

*(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, 2003 and 2002 and Independent
Auditors' Report*

Deloitte Touche Tohmatsu Auditores Independentes

MANAGEMENT REPORT

To Our Shareholders,

In compliance with corporate law and the Company bylaws, the management of Dixie Toga S.A. is pleased to present the Financial Statements, together with the Independent Auditors' Report, for the year ended December 31, 2003.

1. Operations

Dixie Toga S.A.'s operations presented good progress in 2003, especially considering the Brazilian population's loss of purchasing power and the market's depressed demand.

All of the Group's business units continued adopting the strategy of seeking opportunities in new markets and customers. This strategy resulted in increased volume of export sales achieved either directly or indirectly through customers. The foreign market, especially Latin America, is seen as a major leverage for the Group's growth.

The Company's strategy, valid for both current and new markets, seeks to achieve three fundamental points: meeting customer needs, lower production costs, and innovation.

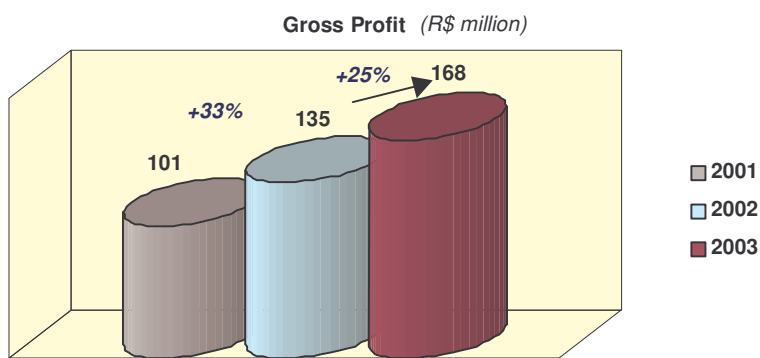
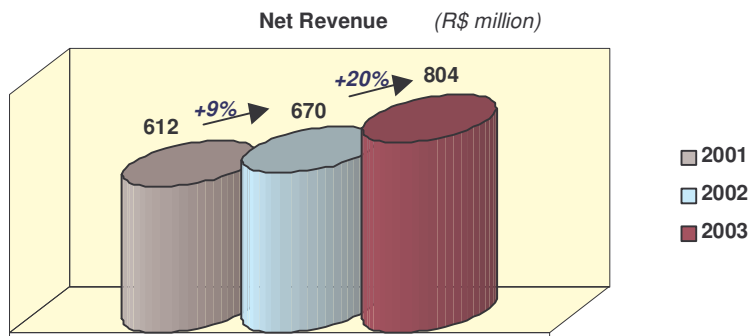
Keeping a close relationship with our customers and understanding their logistics chains were fundamental in implementing projects that have added value to their operations and also in identifying new business opportunities for the Company.

Dixie Toga invests in the development of products, new technologies, improvements of the manufacturing and logistic process and in labor training, to reduce production costs.

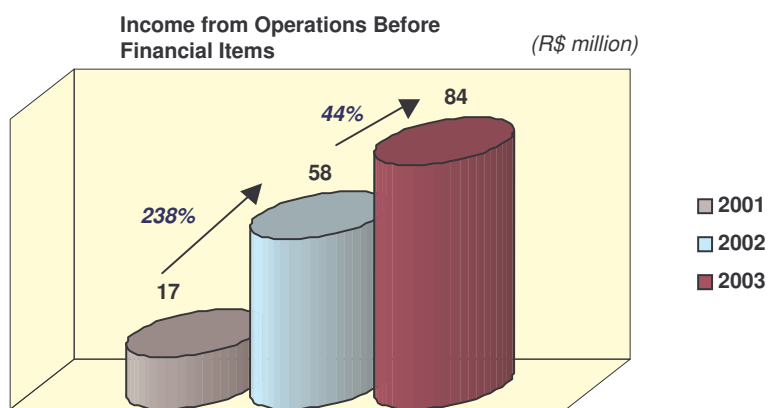
In 2003 costs suffered high pressure, due mainly to the increase in raw material prices. Market competitiveness has made it harder to pass on these costs to products. This fact notwithstanding, effects on operating margins were minimized by certain internal actions, which have contributed to reduce production costs. In addition to maintaining the internal programs linked to productivity enhancement and manufacturing efficiency improvement, we strongly focused on cost control.

Innovation was also used to reduce costs. We endeavored to reduce the share of raw material and optimize the manufacturing process through the development of new structures, similar structures or even new designs.

All the factors mentioned have contributed to keep the Company's consolidated gross margin in 2003, practically stable in relation to 2002 (2002: 20.1% - 2003: 20.9%).



Concomitantly with the efforts developed in the manufacturing areas, the Company has been implementing a strict control over operating expenses. In 2003, despite the period's inflation, operating expenses before financial expenses have increased proportionally less than the sales growth, thus increasing the Company's operating margin from 8.7% in 2002 to 10.4% in 2003.

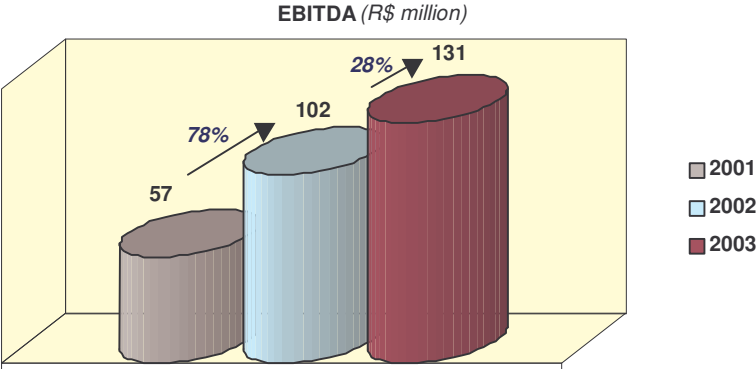


2. Finances

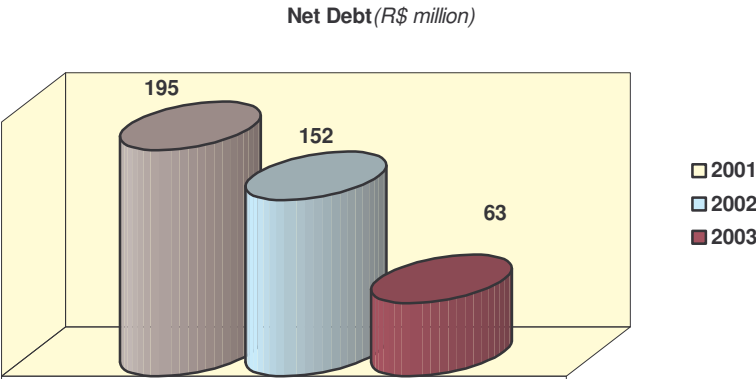
In addition to the strict expense control previously mentioned, management has focused its efforts in cash generation and working capital management.

