest on related loans and partial revaluation. Depreciation is calculated under the straight-line method based on the estimated useful lives of the assets, at the annual rates set forth in Note 7.

f) Deferred charges

Recorded at cost, monetarily restated through December 31, 1995, and are represented by preoperating costs, systems installation costs and goodwill on the acquisition of investments by subsidiary, amortized over a period of five to ten years, as indicated in Note 8.

g) Income and social contribution taxes

Determined using the applicable tax rates on book income, adjusted in accordance with prevailing tax legislation. The Company recognizes tax credits on tax loss carryforwards and temporary differences between income for tax purposes and that determined in accordance with Brazilian accounting practices, pursuant to CVM Resolution No. 273, of August 20, 1998, and CVM Instruction No. 371, of June 27, 2002, as indicated in Note 6.

h) Assets and liabilities denominated in foreign currencies or subject to monetary variation

Receivables and payables, legally or contractually subject to monetary variation, are restated through the balance sheet dates. Assets and liabilities denominated in foreign currencies are translated into Brazilian reais at the exchange rates prevailing on the balance sheet dates. Exchange and monetary variations are recognized in income.

i) Reserve for contingencies

Refers to labor, tax and civil matters and is recorded in accordance with the risk assessment performed by management and legal counsel, inclusive with respect to its classification in long-term liabilities. In accordance with CVM Resolution No. 489/05, the balance of the reserve for contingencies is presented net of respective escrow deposits for those lawsuits whose risk of loss is probable. To allow better presentation and comparability of information, the 2004 balances were also reclassified.

j) Result of operations

Determined on the accrual basis of accounting. Sales revenue is recognized upon the transfer to customers of the risks, rights and obligations associated to the products.

l) Earnings per share

Computed based on the number of shares outstanding at the balance sheet dates.

3. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with the accounting practices described in Note 2 and include the financial statements of the Company and the following subsidiaries: Itap Bemis Ltda. and subsidiaries, Impressora Paranaense S.A., Dixie Toga Nordeste S.A., Insit Embalagens Ltda., Laminor S.A. (jointly-owned subsidiary), Dixie Toga Centro Oeste Embalagens S.A., American Plast S.A., American Packaging S.A. and Dixie Toga International Ltd. The principal consolidation criteria adopted are as follows: (a) elimination of balances between consolidated companies; (b) elimination of investments in consolidated companies against the respective shareholders' equity of the investee; (c) elimination of revenues and expenses resulting from transactions between consolidated companies; (d) elimination of inventory profit from sales between consolidated companies, when applicable; and (e) determination of minority interest in consolidated shareholders' equity and income.

Reconciliation of shareholders' equity, Company and consolidated, for the years ended December 31, 2005 and 2004 is as follows:

	<u>Shareholders' equity</u>	
	<u>2005</u>	<u>2004</u>
Company	245,152	241,832
Unrealized profit on sale of property, plant and equipment to subsidiaries	<u>(1,740)</u>	<u>(2,289)</u>
Consolidated	<u><u>243,412</u></u>	<u><u>239,543</u></u>

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

Dixie Toga S.A.'s ownership interest - % 50

Proportional balance sheet amounts:

Current:

Assets 15,706

Liabilities 14,135

Long-term:

Assets 162

Liabilities 11,383

Permanent assets 15,433

Shareholders' equity 5,783

Proportional statement of income amounts:

Net sales 52,399

Gross profit 8,246

Operating expenses, net (2,588)

Financial expenses, net (2,987)

Income and social contribution taxes (653)

Employee profit sharing (26)

Net income 1,992

4. INVENTORIES

	<u>Company</u>		<u>Consolidated</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Finished goods	10,176	7,754	28,327	29,527
Work in process	2,851	3,357	21,663	20,552
Raw materials and packaging	18,100	16,598	58,807	46,385
Other	<u>6,435</u>	<u>1,840</u>	<u>18,975</u>	<u>8,025</u>
	<u>37,562</u>	<u>29,549</u>	<u>127,772</u>	<u>104,489</u>

