

Suzano Petroquímica S.A.

*Financial Statements for the years ended
December 31, 2004 and 2003
together with the Management Report on
Performance and the Report of Independent
Auditors*

Deloitte Touche Tohmatsu Auditores Independentes

Management Report on Performance

Dear shareholders:

The management of Suzano Petroquímica is submitting to you the management report and the corresponding financial statements together with the report of independent public accountants.

MESSAGE FROM MANAGEMENT

Besides completing 30 years of history, during 2004 Suzano Petroquímica defined the path for the materialization of its true strategic goal: it is naturally gifted to become one of the two private Brazilian companies of the petrochemical industry with the highest net income and profitability, based on the production of thermoplastic resins in the Southeast region, being differentiated for a set of world class assets, a managing model committed to the challenge of anticipating trends, and a network of quality partnerships created to generate value for all its shareholders and remaining stakeholders.

In light of the recent consolidation activity in the industry, which signaled the dominance by two or three major players in the near future, Suzano Petroquímica has proposed to take a clearly active attitude, towards the goal of being part of this group of companies. To face the likely corporate structure adjustments and acquisitions that will be necessary, it has chosen the capital markets as its major ally and started a re-positioning in the Brazilian stock exchange (BOVESPA).

An important step in this direction was taken in December, when a primary and secondary public offering of preferred shares was performed. As a result of this offering the free float of the Company reached 27% of the total capital, the stock liquidity increased, becoming one of the 100 most negotiated stocks of Bovespa (The São Paulo Stock Exchange), which resulted in its addition to the IBrX-100 index. Through this offering, we increased our shareholders base from approximately 790 to more than 6,000 shareholders.

Aiming at showing its long-term commitment with the capital markets, the Company listed its shares at Level 2 of Bovespa's differentiated practices of corporate governance, which establish rigid standards of corporate governance, and stated in its bylaws guarantees that go beyond the ones demanded by Bovespa and by the Brazilian legislation on corporations. With the increased liquidity of its shares and the best principles of corporate governance, Suzano Petroquímica offered a differentiated alternative for investment in the Brazilian petrochemical sector.

After a decade of depressed margins, one of the longest downturn cycles of the sector, the margins of petrochemical products have been showing again an ascending and promising curve (*fly-up*), forecasted to last until the beginning of 2007, helped by the demand recovery in the domestic market. In this environment, Suzano Petroquímica already shows remarkable results, reaching a record Consolidated EBITDA of R\$241 million in 2004, with margin of 15% when compared to 11.7% in 2003, despite the scenario of increased raw materials costs during 2004. Net income during 2004 amounted to R\$109.1 million, 45 times larger than 2003, as a result of the non-recurring effect of the appreciation of the local currency on the cash of Suzano Petroquímica Ltd. during 2003.

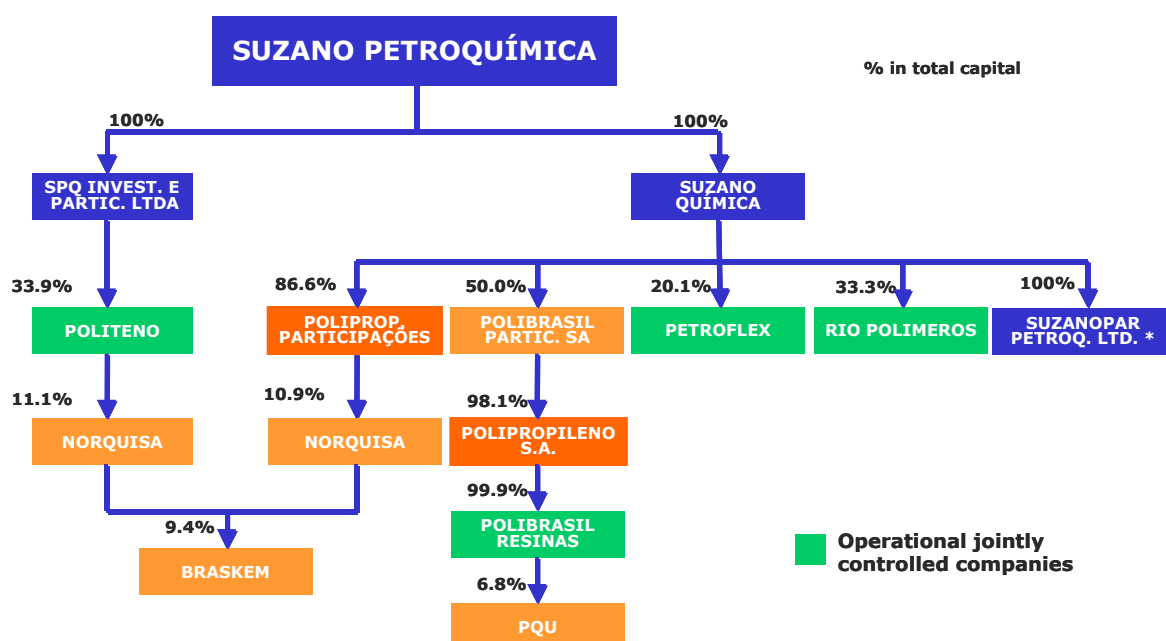
As from this year, the Company will reinforce its competitive advantages in the use of raw materials with the start-up of Riopol, forecasted to take place during the second quarter of 2005. Being the first company to use natural gas fractions to manufacture polyethylene, Riopol represents another innovative step towards the substitution of the traditional raw material in the Brazilian petrochemical chain, *naphtha*, which supply has been signaling a trend of progressive shortage in Brazil and worldwide.