The Company's cash generation has increased from R\$102 million in 2002, to R\$131 million in 2003, as shown below.

	<u>Consolidated</u>	
	<u>2003</u>	<u>2002</u>
INCOME FROM OPERATIONS	40,236	27,443
Depreciation and amortization	47,372	47,082
Financial income (expenses)	42,829	27,368
Amortization of goodwill and negative goodwill, net	237	237
EBITDA	130,674	102,130



This cash generation has permitted reducing net indebtedness from R\$152 million to R\$63 million in December 2003.



The Company has used hedge instruments to provide full coverage for its exchange rate variation exposure, both in the short and in the long terms due to the great volatility of exchange rates in Brazil.

3. Additional Information

In continuity to its policy of seeking new growth opportunities, new businesses were merged into the Group during this period. Laminor, a joint-venture between Dixie Toga and Huhtamaki, whose purpose is the production of special laminates used to produce paste tubes for the personal hygiene and pharmaceutical industries started its operation in November 2003. This operation will have a very positive effect on the Group's export / import balance, thus contributing, within its scale, for the Country's foreign account balance. In addition to replacing imports, as these laminates will be manufactured locally, a significant production volume is earmarked for export, both to the Company's traditional markets (South and Central Americas), and to new markets where it played a very small role, such as Mexico and the United States.

On 12/31/03, subsidiary Itap Bemis Ltda. merged Curwood Itap Ltda., which manufactures shrinkable flexible packaging for the meat and cheese markets. Curwood Itap Ltda. was incorporated in 2000, after Bemis acquired the world operations of Viskase. Itap Bemis already held, before this merger, 10% of Curwood Itap's capital. The merger was carried out through a process involving the swap of Itap Bemis sharequotas between Dixie Toga and Bemis. Itap Bemis Ltda. Capital is now made up as follows: Dixie Toga holds 55% of the sharequotas and Bemis 45% of the sharequotas. The Company considers this to be a very promising market because of the high technology involved and the relevance of the region within the international scenario: Brazil is the 2nd largest worldwide exporter of meat and Argentina is recovering its traditional markets. Additionally, the merger will permit, as soon as 2004, to capture management synergies and the supply chain.

In 2004, management will keep the focus on generating operating cash and reducing working capital, aiming at reducing the Company's net indebtedness and its foreign currency component.

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

Management is grateful to each one of its employees for his/her efforts, dedication and creativity during 2003; we also thank our customers, shareholders, suppliers and financial institutions for their confidence and contribution shown during the year.

São Paulo, March 19, 2004

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

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, 2003 and 2002, 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 above present fairly, in all material respects, the individual and consolidated financial positions of Dixie Toga S.A. and subsidiaries as of December 31, 2003 and 2002, 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 11, 2004

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Agenor N. Yamamoto
Engagement Partner

(Convenience Translation into English from the Original Previously Issued in

DIXIE TOGA S.A. AND

BALANCE SHEETS AS OF DECEMBER 31, 2003 AND 2002

(In thousands of Brazilian reais - R\$)

ASSETS	Company		Consolidated		LIABILITIES AND SHAREHOLDERS'		Company		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
CURRENT ASSETS										
Cash and banks	699	3.024	7.159	7.697	24.944	32.563	85.551	97.055		
Temporary cash investments	93	113.076	95.526	289.663	27.904	20.990	81.722	78.733		
Accounts receivable	35.299	36.176	107.508	100.932	5.033	2.148	22.008	10.083		
Discounted foreign receivables	(125)	-	(125)	(1.779)	7.258	6.606	16.869	13.735		
Allowance for doubtful accounts	(161)	(613)	(2.290)	(1.458)	9.880	6.642	10.069	6.762		
Inventories	18.816	22.006	77.686	77.204	6.931	3.629	-	-		
Receivables from subsidiaries	2.854	9.990	-	-	8.853	4.008	8.853	4.008		
Dividends receivable	3.279	5.756	-	-	90.803	76.586	225.072	210.376		
Recoverable taxes	7.952	9.968	26.616	18.554						
Other receivables	4.098	16.563	11.471	23.900						
	72.804	215.946	323.551	514.713						
NONCURRENT ASSETS										
Deferred tax credits	7.761	8.621	35.303	17.015	29.358	44.427	58.763	110.928		
Receivables from subsidiaries	19.972	12.967	-	-	222.468	272.064	222.468	272.064		
Escrow and other deposits	12.161	8.236	23.357	13.451	-	-	(194.790)	(2.991)		
	39.894	29.824	58.660	30.466	9.837	11.081	14.556	16.323		
					31.827	20.647	88.264	50.456		
					20.884	17.449	31.676	25.703		
					314.374	370.882	220.937	477.697		
PERMANENT ASSETS										
Investments:										
In subsidiaries and affiliates	370.180	249.904	1.014	681	-	-	103.585	43.511		
Other	571	571	625	7.587						
Property, plant and equipment	370.751	250.475	1.639	8.268	144.575	144.575	144.575	144.575		
Deferred charges	128.991	139.409	349.691	351.985	35.858	37.784	35.858	37.784		
	3.048	4.780	25.351	17.828	30.847	10.607	30.847	10.607		
	502.790	394.664	376.681	378.081	(969)	-	(969)	-		
					-	-	(1.013)	(1.290)		
					210.311	192.966	209.298	191.676		
TOTAL ASSETS	615.488	640.434	758.892	923.260						
					615.488	640.434	758.892	923.260		