5. INVESTMENTS IN SUBSIDIARIES AND JOINTLY-OWNED SUBSIDIARY

5.1. Significant information on subsidiaries and jointly-owned subsidiary

	Number of shares held (in thousands)	Capital	Shareholders equity (deficit)	Company's interest		
				Percentage	In shareholders' equity (deficit)	In net income (loss)
In 2005:						
Itap Bemis Ltda.	131,684	239,426	309,217	55.00	170,069	26,836
Goodwill on acquisition of Itap Bemis Ltda.	-	-	-	-	508	-
Impressora Paranaense S.A.	3,631,614	14,512	31,406	100.00	31,406	3,767
Negative goodwill on acquisition of Impressora Paranaense S.A.	-	-	-	-	(538)	-
Dixie Toga Nordeste S.A.	4,590	2,987	34,060	100.00	34,060	15,228
Insit Embalagens Ltda.	9	10	426	90.00	383	1,505
Laminor S.A. (jointly-owned subsidiary)	8	10,031	11,565	50.00	5,783	1,992
Dixie Toga Centro Oeste Embalagens S.A.	1	10	265	100.00	265	-
American Plast S.A. (foreign investment)	2,843	5,290	26,307	60.58	15,937	(394)
American Packaging S.A. (foreign investment)	2,343	1,845	30	98.05	29	(141)
Dixie Toga International Ltd. (foreign investment)	1	1	180,401	100.00	<u>180,401</u>	<u>(24,013)</u>
					<u>438,303</u>	<u>24,780</u>
In 2004:						
Itap Bemis Ltda.	131,684	239,426	260,424	55.00	143,233	26,731
Goodwill on acquisition of Itap Bemis Ltda.	-	-	-	-	907	-
Impressora Paranaense S.A.	3,631,614	14,512	28,781	100.00	28,781	2,803
Negative goodwill on acquisition of Impressora Paranaense S.A.	-	-	-	-	(702)	-
Dixie Toga Nordeste S.A.	4,590	2,987	21,589	100.00	21,589	14,271
Insit Embalagens Ltda.	9	10	(1,246)	90.00	-	1,285
Laminor S.A. (jointly-owned subsidiary)	8	10,031	6,921	50.00	3,461	130
Dixie Toga Centro Oeste Embalagens S.A.	1	10	265	100.00	265	-
American Plast S.A. (foreign investment)	2,843	4,542	26,958	60.35	16,269	1,957

Dixie Toga S.A. and Subsidiaries

American Packaging S.A. (foreign investment)	2,343	2,353	173	98.05	170	(433)
Dixie Toga International Ltd. (foreign investment)	1	1	196,043	100.00	<u>196,043</u>	<u>(18,199)</u>
					<u>410,016</u>	<u>28,545</u>

In 2004, the Company recognized a reserve for 100% of its interest in Insit Embalagens Ltda.'s shareholders' deficit, recorded under "Other payables" in current liabilities. In 2005, this reserve was reversed due to the fact that the shareholders' equity of the referred subsidiary is positive.

- a) Itap Bemis Ltda. - The principal activity of the company is the manufacture of flexible packaging using machinery with flexographic and rotogravure printing technologies. Additionally, the Company has direct investment in subsidiaries in Brazil (Itap Bemis Centro Oeste Indústria e Comércio de Embalagens Ltda.) and abroad (Curwood Itap Chile Ltda.), with supplementary activities, such as the manufacture of printed flexible packaging.

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

- b) Impressora Paranaense S.A. - A privately-held company which manufactures cartridge-type packages and labels for the food, hygiene and cleaning industries at its operating facilities located in Curitiba, State of Paraná. Negative goodwill arising from the acquisition of this company is being amortized in proportion to the realization of its assets.

On July 31, 2003, this subsidiary joined a program (PAES) introduced by Law No. 10,684/03 that permits paying tax debts to the Federal Revenue Service in installments. The total debt, in the amount of R\$9,750, related to litigation discontinued by the subsidiary, was calculated and informed to the program's regulatory agencies through the "PAES Statement" form on October 23, 2003. Since July 31, 2003, the subsidiary has been regularly paying this debt, classified in current and long-term liabilities under the caption "Taxes payable", according to their maturity dates.

On April 29, 2005, the Annual Shareholders' Meeting of this subsidiary approved the payment of dividends proposed by management as of December 31, 2004, in the amount of R\$3,677.

Based on 2005 results, on December 31, 2005 this subsidiary proposed payment of dividends to the Company, in the amount of R\$1,141, in 2006.

- c) Dixie Toga Nordeste S.A. - A wholly-owned subsidiary established to meet regional demand through the manufacture of packaging for the food and personal hygiene industries.

On April 28, 2005, the Annual Shareholders' Meeting of this subsidiary approved the payment of dividends proposed by management on December 31, 2004, in the amount of R\$3,568, which was paid in full in the third quarter of 2005.

Based on 2005 results, on December 31, 2005 this subsidiary proposed payment of dividends to the Company, in the amount of R\$3,807, in 2006.

