

MANAGEMENT REPORT

FOR THE FIRST QUARTER OF 2010

1. SCENARIO AND PROSPECTS

Economic indicators published for the manufacturing and commerce sector showed that the Brazilian economy continued to grow in the first quarter of 2010. Compared to the first quarter of 2009, the Brazilian chemical industry's production grew 16%, exports 43%, imports 38% and domestic market sales around 16%.

Despite this favourable scenario, the worldwide chemical industry and consequently the local chemical industry are in a down cycle after a period of large investments, with average prices and margins lower than those reported before the start of the down cycle and the recent financial crisis. In addition, the ethylene and propylene production areas are shifting to new large plants in the Middle East and China and the effects of such shift on the industry's prices and margins have not yet been measured.

The average price index in the first quarter of 2010 for the main intermediary chemical products sold in the Brazilian market showed a positive variation of 2.4%, though slightly negative in certain specific segments as compared to the same period of 2009.

Elekeiroz's business prospects for 2010 are positive, with economies in Asian continuing to expand and the civil construction, automotive and other consumer goods segments in Brazil maintaining strong performance.

2. COMPANY'S OPERATIONS

The physical shipment of products was 110.9 thousand t in the first quarter of 2010, up 31% from the same period of 2009 and down 11% from 2008, indicating that the Company has not yet returned to pre-crisis levels, especially of inorganic and resale products.

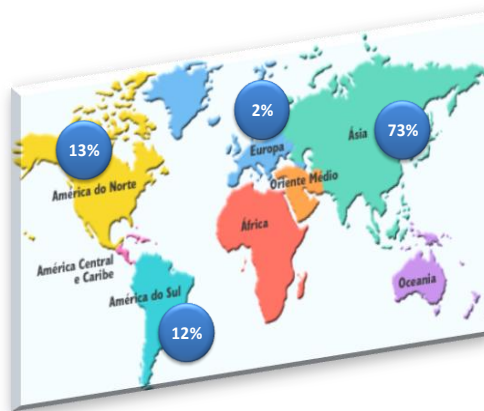
The shipment of organic products was 62.4 thousand t, up 30% from 2009 and down only 1% from 2008. The shipment of inorganic and resale products was 48.4 thousand t, up 32% from the same period of 2009 and down 21% from 2008.

Shipments (thousand t)	1Q10	1Q09	1Q08
Organic products	62,4	47,9	63,2
Inorganic and resale products	48,4	36,6	61,2
Total	110,9	84,5	124,5

3. PERFORMANCE IN THE PERIOD

Gross revenue was R\$ 249.0 million and net revenue was R\$ 205.3 million in the first quarter of 2010, up 56% and 59%, respectively, from the first quarter of 2009, but down 13% and 10% from the same period of 2008.

Exports to 20 countries totalled R\$ 53.0 million, a significant increase of 122% from the first quarter of 2009 and 60% from 2008, even with an unfavourable exchange rate. Exports accounted for 26%, 18% and 14% of the Company's net sales in the first quarter of 2010, first quarter of 2009 and 2008, respectively, and have been made principally to Asian countries.



Gross income was R\$ 30.7 million (R\$ 9.0 million in 2009 and R\$ 55.0 million in 2008) and net income was R\$ 6.7 million (loss of R\$ 19.2 million in the same period of 2009 and income of R\$ 26.0 million in 2008). The improvement of the operational performance was also shown by EBITDA that was positive R\$ 16.4 million (negative R\$ 47.3 million in the first quarter of 2009, when there was a significant inventory adjustment to the market in crisis and positive R\$ 41.3 million in 2008).

4. CAPITAL MARKET

The price of preferred shares (ELEK4) with the highest liquidity traded on BM&FBovespa ended the quarter at R\$ 14.50. The market value of the Company based on this price is R\$ 457 million.

5. STRATEGIC MANAGEMENT AND SUSTAINABILITY

Investments of R\$ 3.1 million have been channelled into productivity improvement, installations maintenance, employee safety and environmental preservation programs.

In an event that occurred in April after the close of the quarter, Elekeiroz was awarded with first place in the 5th FIESP Water Conservation and Reuse Award. The Company implemented three projects for collection of water from Jundiá River, reduction in effluent discharges and rainwater catchment, with a reduction of 18,600 m³/year in collection, 16,800 m³/year in effluent discharges and reuse of 1,800 m³/year of rainwater.

The Company has signed up to Responsible Care, an initiative developed by the International Council of Chemical Associations and managed in Brazil by ABIQUIM.

6. HUMAN RESOURCES

At the end of the first quarter of 2010 the Company employed 686 persons. An amount of R\$ 14.9 million has been expended by the Company in the quarter to pay salaries, payroll-related charges, meal vouchers, basket of staples, transportation, health care, insurance, supplemental pension plan and training (11,094 hours).

7. CVM INSTRUCTION No. 381

In the first quarter of 2010 BDO Auditores Independentes has provided solely audit services for the Company.

8. ACKNOWLEDGMENTS

Management is grateful to the shareholders for their confidence in its business strategy and to the employees, customers, suppliers and financial institutions for their support that helped the Company to achieve the results that point to a recovery of the economic performance of the Company that was strongly hit by the global financial crisis in 2009.

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