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, 2003 AND 2002

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

	<u>Company</u>		<u>Consolidated</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
GROSS SALES				
Sales of products and services	326.089	315.124	1.032.154	888.415
Returns, discounts and taxes on sales	<u>(79.114)</u>	<u>(78.292)</u>	<u>(228.002)</u>	<u>(218.620)</u>
	246.975	236.832	804.152	669.795
COST OF SALES	<u>(193.474)</u>	<u>(182.145)</u>	<u>(635.795)</u>	<u>(535.152)</u>
GROSS PROFIT	<u>53.501</u>	<u>54.687</u>	<u>168.357</u>	<u>134.643</u>
OPERATING EXPENSES				
Selling	(14.354)	(12.579)	(33.448)	(31.498)
General and administrative	(21.467)	(19.739)	(40.928)	(36.026)
Management compensation	(2.185)	(2.374)	(6.055)	(4.697)
Other, net	<u>(586)</u>	<u>(3.003)</u>	<u>(4.075)</u>	<u>(4.044)</u>
	(38.592)	(37.695)	(84.506)	(76.265)
INCOME BEFORE FINANCIAL ITEMS, RESTRUCTURING EXPENSES AND EQUITY IN SUBSIDIARIES	14.909	16.992	83.851	58.378
FINANCIAL ITEMS				
Monetary/exchange variations, net	23.425	(46.987)	(21.130)	(22.669)
Financial expenses	(5.946)	(41.950)	(33.071)	(46.058)
Financial income	<u>2.151</u>	<u>21.005</u>	<u>11.372</u>	<u>41.359</u>
	19.630	(67.932)	(42.829)	(27.368)
RESTRUCTURING EXPENSES	(549)	(2.220)	(549)	(3.330)
EQUITY IN SUBSIDIARIES				
Equity in subsidiaries and affiliates	(10.298)	64.186	-	-
Amortization of goodwill and negative goodwill, net	<u>(237)</u>	<u>(237)</u>	<u>(237)</u>	<u>(237)</u>
	(10.535)	63.949	(237)	(237)
INCOME FROM OPERATIONS	<u>23.455</u>	<u>10.789</u>	<u>40.236</u>	<u>27.443</u>
NONOPERATING INCOME (EXPENSE), NET	<u>13.724</u>	<u>1.671</u>	<u>10.965</u>	<u>(55)</u>

(Continued)

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DIXIE TOGA S.A. AND SUBSIDIARIES

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

(Continuation)

	<u>Company</u>		<u>Consolidated</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
INCOME BEFORE TAXES ON INCOME, EMPLOYEE PROFIT SHARING AND MINORITY INTEREST	37.179	12.460	51.201	27.388
TAXES ON INCOME				
Current	(1.568)	-	(12.986)	(3.547)
Deferred	<u>384</u>	<u>1.534</u>	<u>16.935</u>	<u>(1.173)</u>
	(1.184)	1.534	3.949	(4.720)
INCOME BEFORE EMPLOYEE PROFIT SHARING AND MINORITY INTEREST	35.995	13.994	55.150	22.668
EMPLOYEE PROFIT SHARING	(747)	(1.431)	(3.023)	(3.513)
INCOME BEFORE MINORITY INTEREST	<u>35.248</u>	<u>12.563</u>	<u>52.127</u>	<u>19.155</u>
MINORITY INTEREST	-	-	(16.879)	(7.882)
NET INCOME	<u>35.248</u>	<u>12.563</u>	<u>35.248</u>	<u>11.273</u>
EARNINGS PER THOUSAND SHARES - R\$	<u>117,76</u>	<u>40,55</u>		

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

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DIXIE TOGA S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (COMPANY)
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(In thousand of Brazilian reais - R\$)

	Capital stock	Revaluation reserve	Income reserves		Shares held in treasury	Accumulated deficit	Total
			Legal	Profit retention			
BALANCES DECEMBER 31, 2001	192.424	39.772	-	6.121	(6.121)	(47.848)	184.348
Reduction in capital for offset of deficit	(47.849)	-	-	-	-	47.849	-
Realization of revaluation reserve	-	(1.988)	-	-	-	1.988	-
Cancellation of treasury shares	-	-	-	(6.121)	6.121	-	-
Net income	-	-	-	-	-	12.563	12.563
Legal reserve	-	-	628	-	-	(628)	-
Proposed dividends	-	-	-	-	-	(3.945)	(3.945)
Reserve for profit retention	-	-	-	9.979	-	(9.979)	-
BALANCES DECEMBER 31, 2002	144.575	37.784	628	9.979	-	-	192.966
Realization of revaluation reserve	-	(1.926)	-	-	-	1.926	-
Purchase of treasury shares	-	-	-	-	(8.122)	-	(8.122)
Cancellation of treasury shares	-	-	-	(7.153)	7.153	-	-
Net income	-	-	-	-	-	35.248	35.248
Legal reserve	-	-	1.762	-	-	(1.762)	-
Additional dividends for 2002 approved by annual shareholders' meeting (see Note 14)	-	-	-	(928)	-	-	(928)
Proposed dividends	-	-	-	-	-	(8.853)	(8.853)
Reserve for profit retention	-	-	-	26.559	-	(26.559)	-
BALANCES DECEMBER 31, 2003	144.575	35.858	2.390	28.457	(969)	-	210.311

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, 2003 AND 2002

(In thousand of Brazilian reais - R\$)