- d) Insit Embalagens Ltda. - A subsidiary whose main activity is the production, manufacture and sale of packaging. The company started its activities in July 2002.
- e) Laminor S.A. - A jointly-owned subsidiary, as a joint venture between Dixie Toga S.A. and Huhtamaki Finance B.V. (based in the Netherlands), whose main activity is the manufacture, sale 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 2003.

Based on 2005 results, on December 31, 2005 this subsidiary proposed payment of dividends to the Company, in the amount of R\$89, in 2006.

- f) Dixie Toga Centro Oeste Embalagens S.A. - A wholly-owned subsidiary established in July 2004, whose main activity is the production, manufacture and sale of packaging. The company is in preoperating stage.
- g) American Plast S.A. - A publicly-traded company based in Argentina and leader in the market for rigid packaging and products for fast food restaurants.

Subsidiary American Plast S.A. changed its year-end date from May 31 to December 31 in each year. Accordingly, as of December 31, 2005, for purposes of consolidation of the financial statements, the statement of income covers the adjusted period of 13 months (December 2004 to December 2005). For consolidation purposes, in 2004 the financial statements for the period from November 2003 to November 2004 were used.

In view of the change of the subsidiary's fiscal year, as explained before, in order to disclose to the market supplemental comprehensive information about the effects of the referred change for the year ended December 31, 2005 when compared to prior year information, following is a summary of the amounts for December 2005, which should be excluded from the consolidated statement of income for the year ended December 31, 2005, so that it may be compared with the referred statement for the previous year:

Statement of income:

Net sales	7,412
Gross profit	971
Operating expenses, net	(706)
Financial expenses, net	(248)
Income and social contribution taxes	<u>(502)</u>
Net loss for the month	<u>(485)</u>

- h) American Packaging S.A. - A subsidiary established in 2001 whose main activity is the manufacture and sale of paper, cardboard and carton packages and labels, and other similar products. This company was established through the partial spin-off of American Plast S.A.'s assets and liabilities.

- i) Dixie Toga International Ltd. - A wholly-owned subsidiary, based in Grand Cayman, in the Cayman Islands, whose principal activity is managing the Company's foreign investments.

In 2005, the subsidiary received from its parent company Dixie Toga S.A., as advance for future capital increase, the amount of R\$8,371 (equivalent, on the transaction date, to US\$3,100,000), which was recorded in a specific caption in shareholders' equity, since this amount may only be used for that purpose.

5.2. Related-party transactions

Balances and transactions with related parties as of December 31, 2005 and 2004 are as follows:

<u>2005</u>	<u>Dividends receivable</u>	<u>Accounts receivable</u>	<u>Other receivables</u>	<u>Accounts payable</u>	<u>Other payables</u>	<u>Income</u>	<u>Expenses</u>
Itap Bemis Ltda.	-	1,073	261	5,132	-	940	4,842
Impressora Paranaense S.A.	4,818	195	15	441	-	61	407
Dixie Toga Nordeste S.A.	3,807	11,454	4	67,945	-	10,601	52,637
Insit Embalagens Ltda.	-	1,865	38	483	-	2,721	151
Laminor S.A.	89	-	6	404	-	213	6,820
American Plast S.A.	-	<u>673</u>	-	<u>49</u>	-	<u>38</u>	<u>361</u>
Balances as of December 31, 2005	<u>8,714</u>	<u>15,260</u>	<u>324</u>	<u>74,454</u>	<u>-</u>	<u>14,574</u>	<u>65,218</u>
<u>2004</u>	<u>Dividends receivable</u>	<u>Accounts receivable</u>	<u>Other receivables</u>	<u>Accounts payable</u>	<u>Other payables</u>	<u>Income</u>	<u>Expenses</u>
Itap Bemis Ltda.	-	91	-	3,463	17,169	2,015	2,542
Impressora Paranaense S.A.	3,677	42	36	46	-	138	210
Dixie Toga Nordeste S.A.	3,568	3,485	367	729	-	4,287	1,825
Insit Embalagens Ltda.	-	6,421	12	446	-	6,842	399
Laminor S.A.	-	-	1,564	-	-	265	-
American Plast S.A.	-	375	-	-	-	665	455
Dixie Toga International Ltd.	-	-	-	-	-	<u>277</u>	-
Balances as of December 31, 2004	<u>7,245</u>	<u>10,414</u>	<u>1,979</u>	<u>4,684</u>	<u>17,169</u>	<u>14,489</u>	<u>5,431</u>

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

The balances of "Other receivables" and "Other payables" are represented principally by loan agreements, subject to financial charges based on the average rate of return on the Company's temporary cash investments (interbank deposit rate (CDI) variation or LIBOR variation plus interest of 3% to 5% per year in 2005 and 2004).

6. INCOME AND SOCIAL CONTRIBUTION TAXES

In accordance with CVM Resolution No. 273/98 and CVM Instruction No. 371/02, the Company recognized deferred tax credits on tax loss carryforwards and temporary differences related to the Company, its subsidiaries and jointly-owned subsidiary. These tax credits are recorded in long-term assets/long-term liabilities considering their expected realization based on future profitability projections of those companies and the 30% annual offset limit in accordance with current legislation.

In order to calculate the deferred income tax amount to be recorded, the management of the Company, its subsidiaries and jointly-owned subsidiary used projections of future results and assessed, on a consistent basis, the realizability of these credits based on estimated future taxable income. As a result of these analyses, management recognized a provision for tax credits whose expected realization exceeds five years.

a) Nature of deferred taxes

	<u>Company</u>		<u>Consolidated</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Long-term deferred tax assets (liabilities):				
Provisions deductible for tax purposes only when the expense/income is paid or taxed	(9,193)	(1,384)	1,015	6,751
Tax loss	5,183	6,935	9,681	18,078
Social contribution tax loss carryforwards	4,647	5,022	6,731	9,402
Accelerated depreciation with tax incentive	<u>(816)</u>	<u>(1,159)</u>	<u>(816)</u>	<u>(1,159)</u>
	<u>(179)</u>	<u>9,414</u>	<u>16,611</u>	<u>33,072</u>
Revaluation of property, plant and equipment	<u>(8,549)</u>	<u>(9,187)</u>	<u>(12,244)</u>	<u>(13,391)</u>
Balances	<u>(8,728)</u>	<u>227</u>	<u>4,367</u>	<u>19,681</u>

Reclassifications were made to the tax credit balances as of December 31, 2004 to adjust them to the December 31, 2005 financial statements.

b) Expected realization of tax credits on tax loss carryforwards

Based on future taxable income projections, management expects that credits on nondeductible provisions and tax loss carryforwards will be realized in five years or upon the settlement of temporary differences, especially those related to tax and labor contingencies.

c) Reconciliation of income and social contribution taxes

The recorded amounts for income and social contribution taxes are reconciled to the amounts determined at the official tax rates as follows:

	Company		Consolidated	
	2005	2004	2005	2004
Income before taxes on income, employee profit sharing and minority interest	62,798	56,214	121,242	114,311
Employee profit sharing	<u>(4,725)</u>	<u>(9,842)</u>	<u>(6,259)</u>	<u>(15,538)</u>
	58,073	46,372	114,983	98,773
Official tax rates - %	34	34	34	34
Income and social contribution tax expenses at official tax rates	(19,745)	(15,766)	(39,094)	(33,582)
Adjustments to the effective tax rate:				
Operating provisions and nondeductible expenses	(1,043)	(253)	(967)	(658)
Equity in subsidiaries	8,425	9,705	-	-
Recognition of Curwood Itap Ltda.'s tax credits	-	-	-	2,085
Tax credits not recorded in national/foreign subsidiaries	-	-	(8,663)	(5,311)
Reversal of provision for tax credits	-	3,609	-	3,833
Other adjustments	<u>(2,068)</u>	<u>704</u>	<u>(881)</u>	<u>556</u>
Income and social contribution tax charge before tax benefits	(14,431)	(2,001)	(49,605)	(33,077)
Tax benefits:				
Workers' meal program (PAT) and Rouanet Law	<u>88</u>	<u>184</u>	<u>217</u>	<u>602</u>
Income and social contribution tax charge in the statement of income	<u>(14,343)</u>	<u>(1,817)</u>	<u>(49,388)</u>	<u>(32,475)</u>

7. PROPERTY, PLANT AND EQUIPMENT

	Annual depreciation rates - %	Company		Consolidated	
		2005	2004	2005	2004
Buildings and construction	4	55,879	55,879	128,547	112,850
Machinery and equipment	10 and 20	146,270	155,315	512,388	545,955
Industrial facilities	10	11,271	16,156	25,525	28,803
Furniture, fixtures and IT equipment	10 and 20	6,482	12,605	13,748	23,875
Vehicles	20	437	807	1,621	1,830
Other	10 and 20	<u>1,375</u>	<u>1,341</u>	<u>10,116</u>	<u>7,813</u>
		221,714	242,103	691,945	721,126
Accumulated depreciation	-	(130,568)	(147,453)	(373,593)	(415,043)
Land	-	20,915	20,915	30,258	30,543
Construction in progress	-	8,338	1,770	42,464	10,554
Advances to suppliers	-	<u>52</u>	<u>52</u>	<u>7,591</u>	<u>1,752</u>
		<u>120,451</u>	<u>117,387</u>	<u>398,665</u>	<u>348,932</u>

In prior years, the Company recorded partial revaluations of its property, plant and equipment, principally land, buildings, construction, and machinery and equipment, based on reports prepared by independent appraisers, with a corresponding entry in a specific caption in shareholders' equity, net of income and social contribution taxes.