	<u>Company</u>		<u>Consolidated</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
SOURCES OF FUNDS				
From operations:				
Net income	35.248	12.563	35.248	11.273
Minority interest	-	-	16.879	7.882
Items not affecting working capital:				
Depreciation and amortization	14.947	16.528	47.372	47.082
Loss on merged investment	-	-	803	-
Monetary variations on long-term items	(54.446)	100.712	(52.917)	123.207
Equity in subsidiaries and affiliates	10.298	(64.186)	-	-
Equity in subsidiaries and affiliates - nonoperating	(972)	-	-	-
Provision for losses on subsidiary	-	(44)	-	-
Amortization of goodwill and negative goodwill	237	237	237	237
Deferred income and social contribution taxes	(384)	(1.534)	(20.055)	2.055
Residual value of permanent asset disposals	479	11.364	815	1.456
Provision for tax and labor contingencies	2.423	7.127	4.382	9.227
Capital gain from change in equity interest in subsidiary	(12.237)	-	-	-
Dividends received from subsidiaries	-	1.743	-	-
Dividends receivable from subsidiaries	3.279	5.756	-	-
	<u>(1.127)</u>	<u>90.266</u>	<u>32.764</u>	<u>202.419</u>
From third parties:				
Net increase in long-term liabilities	10.173	28.671	41.248	71.438
Capital increase by minority shareholders	-	-	-	1.501
Net decrease in noncurrent assets	-	-	-	69.111
Transfer from permanent to current assets	2.063	-	176	-
Transfer from noncurrent to current assets	-	-	174	-
Increase in minority interest	-	-	26.803	-
Total sources	<u>11.109</u>	<u>118.937</u>	<u>101.165</u>	<u>344.469</u>
USES OF FUNDS				
Net increase in noncurrent assets	3.917	5.841	7.107	-
Additions to investments	122.767	3.959	-	-
Additions to property, plant and equipment	3.453	2.763	32.001	32.010
Additions to deferred charges	-	293	1.371	2.315
Transfer from long-term to current liabilities	20.429	7.788	56.842	52.003
Purchase of treasury shares	8.122	-	8.122	-
Purchase of eurobonds to keep in treasury	-	-	191.799	-
Proposed dividends	8.853	3.945	8.853	3.945
Additional dividends for 2002	928	-	928	-
Total uses	<u>168.468</u>	<u>24.589</u>	<u>307.023</u>	<u>90.273</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>(157.359)</u>	<u>94.348</u>	<u>(205.858)</u>	<u>254.196</u>
REPRESENTED BY				
Current assets:				
Beginning of year	215.946	172.909	514.713	293.085
End of year	<u>72.804</u>	<u>215.946</u>	<u>323.551</u>	<u>514.713</u>
	<u>(143.142)</u>	<u>43.037</u>	<u>(191.162)</u>	<u>221.628</u>
Current liabilities:				
Beginning of year	76.586	127.897	210.376	242.944
End of year	<u>90.803</u>	<u>76.586</u>	<u>225.072</u>	<u>210.376</u>
	14.217	(51.311)	14.696	(32.568)
INCREASE (DECREASE) IN WORKING CAPITAL	<u>(157.359)</u>	<u>94.348</u>	<u>(205.858)</u>	<u>254.196</u>

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

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DIXIE TOGA S.A. AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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

1. OPERATIONS

The Company's primary activity is the production of rigid packages, cartridge-type packages, labels, laminates and disposable products for the food, beverage, hygienic and cleaning products industries, as well as other industries and final consumers.

In addition, the Company has direct investments in subsidiaries with related activities, in Brazil and abroad, such as the manufacturing and sale of 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 "Comissão de Valores Mobiliários - CVM" (the Brazilian Securities Commission).

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 the receivables and in an amount considered sufficient by management to cover possible losses on the realization of receivables.

c) Inventories

Priced at average acquisition or production cost, which is less than 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 to 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 in accordance with accounting practices substantially identical to the accounting practices adopted by the Company, in U.S. dollars, and were translated into reais at the exchange rates prevailing on December 31, 2003 and 2002. In 2002, the financial statements of subsidiaries in Argentina were prepared in constant currency, with the effects recognized in income. In 2003, this accounting practice was discontinued as Argentina is no longer considered a hyperinflationary country.

e) Property, plant and equipment

Stated at acquisition or construction cost, monetarily restated to December 31, 1995, including interest on the corresponding loans and a partial revaluation. Depreciation is accounted for on the straight-line basis, in accordance with the estimated useful lives of the assets, at the annual rates set forth in Note 7.

f) Deferred charges

Recorded at cost, monetarily restated to December 31, 1995, basically composed of preoperating and systems installation costs, amortized over periods of ten and five 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 the current tax laws. The Company recognizes tax effects on the principal temporary differences between income for tax purposes and that determined based on Brazilian accounting practices, pursuant to CVM Resolution No. 273 of August 20, 1998 and Instruction No. 371 of June 27, 2002.

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

Rights and obligations, legally or contractually subject to indexation, are restated to the balance sheet dates. Assets and liabilities denominated in foreign currencies are translated into reais at the exchange rate prevailing on the balance sheet dates. Foreign exchange and indexation gains and losses are recognized in income.

i) Reserve for contingencies

The reserve for contingencies relates to labor, tax and civil issues and is recorded in accordance with risk assessment performed by management and legal advisors, inclusive with respect to its classification in the long term.

j) 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 those of the following subsidiaries: Impressora Paranaense S.A., American Plast S.A., Itap Bemis Ltda., Dixie Toga Nordeste S.A., Dixie Toga International Ltd., American Packaging S.A., Insit Embalagens Ltda. and Laminor S.A. (jointly-controlled subsidiary in operation since November 2003).

The consolidated financial statements have been prepared in accordance with the following principal criteria: (a) elimination of balances between consolidated companies; (b) elimination of investments in consolidated companies against the respective shareholders' equity of the investee company; (c) elimination of revenues and expenses resulting from transactions between consolidated companies; (d) elimination of profit in inventory originating from sales between consolidated companies, when applicable; and (e) determination of the interest of minority shareholders in consolidated shareholders' equity and income.

The reconciliation of shareholders' equity between the Company and consolidated amounts for the year ended December 31, 2003 is as follows:

	<u>Shareholders' equity</u>
Company	210,311
Unrealized profit on sale of property, plant and equipment to subsidiaries	<u>(1,013)</u>
Consolidated	<u>209,298</u>

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

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

Proportional financial position balances:

Current:

Assets 5,398

Liabilities 14,731

Noncurrent/Long-term:

Noncurrent assets 234

Long-term liabilities 5,778

Permanent assets 18,143

Shareholders' equity 3,266

Proportional amounts in the result:

Net sales 3,553

Gross loss (532)

Operating expenses, net (423)

Financial expenses, net (795)

Net loss (1,750)

4. INVENTORIES

	<u>Company</u>		<u>Consolidated</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Finished goods	5,610	5,811	21,105	26,038
Work in process	2,126	2,785	16,811	10,080
Raw materials and packaging	7,483	9,936	28,428	28,961
Other	<u>3,597</u>	<u>3,474</u>	<u>11,342</u>	<u>12,125</u>
	<u>18,816</u>	<u>22,006</u>	<u>77,686</u>	<u>77,204</u>