The balance of the revaluation of the Company's property, plant and equipment items as of December 31, 2005 is R\$32,028 (R\$33,851 in 2004).

8. DEFERRED CHARGES

	Company		Consolidated	
	2005	2004	2005	2004
Goodwill on acquisition of merged investment	-	-	30,655	30,655
Installation of systems	1,672	1,662	2,267	2,257
Preoperating costs	-	-	13,956	12,151
Other	<u>7,496</u>	<u>7,496</u>	<u>16,513</u>	<u>16,513</u>
	9,168	9,158	63,391	61,576
Accumulated amortization	(8,010)	(7,286)	(52,609)	(45,779)
	<u>1,158</u>	<u>1,872</u>	<u>10,782</u>	<u>15,797</u>

The amount of R\$30,655 refers to goodwill on the acquisition by Curwood Itap Ltda. of the controlling interest in Viskase Ltda. on August 31, 2000, which was recognized by subsidiary Itap Bemis Ltda. This goodwill was amortized on a straight-line basis over a period of five years until August 2005.

9. LOANS AND FINANCING

<u>Financial institution</u>	<u>Financial charges</u>	<u>Amortization</u>	<u>Final maturity</u>	<u>Current</u>	<u>Long term</u>
Company:					
“Line 63” agreements	104% of CDI	End of agreement	February to November 2006	74,335	-
Other (*)	Exchange variation + LIBOR + 5% per year	Quarterly (interest) and end of agreement (principal)	April 2007	446	23,407
Eurobonds	See Note 10	Semiannual	March 2009	391	-
Provision for losses on financial instruments (Note 16)				<u>2,528</u>	<u>-</u>
Total Company				<u>77,700</u>	<u>23,407</u>
Subsidiaries:					
Itap Bemis Ltda.- BNDES	TJLP + 4% per year	Monthly	July 2006	565	-
Itap Bemis Centro Oeste Indústria e Comércio de Embalagens Ltda.: Workers’ Support Fund “Line 63” agreements	14% per year (fixed) 103.9% of CDI	Monthly End of agreement	December 2013 April 2006	23 519	30,724 -
Insit Embalagens Ltda.: BNDES EDC loan	TJLP + 4.7% per year Exchange variation + LIBOR + 4.25% per year	Quarterly Semiannual	September 2007 June 2007	1,444 3,471	1,066 1,725
Dixie Toga Nordeste S.A.: BNDES MODERMAQ “Line 63” agreements Provision for losses on financial instruments (Note 16)	10.9% per year (fixed) 104% of CDI	Monthly End of agreement	October 2010 June to October 2006	283 19,144	799 -
				591	-
Impressora Paranaense S.A.: “Line 63” agreements	104% of CDI	End of agreement	January to August 2006	10,755	-
Provision for losses on financial instruments (Note 16)				980	-
Laminor S.A.: BNDES BNDES PROGEREN Prepayment operation	TJLP + 10.8% per year TJLP + 9% per year Exchange variation (US\$) + LIBOR + 3% per year	Monthly Monthly Quarterly	July 2009 August 2007 December 2006	1,838 3,727 2,075	4,611 6,772 -
American Plast S.A.: Itaú Bank Other	BCRA + 3% per year Various	Semiannual Monthly	October 2007 Various	2,138 <u>4,225</u>	965 <u>3,424</u>
Total consolidated				<u>129,478</u>	<u>73,493</u>

(*) This balance is substantially comprised of the loan agreement signed in 2002 with Banco do Brasil S.A., in the amount of US\$10,000,000 (equivalent to R\$23,407 as of December 31, 2005), maturing in April 2007, subject to LIBOR plus 5% per year, payable quarterly starting from the date of disbursement, containing restrictive covenants, including, among other limitations, indebtedness level, sale, assignment, transfer, or lease of substantial assets and transactions with subsidiaries and affiliates.

CDI - interbank deposit rate.

TJLP - Brazilian long-term interest rate.

BCRA - Argentinean long-term interest rate.

Loans and financing are secured by liens on assets, mortgages on the Company’s real estate and promissory notes.