5. INVESTMENTS IN SUBSIDIARIES AND JOINTLY-CONTROLLED SUBSIDIARY

5.1. Significant information on subsidiaries and jointly-controlled subsidiary

	Number of shares owned by the Company (in thousands)	Capital stock	Shareholders' equity (deficit)	Company's interest		
				Percentage	In shareholders' equity (deficit)	In net income (loss)
In 2003:						
American Plast S.A. (foreign investment)	2,843	4,542	21,415	60,35	12,924	5,994
Itap Bemis Ltda.	131,684	239,426	211,822	55,00	116,502	25,478
Goodwill on the acquisition of Itap Bemis Ltda.	-	-	-	-	1,307	-
Impressora Paranaense S.A.	3,631,614	14,512	31,214	100,00	31,214	766
Negative goodwill on acquisition of Impressora Paranaense S.A.	-	-	-	-	(864)	-
Dixie Toga Nordeste S.A.	4,590	2,987	10,065	100,00	10,065	6,465
Dixie Toga International Ltd. (foreign investment)	1	1	193,714	100,00	193,714	(48,835)
Insit Embalagens Ltda.	9	10	(2,673)	90,00	-	1,886
American Packaging S.A. (foreign investment)	2,343	2,353	2,093	98,05	2,052	(302)
Laminor S.A. (joint investment)	8	10,031	6,531	50,00	3,266	(1,750)
					<u>370,180</u>	<u>(10,298)</u>
In 2002:						
American Plast S.A. (foreign investment)	2,843	4,563	11,483	60,35	6,930	8,880
Itap Bemis Ltda.	122,662	183,994	118,176	66,67	78,788	5,067
Goodwill on acquisition of Itap Bemis Ltda.	-	-	-	-	1,706	-
Impressora Paranaense S.A.	3,631,614	14,512	32,192	100,00	32,192	1,491
Negative goodwill on acquisition of Impressora Paranaense S.A.	-	-	-	-	(1,026)	-
Dixie Toga Nordeste S.A.	7,400	7,400	8,576	100,00	8,576	6,261
Dixie Toga International Ltd. (foreign investment)	1	2	120,383	100,00	120,383	46,836
Insit Embalagens Ltda.	9	10	(4,769)	90,00	-	(4,301)
American Packaging S.A. (foreign investment)	2,343	2,501	2,401	98,05	2,355	(48)
					<u>249,904</u>	<u>64,186</u>

In 2003 and 2002, the Company recognized a reserve of 100% of its interest in Insit Embalagens Ltda.'s negative shareholders' equity, under "Other accounts payable" in current liabilities.

- a) American Plast S.A. - A publicly-held corporation based in Argentina and leader in the market for rigid packaging and products for fast food restaurants.
- b) Itap Bemis Ltda. - The principal activity of the company is the manufacture of flexible packages using machinery with flexographic and rotogravure printing technologies.

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.

On December 31, 2003, the merger of Curwood Itap Ltda., a company in which Itap Bemis Ltda. held a 10% interest and whose corporate purpose was the manufacture and conversion of thermoplastic resins into plastic films and flexible packages, was approved. The purpose of this merger was to rationalize operations, optimize management and minimize expenses through economy of scale. The merger was based on Curwood Itap Ltda.'s balance sheet as of December 31, 2003, in accordance with an appraisal report prepared by independent appraisers, and was approved through an Amendment to the Articles of Association dated December 31, 2003.

The merger was performed on a "swap" basis, which provided the merged company's shareholders with sharequotas issued by the merging company with the same advantages and privileges of the extinguished sharequotas in a number that provided them the same equity value. The merged assets are as follows (balances as of December 31, 2003):

	<u>R\$</u>
Working capital	39,041
Noncurrent/Long-term:	
Noncurrent assets	2,900
Long-term liabilities	(603)
Permanent assets:	
Investments	570
Property, plant and equipment	9,466
Deferred charges	<u>10,218</u>
Net assets	61,592
Less- Amount of Itap Bemis Ltda.'s investment on the merger date	<u>(6,160)</u>
Capital increase through merger	<u>55,432</u>

With the change occurred in the subsidiary's capital, the Company's ownership interest in Itap Bemis Ltda. was reduced to 55% (66.67% as of December 31, 2002). However, because of the positive result obtained by Itap Bemis Ltda. in 2003, in spite of this change in ownership interest percentage, the Company obtained a capital gain as of December 31, 2003 of R\$12,237, recorded in the statement of income under "Nonoperating income (expense), net".

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

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

Based on 2003 results, as of December 31, 2003 this subsidiary is proposing payment of dividends to the Company, in the amount of R\$1,744, in 2004.

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

On June 18, 2003, the Extraordinary Shareholders' Meeting approved a capital reduction in the amount of R\$4,413, through the write-off and transfer, at its book value, of the interest held by this subsidiary in Laminor S.A. (corresponding to 7,355 common shares) to the Company. Current capital is R\$2,987 (R\$7,400 as of December 31, 2002), represented by 4,590 registered common shares.

Based on the results obtained in 2003, as of December 31, 2003 this subsidiary is proposing payment of dividends to the Company, in the amount of R\$1,535, in 2004.

- e) Dixie Toga International Ltd. - A wholly-owned subsidiary, based in Grand Cayman, in the Cayman Islands, principally to manage the Company's foreign investments.

In 2003, this subsidiary received from the Company, as advance for future capital increase, the amount of R\$122,163 (equivalent on the date of the transaction to US\$35,951,000), which was recorded in a specific caption in shareholders' equity, since this amount may only be used for this purpose and there is no possibility of repaying it to the Company.

- f) Insit Embalagens Ltda. - A subsidiary, whose main activity is the production, manufacturing and sale of packaging. The company started its activities in July 2002.
- g) American Packaging S.A. - A subsidiary established in 2001, whose main activity is the manufacturing 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.
- h) Laminor S.A. - A jointly-controlled subsidiary established in December 2002 with initial capital of R\$30, as a joint venture between Dixie Toga S.A. and Huhtamaki Finance B.V. (based in the Netherlands), whose main activity is the manufacturing, sale and export of laminates to be used for manufacture of packaging for hygiene, medication and cleaning products. The company started its activities in November 2003.

On April 8 and August 25, 2003, the Extraordinary Shareholders' Meetings approved the capital increase in the subsidiary, in the amounts of R\$9,971 and R\$30, respectively, with the issuance of 16,668 new common shares without par value, subscribed and paid up equally by its shareholders, with assets and in cash. Thus, capital was increased to R\$10,031.

5.2. Balances and transactions with related parties

Balances and transactions with related parties for the years ended December 31, 2003 and 2002 are summarized below:

<u>2003</u>	<u>Dividends receivable</u>	<u>Accounts receivable</u>	<u>Other credits</u>	<u>Other obligations</u>	<u>Revenues</u>	<u>Expenses</u>
American Plast S.A.	-	166	27	136	74	864
Itap Bemis Ltda.	-	50	-	1,998	318	1,848
Impressora Paranaense S.A.	1,744	35	-	2,560	1,208	109
Dixie Toga Nordeste S.A.	1,535	361	-	1,979	2,351	1,002
Dixie Toga International Ltd.	-	-	9,279	-	124	-
Insit Embalagens Ltda.	-	2,242	8,810	258	3,367	238
Laminor S.A.	-	-	<u>1,856</u>	-	<u>82</u>	-
Balances and totals as of December 31, 2003	<u>3,279</u>	<u>2,854</u>	<u>19,972</u>	<u>6,931</u>	<u>7,524</u>	<u>4,061</u>
<u>2002</u>	<u>Dividends receivable</u>	<u>Accounts receivable</u>	<u>Other credits</u>	<u>Other obligations</u>	<u>Revenues</u>	<u>Expenses</u>
American Plast S.A.	-	411	27	64	373	1,169
Itap Bemis Ltda.	-	1,360	159	350	2,067	1,803
Impressora Paranaense S.A.	738	1,295	2,922	118	1,163	1,142
Dixie Toga Nordeste S.A.	5,018	4,359	-	1,921	11,774	11,774
Dixie Toga International Ltd.	-	-	1,877	1,176	4	176
Insit Embalagens Ltda.	-	<u>2,565</u>	<u>7,982</u>	-	<u>3,914</u>	<u>1,240</u>
Balances and totals as of December 31, 2002	<u>5,756</u>	<u>9,990</u>	<u>12,967</u>	<u>3,629</u>	<u>19,295</u>	<u>17,304</u>

Transactions classified as accounts receivable and other obligations are commercial in nature and refer to acquisition/sale of products directly related to its operating activities, and are carried out under similar conditions to those carried out with third parties.

The balance of other credits is represented principally by loan agreements, subject to financial charges based on the average rate of return on the Company's financial investments (Interbank Deposit Rate - CDI variation plus interest of 1% per year, or LIBOR variation plus interest of 5% per year in 2003 or 100% of CDI in 2002).

6. INCOME AND SOCIAL CONTRIBUTION TAXES

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

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

In 2003, based on a new management assessment of future results, the Company and its subsidiaries partially reversed the previously recognized provision for tax credits whose expected realization exceeded five years.

The Company's and its subsidiaries' expected future business and projections of results are based on estimates supported by management expectations, therefore they depend on variables that are subject to changes.

a) Nature of tax credits

	<u>Company</u>		<u>Consolidated</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Noncurrent assets for deferred income and social contribution taxes:				
Deductible provisions for tax purposes only				
when the expense is actually incurred	(1,489)	7,296	2,065	10,485
Tax loss carryforwards	14,360	15,516	38,348	39,761
Accelerated tax incentive depreciation	<u>(1,501)</u>	<u>(1,844)</u>	<u>(1,501)</u>	<u>(1,844)</u>
	11,370	20,968	38,912	48,402
Reserve for tax credits	<u>(3,609)</u>	<u>(12,347)</u>	<u>(3,609)</u>	<u>(31,387)</u>
	<u>7,761</u>	<u>8,621</u>	<u>35,303</u>	<u>17,015</u>
Long-term liabilities for deferred income and social contribution taxes:				
Revaluation of property, plant and equipment	<u>9,837</u>	<u>11,081</u>	<u>14,556</u>	<u>16,323</u>

b) Expected realization of tax credit on tax loss carryforwards

The realization of tax credits arising from tax loss carryforwards, supported by the Company's and its subsidiaries' profitability projections, is estimated at four years.

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:

	<u>Company</u>		<u>Consolidated</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Income before taxes, employee profit sharing and minority interest	37,179	12,460	51,201	27,388
Employee profit sharing	<u>(747)</u>	<u>(1,431)</u>	<u>(3,023)</u>	<u>(3,513)</u>
	36,432	11,029	48,178	23,875
Official tax rates - %	34	34	34	34
Income and social contribution tax (charges) credits at official tax rates	(12,387)	(3,750)	(16,381)	(8,117)
Adjustments to the effective tax rate:				
Operating provisions and nondeductible expenses	(175)	(279)	(1,132)	(431)
Equity in subsidiaries	(3,501)	21,823	-	-
Effect of change in equity interest in subsidiary	4,211	-	-	-
Taxes on income of foreign subsidiary	-	(3,053)	-	(3,053)
Taxes paid on interest on capital	-	(543)	-	-
Tax credits not recorded for foreign subsidiaries	-	-	(9,502)	20,469
Provision for tax credits	8,738	(12,347)	27,778	(12,347)
Other	<u>1,888</u>	<u>(317)</u>	<u>2,986</u>	<u>(1,331)</u>
Credit (charge) for income and social contribution taxes before tax benefits	(1,226)	1,534	3,749	(4,810)
Tax benefits:				
Employee meal program (PAT)	<u>41</u>	<u>-</u>	<u>200</u>	<u>90</u>
Credit (charge) for income and social contribution taxes in the statement of income	<u>(1,184)</u>	<u>1,534</u>	<u>3,949</u>	<u>(4,720)</u>

7. PROPERTY, PLANT AND EQUIPMENT

	Annual depreciation rates - %	Company		Consolidated	
		2003	2002	2003	2002
Buildings and construction	4	55,872	55,846	113,691	90,455
Machinery and equipment	10 and 20	158,926	158,045	520,242	417,099
Industrial facilities	10	15,774	15,584	26,443	17,070
Furniture, fixtures and computer equipment	10 and 20	11,510	11,438	21,560	18,526
Vehicles	20	1,738	1,777	2,710	2,431
Other	10 and 20	<u>2,100</u>	<u>1,844</u>	<u>8,209</u>	<u>5,349</u>
		245,920	244,534	692,855	550,930
Accumulated depreciation		(139,964)	(127,640)	(379,222)	(234,374)
Land		20,915	20,915	30,186	26,566
Construction in progress		2,069	1,549	5,676	8,706
Advances to suppliers		<u>51</u>	<u>51</u>	<u>196</u>	<u>157</u>
		<u>128,991</u>	<u>139,409</u>	<u>349,691</u>	<u>351,985</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 valuations prepared by independent appraisers, the offset of which was recorded in a specific caption in shareholders' equity, net of income and social contribution taxes.