10. EUROBONDS

In March 1997, the Company placed bonds in the European market in the gross amount of US\$77,000,000 (equivalent to R\$180,234 as of December 31, 2005 and R\$204,389 as of December 31, 2004) maturing in March 2009, subject to annual interest of 9.5625%, payable semiannually starting September 1997. These bonds have restrictive covenants including, among other limitations, restrictions to provide guarantees for loans on assets or revenues in excess of the amount borrowed, acquisition or merger of the Company if the resulting shareholders' equity is less than US\$200,000,000, sale, assignment, transfer, or lease of substantial assets, indebtedness of the subsidiaries and transactions with affiliates.

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

Holders of these bonds were assured that the Company would have the right to repurchase them in March 2005, when US\$3,100,000 were repurchased by its foreign subsidiary Dixie Toga International Ltd. The amount paid for these bonds was R\$8,488, which generated a premium on the operations of R\$116, recorded under the caption "Financial expenses" in the consolidated statement of income. The remaining portion of bonds that had not been repurchased, in the amount of US\$5,880,000, was reclassified to long-term liabilities. After this repurchase, considering the securities already in portfolio (US\$68,020,000), as of December 31, 2005, the subsidiary holds US\$71,120,000 (equivalent to R\$166,471) of these bonds in portfolio. Interest accrued semiannually, which will be paid by the Company in the subsequent period in the amount of US\$167,118 (equivalent to R\$391), is classified in current liabilities, under the caption "Loans and financing".

As a better form of presentation to the market, Dixie Toga International Ltd.'s bonds held in portfolio were recorded in the consolidated balance sheet as a reduction of the original debt under a specific caption in long-term liabilities.

11. TAXES PAYABLE

The Company and its subsidiaries Itap Bemis Ltda. and Insit Embalagens Ltda. participate in production investment support programs - Good Employment and Paraná More Employment (later replaced by the Paraná Development Program - PRODEPAR), respectively, granted by the Paraná State Government, for the purpose of supporting the implementation and expansion of companies, as well as the technological modernization and increase in employment rate in that State. The amortization of the amounts, monetarily restated based on the ICMS (State VAT) restatement index (FCA), started in 2003 for the Company, in 2004 for the subsidiary Itap Bemis Ltda., and will begin in 2007 for the subsidiary Insit Embalagens Ltda.

As of December 31, 2005, the balances payable to these Programs are R\$37,526 (Company) and R\$97,846 (consolidated), of which R\$11,704 (Company) and R\$25,724 (consolidated) are recorded in current liabilities under the caption "Taxes payable" and R\$25,822 (Company) and R\$72,122 (consolidated) are recorded under the same caption in long-term liabilities.

12. CONTINGENCIES

The Company and its subsidiaries are parties to pending labor, tax and civil lawsuits in various courts. For these lawsuits, the Company and its subsidiaries have filed administrative or judicial defenses. Management and its legal counsel believe that the companies are likely to succeed in most of the lawsuits. The Company reserved the amounts of R\$29,654 (R\$28,177 in 2004) and R\$43,467 (R\$40,034 in 2004) in the consolidated balance sheets as of December 31, 2005 to cover any probable losses resulting from an adverse final decision on these lawsuits, whose final balances, after deduction of the respective escrow deposits, are shown below:

	Company		Consolidated	
	2005	2004	2005	2004
Nature of the contingency:				
Tax (a)	26,411	25,081	36,772	33,932
Labor/civil (b)	<u>3,243</u>	<u>3,096</u>	<u>6,695</u>	<u>6,102</u>
	29,654	28,177	43,467	40,034
Escrow deposits related to tax lawsuits	<u>(22,282)</u>	<u>(3,407)</u>	<u>(32,859)</u>	<u>(8,783)</u>
Reserve for contingencies	<u>7,372</u>	<u>24,770</u>	<u>10,608</u>	<u>31,251</u>

- (a) Ordinary proceeding through which the Company and its subsidiaries legally question the system introduced by Law No. 9718/98, which increased the calculation basis of PIS and COFINS (taxes on revenue) and also increased the COFINS rate.
- (b) Represented, mainly, by labor claims and social security charges, and claims for damages arising from on-the-job accidents and consumption relations not supported by insurance coverage.

The Company's management believes that there are no significant future risks not covered by sufficient reserves in its financial statements.

13. CAPITAL

a) Capital and types of shares

As of December 31, 2005, subscribed and paid-up capital is represented by 278,116,301 (297,036,730 as of December 31, 2004) registered shares without par value, of which 191,100,116 are common shares and 87,016,185 (105,936,614 as of December 31, 2004) are preferred shares. Authorized capital as of December 31, 2005 and 2004 is limited to R\$600,000.

b) Treasury shares

The Company maintains a policy initiated in 1996 to acquire its own shares not reaching the 10% limit in accordance with CVM Instruction No. 10/80 and its amendment as per CVM Instruction No. 268/97. In 2005, movements in this account were as follows:

- Repurchase of 23,226,692 preferred shares of its capital in the stock market for R\$30,496.
- Cancellation of 18,920,429 preferred shares in the amount of R\$25,116, as approved at the Board of Directors' meeting.
- Sale of 1,000,000 preferred shares to International Finance Corporation - IFC pursuant to the Option Agreement signed on March 10, 1999, for R\$837 (equivalent to US\$0.35 per share), generating loss on the transaction as compared to the book value of the share, of R\$531, recorded under the caption "Reserve for profit retention".

Accordingly, as of December 31, 2005, considering the movements previously explained, the Company holds in treasury 3,306,263 preferred shares in the amount of R\$4,013.

14. PROPOSED DIVIDENDS AND ALLOCATION OF NET INCOME

Holders of common shares are entitled to a dividend of no less than 25% of net income, adjusted under the law. Preferred shares are entitled to dividends 10% higher than the dividends paid on the common shares.

Preferred shares do not have voting rights, but have priority in the redemption of capital, as well as participation in capital increases resulting from capitalization of profit reserves, on an equal basis with the common shares.

Dividends for 2005 were calculated based on net income, as shown below:

Net income	43,730
Legal reserve	(2,187)
Net effect of realization of revaluation reserve	<u>1,458</u>
Net income available	<u>43,001</u>
Mandatory minimum dividends (25% of the calculation basis) proposed by management	<u>10,750</u>

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

The remaining balance of retained earnings as of December 31, 2005, in the amount of R\$32,251, is being transferred, as proposed by management, to the "Profit reserve" account, assuming that it will be approved by the Annual Shareholders' Meeting, together with the financial statements for the year then ended. This proposal is based on the need to maintain working capital, as well as to meet the requirements of the business expansion and growth project established in the investment plan (called "Capital Budget").

15. PROFIT SHARING

As of December 31, 2005, the Company, its subsidiaries and the jointly-owned subsidiary recognized a provision for profit sharing in the amount of R\$4,725 (Company) and R\$6,259 (consolidated), relating to the performance for 2005. This profit sharing was defined based on operating performance indicators and goals and is not linked only to the results of operations reported by the Company, its subsidiaries and the jointly-owned subsidiary.

16. FINANCIAL INSTRUMENTS

a) Risk management

Company

As of December 31, 2005, the Company had derivative financial instruments in order to hedge all of its assets and liabilities against exchange rate risks, consisting of the following operations:

- Foreign currency future purchase contracts (U.S. dollar), equivalent to US\$4,250,000. As of December 31, 2005, these operations generated net losses for the Company in the amount of R\$7,927, which were recognized directly in income.
- Swap agreements equivalent to US\$29,056,670 to replace exchange variation plus 4% (on average) by 104% of the CDI (interbank deposit rate). As of December 31, 2005, these operations generated losses for the Company in the total amount of R\$2,510, recorded under the caption "Loans and financing".
- Swap agreements in the amount of R\$5,319 to replace 17% per year by 104% of the CDI. As of December 31, 2005, these operations generated losses for the Company in the total amount of R\$18, recorded under the caption "Loans and financing".

Jointly-owned subsidiary

For the same purpose of the Company, the jointly-owned subsidiary Laminor S.A. carried out foreign currency future purchase transactions (U.S. dollar) in the form of nondeliverable forward, in the amount equivalent to US\$2,700,000. As of December 31, 2005, this operation generated gain for the subsidiary in the total amount of R\$301, recorded under the caption "Other receivables".

Subsidiaries

For the same purpose of the Company, the subsidiary Itap Bemis Ltda. carried out foreign currency future sale transactions (U.S. dollar), in the amount equivalent to US\$6,000,000. As of December 31, 2005, this operation generated gain for the subsidiary in the total amount of R\$114, recorded under the caption "Other receivables".

The subsidiaries Impressora Paranaense S.A. and Dixie Toga Nordeste S.A. carried out swap agreements equivalent to US\$12,764,333 that assured exchange variation plus 4% (on average), guaranteeing 104% of the CDI. As of December 31, 2005, these operations generated losses for the subsidiaries in the total amount of R\$1,571, recorded under the caption "Loans and financing".

b)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 inherent in the packaging sector. The Company has a sales policy consisting of strict credit management and procedures for monitoring customers' balances.

c)Exchange rate risk - foreign currency exposure

The indebtedness and the results of operations of the Company and its subsidiaries are significantly affected by currency devaluation. The policy adopted by the Company is primarily to reduce the indebtedness in foreign currency and use financial instruments, as previously described, to hedge foreign currency exposure.