The balance of the revaluation increment of the Company's property items as of December 31, 2003 is R\$35,334 (R\$36,830 in 2002).

8. DEFERRED CHARGES

	Company		Consolidated	
	2003	2002	2003	2002
Goodwill on acquisition of merged investment	-	-	30,655	-
Installation of systems	3,303	3,303	3,898	3,898
Preoperating costs	3,052	3,052	15,176	13,805
Other	<u>7,982</u>	<u>7,982</u>	<u>17,001</u>	<u>17,001</u>
	14,337	14,337	66,730	34,704
Accumulated amortization	(11,289)	(9,557)	(41,379)	(16,876)
	<u>3,048</u>	<u>4,780</u>	<u>25,351</u>	<u>17,828</u>

The amount of R\$30,655 refers to goodwill calculated upon the acquisition of the investment, by Curwood Itap Ltda., of Viskase Ltda.'s equity control on August 31, 2000, recognized by the subsidiary Itap Bemis Ltda. after the merger commented on in Note 5.1.b). This goodwill is being amortized on a straight-line basis over a period of five years, based on expected future results, supported by an appraisal report prepared by a specialized company.

9. LOANS AND FINANCING

<u>Financial institution</u>	<u>Financial charges</u>	<u>Amortization</u>	<u>Final maturity</u>	<u>Short term</u>	<u>Long term</u>
Company:					
BNDES	TJLP (**) + 3.5% to 4% p.y.	Monthly	May 2005	8,388	255
FINIMP	Exchange rate change + LIBOR + 1% to 3% p.y.	Annual	January 2004	2,034	-
Working capital	5.8% p.y.	End of agreement	Mach 2004	2,166	-
Other (*)	Exchange rate change + 6% to 6.5% p.y.	Semiannual	April 2007	1,365	29,103
Eurobond interest	See Note 10	Semiannual	March 2005	779	-
Compror operations	103.5% of CDI p.m.	End of agreement	December 2004	11,199	-
Accrued losses on financial instruments (Note 17)				<u>1,973</u>	<u>-</u>
Total Company				<u>27,904</u>	<u>29,358</u>
Subsidiaries:					
Itap Bemis Ltda.:					
BNDES	TJLP + 4% p.y.	Monthly	July 2006	5,033	2,407
Dixie Toga International Ltd.:					
Credit line	Exchange rate change + 8% p.y.	Semiannual	February 2004	14,863	-
Insit Embalagens Ltda.:					
BNDES	TJLP + 4.7% p.y.	Quarterly	September 2007	1,423	3,785
EDC loan	Exchange rate change + LIBOR + 4.25% p.y.	Semiannual	December 2007	6,637	8,307
Dixie Toga Nordeste S.A.:					
FINIMP	Exchange rate change + LIBOR + 1% to 2% p.y.	Annual	June 2004	2,473	-
BNDES	TJLP + 4% p.y.	Quarterly	May 2005	949	2,715
Accrued losses on financial instruments (Note 17)				761	-
Laminor S.A.:					
Compror operations	109% of the CDI monthly rate	End of agreement	December 2004	6,042	-
Working capital	107% of CDI or CDI + 0.15% to 0.25% p.m.	End of agreement	June 2004	2,700	-
FINIMP	Exchange rate change (US\$) + LIBOR + 0.25% p.y. + 2.72% commission p.y.	Annual	September 2004	1,350	-
Prepayment operation	Exchange rate change (US\$) + LIBOR + 3% p.y.	Quarterly	December 2006	10	5,779
Accrued losses on financial instruments (Note 17)				21	-
American Plast S.A.:					
IFC	LIBOR + 4% p.y.	Semiannual	November 2005	5,802	5,778
Other	Various	Monthly	Various	<u>5,754</u>	<u>634</u>
Total consolidated				<u>81,722</u>	<u>58,763</u>

(*) This balance is substantially comprised by the loan agreement signed in 2002 with Banco do Brasil S.A., in the amount of US\$10,000,000 (equivalent to R\$28,892 as of December 31, 2003), maturing in April 2007, subject to LIBOR plus 5% per year, payable quarterly starting from the date of disbursement, containing restrictive clauses including, among other limitations, indebtedness level, sale, assignment, transfer, or lease of substantial assets and transactions with subsidiaries and affiliates.

(**) Brazilian long-term interest rate.

Loans and financing are secured by fiduciary lien on machinery and equipment and/or 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\$222,468 as of December 31, 2003 and R\$272,064 as of December 31, 2002) maturing in March 2009 (the original maturity, March 2005, was extended to 2009, with the approval of the majority of the bond holders; however, the right of redemption may be exercised in 2005), subject to annual interest of 9.5625%, payable semiannually starting September 1997. These bonds contain restrictive clauses 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 affiliated companies.

In March 2003, upon the approval of the majority of their holders, these bonds were divided into two categories, in accordance with their 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.

In 2002 and throughout 2003, Dixie Toga International Ltd. made a partial purchase of the above-mentioned eurobonds, which were held in treasury. Consequently, as of December 31, 2003, the subsidiary has in treasury R\$194,790, equivalent to US\$67,420,000 of these bonds. As the best form of presentation to the market, Dixie Toga International Ltd.'s bonds held in treasury 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 Itap Bemis Ltda. participate in a productive investment support program - Paraná More Employment (later replaced by the Paraná Development Program - PRODEPAR), 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 restatement index (FCA), started in 2003 for the Company and will begin in 2004 for Itap Bemis Ltda.

As of December 31, 2003, the balance payable to this Program is R\$31,827 (Company) and R\$89,315 (consolidated), of which R\$1,051 is recorded in consolidated current liabilities under "Taxes payable" and R\$88,264 is 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 before 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\$20,884 (R\$17,449 in 2002) and R\$31,676 (R\$25,703 in 2002) in the consolidated balance sheets as of December 31, 2003, to cover any possible losses resulting from an adverse final decision on these lawsuits, summarized as follows:

	<u>Company</u>		<u>Consolidated</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Nature of the contingency:				
Tax (a)	18,511	16,205	26,616	22,688
Labor/civil (b)	<u>2,373</u>	<u>1,244</u>	<u>5,060</u>	<u>3,015</u>
	<u>20,884</u>	<u>17,449</u>	<u>31,676</u>	<u>25,703</u>

- (a) Ordinary proceeding through which the Company and its subsidiaries legally question the system introduced by Law No. 9,718/98, 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.