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

	<u>2005</u>	
	<u>Company</u>	<u>Consolidated</u>
Assets:		
Financial assets	257	179,994
Trade accounts receivable	11,510	40,492
Investments	<u>180,401</u>	<u>-</u>
	<u>192,168</u>	<u>220,486</u>
Liabilities:		
Loans and financing	(23,853)	(31,125)
Trade accounts payable	(10,904)	(22,668)
Eurobonds	<u>(180,625)</u>	<u>(180,625)</u>
	<u>(215,382)</u>	<u>(234,418)</u>
Liabilities, net - R\$	<u>(23,214)</u>	<u>(13,932)</u>
Liabilities, net - equivalent to US\$	<u>(9,918)</u>	<u>(5,952)</u>

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

d) Temporary cash investments

The Company and its subsidiaries are subject to credit risk related to their cash investments. This risk is mitigated by the policy of investing available funds only with prime financial institutions. As of December 31, 2005 and 2004, the balance of investments in local and foreign currencies, Company and consolidated, refers to fixed-income securities, as follows:

	<u>2005</u>		<u>2004</u>	
	<u>Company</u>	<u>Consolidated</u>	<u>Company</u>	<u>Consolidated</u>
Bank certificate of deposit (CDB)	-	85,661	115	49,894
In US\$	<u>257</u>	<u>13,522</u>	<u>276</u>	<u>27,969</u>
	<u>257</u>	<u>99,183</u>	<u>391</u>	<u>77,863</u>

e) Estimated fair values

For the other financial instruments, there are no significant differences between the fair values and the carrying amounts shown in the Company and consolidated financial statements as of December 31, 2005 and 2004, originating from transactions involving financial instruments as of that dates that would require specific disclosure.

17. INSURANCE

The Company and its subsidiaries maintain insurance coverage in amounts considered sufficient by management to cover risks on their assets and/or obligations.

MANAGEMENT REPORT

To the Shareholders,

In compliance with law and Company bylaws, the management of Dixie Toga S.A. submits for your appreciation the Financial Statements, together with the Independent Auditors' Report, for the year ended December 31, 2005.

1.1 Operations

At Dixie Toga S.A., the year 2005 was marked by the consolidation of the businesses that had been merged in 2004, and the continuity of the operational development of the other business units of the Group.

As part of this process, the year was marked by a strong program of investments in all of the Group's business units, among which we point out the construction of the new manufacturing unit located in Rondonópolis, State of Mato Grosso. The Rondonópolis unit manufactures shrinkable flexible packaging for the meat and cheese markets and its location is an important logistical advantage due to the proximity to the consumer market.

The Group's direct exports gained even more importance and represented 11% of the Group's net sales in 2005 as compared to 8.1% in 2004. Indirect exports, made through our customers, also continued to grow.

Net revenue in 2005 has increased by 11% as compared to 2004, but because of the unfavorable exchange rate on exports, gross margin dropped from 25.9 % in 2004 to 23.3% in 2005. Raw materials have also put pressure on the Company's costs.

To offset the drop in gross margin, the Group focused on reducing operating expenses by continuing the quality, labor training and process redesign programs. As a consequence of this effort, the Group was able to practically maintain in 2005 the same operating margin obtained in 2004 (14.8% versus 14.7% respectively).

1.2 Finance

The Group's financial management continued to be focused on:

- cash generation
- working capital control
- reduction of operating expenses
- financial risks control

As a result of this management policy, the Company's cash generation increased from R\$203 million in 2004 to R\$218 million in 2005.

At the end of the two periods analyzed, the Group's net indebtedness increased from R\$23.2 million to R\$108.1 million. This increase was necessary to support the strong investment program that the Group has been implementing since 2004.

The Group continues to maintain a conservative focus with respect to foreign currency liabilities, using hedge instruments for protection against foreign exchange exposure.

1.3 Additional Information

In compliance with Instruction CVM No. 381/03 we inform that our independent accountants have not provided other services to the audited companies.

Management is grateful to each one of its employees for his/her efforts, faithfulness and creativity during 2005; we also thank our customers, shareholders, suppliers and financial institutions for their confidence and contribution shown during the year.

São Paulo, February 14, 2006

The Management