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

13. CAPITAL STOCK

a) Capital and type of shares

As of December 31, 2003, the subscribed and paid-up capital is composed of 300,341,433 registered shares without par value (309,801,433 shares as of December 31, 2002), of which 191,100,116 are common shares (same number as of December 31, 2002) and 109,241,317 are preferred shares (118,701,317 shares as of December 31, 2002). Authorized capital as of December 31, 2003 and 2002 is limited to R\$600,000.

b) Treasury shares

The Company maintains a policy initiated in 1996 consisting in acquiring its own shares that do not reach the 10% limit in accordance with CVM Instruction No. 10/80 and its amendment as per CVM Instruction No. 268/97. In 2003, the Company purchased in the stock market 10,480,000 preferred shares of its own capital, in the amount of R\$8,122, which were held in treasury. On November 20, 2003, a Board of Directors' meeting approved the cancellation of 9,460,000 preferred shares, in the amount of R\$7,153, which the Company held in treasury. Thus, as of December 31, 2003, the Company holds in treasury 1,020,000 preferred shares.

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 indexation and capitalization of income reserves, on an equal basis with the common shares.

Dividends for 2003 were calculated based on statutory income, as shown below:

Net income	35,248
Legal reserve	(1,762)
Net effect of realization of revaluation reserve	<u>1,926</u>
Net income available	<u>35,412</u>
Minimum mandatory dividends (25% of the calculation basis)	<u>8,853</u>
Total dividends	<u>8,853</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, 2003, in the amount of R\$26,559, is being transferred, as proposed by management, to the "Income 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").

On April 30, 2003, the Annual Shareholders' Meeting approved a change in management's proposal to distribute dividends presented in the financial statements as of December 31, 2002. The proposed amount was R\$3,945, and the approved amount was R\$4,873. Consequently, the amount allocated to the "Income reserve" account was reduced from R\$9,979 to R\$9,051.

15. RESTRUCTURING EXPENSES

In continuation of the internal restructuring process aimed at increasing productivity, reducing costs and improving the efficiency of its production and administrative processes started in 2001, in 2003, the Company incurred expenses amounting to R\$549 (R\$2,220 - Company and R\$3,330 - consolidated in 2002), for severance pay in connection with personnel reductions.

16. PROFIT SHARING

During the year ended December 31, 2003, the Company and its subsidiaries recognized a provision for profit sharing of R\$747 (R\$1,431 - Company in 2002) and R\$3,023 (R\$3,513 - consolidated in 2002), partially paid in 2003, R\$385 (Company) and R\$1,743 (consolidated). The remaining balances are payable to employees. This profit sharing was defined based on indicators and operating performance goals, and is not linked to the results of operations reported by the Company and its subsidiaries.

17. FINANCIAL INSTRUMENTS

a) Risk management

Company

As of December 31, 2003, the Company had financial instruments for interest rate and exchange rate swaps and forward contracts for the purchase of foreign currency in order to protect all of its assets and liabilities against exchange rate risks, consisting of the following operations:

- Swap contracts, which ensured the exchange rate change plus 4.82% (on average) ensuring total change in interbank deposit rates (CDI).
- Contracts for the future purchase of currency (U.S. dollar), equivalent to US\$31,500,000, aimed principally at protecting part of its liabilities in foreign currency.

These operations generated gains for the Company in the amount of R\$414 as of December 31, 2003; the portion related to swap contracts, in the amount of R\$1,973, is recorded as an offset under the "Loans and financing" caption and the portion related to contracts for the future purchase of currency, in the amount of R\$2,387, is recorded under the "Other receivables" caption in the balance sheet.

Subsidiaries

For the same purpose, Dixie Toga Nordeste S.A. and Laminor S.A. performed swap operations that ensured exchange rate change plus 8.02% per year (on average), ensuring total change in CDI. These operations generated losses to the subsidiaries in the total amount of R\$782, recorded under "Loans and financing" in the consolidated financial statements (see Note 9).

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 - exchange variation exposure

The indebtedness and 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 to contract financial instruments as previously described.

The exchange variation exposure above is backed by contracts for future purchase of U.S. dollars, as follows:

	<u>2003</u>	
	<u>Company</u>	<u>Consolidated</u>
Assets:		
Financial assets	93	229,342
Accounts receivable	1,443	14,872
Investments	193,714	-
Other assets	<u>9,279</u>	<u>1,738</u>
	<u>204,529</u>	<u>245,952</u>
Liabilities:		
Loans and financing	(33,227)	(70,115)
Suppliers	(10,544)	(30,448)
Eurobonds	<u>(223,248)</u>	<u>(223,248)</u>
	<u>(267,019)</u>	<u>(323,811)</u>
Liabilities, net - R\$	<u>(62,490)</u>	<u>(77,859)</u>
Liabilities, net - equivalent to US\$	<u>(21,629)</u>	<u>(26,948)</u>

The exchange variation exposure above is backed by contracts for future purchase of U.S. dollars.

d) Temporary cash investments

The Company and its subsidiaries are subject to credit risk related to their investments. This risk is mitigated by the policy of investing available funds only with first-line financial institutions. As of December 31, 2003, the balance of investments in local and foreign currencies, for Company and consolidated, refers to investments in fixed-income securities, as follows:

	2003		2002	
	<u>Company</u>	<u>Consolidated</u>	<u>Company</u>	<u>Consolidated</u>
Bank deposit rate - CDB	-	60,974	827	9,667
In US\$	93	34,552	110,810	266,594
Demand deposit interest- -bearing accounts in the country and abroad (pledge)	-	-	-	6,129
Central Bank notes - NBC-E	<u>-</u>	<u>-</u>	<u>1,439</u>	<u>7,273</u>
	<u>93</u>	<u>95,526</u>	<u>113,076</u>	<u>289,663</u>

e) Estimated market values

For the other financial instruments, there are no significant differences between the market values and the amounts shown in the financial statements as of December 31, 2003, Company and consolidated, originating from transactions involving financial instruments as of that date, that would require specific disclosure.

18. INSURANCE

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