With professional management supported by the strategic vision of its shareholders, excellence in corporate governance and long-term commitment with the capital markets, the Company moves towards positioning itself as a relevant player in the thermoplastic resin segment in the Southeast region of the country. Focused on world class assets, which are distinguished by innovative use of raw-material sources, modern technologies and privileged geographical location, the Company completed 3 decades of activity in the sector with the beginning of a new cycle in its history. A cycle marked by the leadership aspirations that will guide its path during the next years and inspired by trust-based relationships and principles of respect towards people and the environment, which have always accompanied the Suzano companies.

Armando Guedes Coelho
Chief Operating Officer

THE COMPANY

Suzano Petroquímica is a holding company with investments in the petrochemical industry. It was constituted in September 2001 to consolidate the petrochemical assets previously held by Suzano Bahia Sul Papel e Celulose S.A. (formerly Companhia Suzano de Papel e Celulose). Currently, it participates at some of the main intermediate resin producers in Brazilian petrochemical sector. By means of its jointly-controlled companies Polibrasil, Rio Polímeros (Riopol), Politeno and Petroflex, the Company produces, sells and distributes petrochemical products.



* Suzanopar: Company headquartered Overseas which funds are mainly applied in Riopol.

Its jointly-controlled companies produce polyethylene (Politeno and, in the future, Riopol), polypropylene (Polibrasil) and synthetic elastomers (Petroflex) and distribute them in both domestic and foreign markets.

Polibrasil has three polypropylene facilities – Mauá (State of São Paulo), Duque de Caxias (State of Rio de Janeiro) and Camaçari (State of Bahia), with total production capacity of 625 thousand tons per year. The Camaçari facility also has a compounds unit, with production capacity of 25 thousand tons per year.

It is forecasted for the second quarter of 2005 the start-up of the Gas-Chemical Production Complex of Rio de Janeiro (Riopol), the first petrochemical complex based on natural gas fractions, with fully integrated production units of ethylene and polyethylene. The initial production capacity will be 540 thousand tons, being the biggest single-facility producer of polyethylene in Brazil.

Politeno has two polyethylene units in Camaçari (BA) with total capacity of 360 thousand tons per year. Petroflex has three synthetic elastomer facilities located in Duque de Caxias (RJ), Triunfo (RS) and Cabo de Santo Agostinho (PE) with total capacity of 411 thousand tons per year.

2004 HIGHLIGHTS

Strategic Positioning

The recurring concern of Suzano Petroquímica for anticipating trends in the sector is the main feature of its management which has been crucial to reach the remarkable position currently held in the Brazilian petrochemical sector.

Keeping its firm commitment to the challenge of anticipating, before its competitors, the major trends in the petrochemical industry, during 2004 Suzano Petroquímica completed its strategic planning for the 2005-2015 period, having ratified its main guidelines which prioritize the activity with thermoplastic resins in the Southeast region by means of the active participation in the management of jointly-controlled companies, in such a way to assure they become globally competitive, market leaders and to show the following competitive differentials: (i) access to the most modern technologies; (ii) world class facilities; (iii) location near the main market and; (iv) assured access to competitive raw materials.

As a result of the strategic planning process, we formalized our mission, vision and values:

✓ Mission:

To be distinguished as one of the most profitable private Brazilian companies in the petrochemical sector, acting preferably with thermoplastic resins in the Southeast region and consolidating the influence on the management of jointly-controlled companies.

To have as management principles:

- Strategic anticipation ability
- Corporate governance
- Social and environmental responsibility

✓ Vision 2015:

Suzano Petroquímica

It will be one of the two private Brazilian companies of the petrochemical industry with the biggest profit and profitability, based on the production of thermoplastic resins in the Southeast region.

Our Management Model

Recognized for the strategic anticipation in the management of its jointly-controlled companies and for the quality of its partnerships, aiming to maximize enterprise value for shareholders.

Jointly Controlled Companies

They will be market leaders in their segments, having as competitive differentials:

- access to the most modern technologies
- world-class facilities
- location near to the main consumer market
- assured access to competitive raw materials

✓ Values:

- Entrepreneurship: being capable of “making things happen” and assuming risks, innovating to establish competitive advantage.
- Excellence: to look always for the best and for the individual and collective overcoming, related both to attitude and results.
- Quality Relationships: stimulate an effective culture of transparency with all stakeholders, by means of trust-based relationships, which can last despite difficulties and mistakes among the parties.
- Accountability: acknowledgement and reward based on merit and non admission of poor performance.
- Passion: stimulate a culture in which employees have a high degree of commitment and pride, feeling as an integral part of the company and its results.

Suzano Petroquímica confirmed during this recent planning process its strategic goal to become an active player in the industry, willing to consolidate itself as a leader in the Brazilian market, by means of the participation in new investments and acting committed to the necessary restructuring of the petrochemical industry.

Given the complex ownership structure of the companies of the Brazilian petrochemical sector, and its firm purpose of participating of this process, Suzano Petroquímica, which participates in the main petrochemical assets of the Southeast region, may materialize the sale of the ownership interests in its jointly controlled companies or acquisitions of additional participation on the capital of these companies and/or other companies it does not participate currently, as well as investments in new projects, by means of strategic partnerships as well.

This consolidation process might involve several assets and lines of business, reason why Suzano Petroquímica has identified the capital market as the main ally for the materialization of its strategic goals. Sure of the importance of a realignment of its action in the capital markets, by the end of 2004 Suzano Petroquímica implemented an important re-positioning by means of the public primary and secondary offering of preferred shares, aligning its stakeholders' interests and increasing its shareholder base by more than 7 times.

Corporate Governance

Suzano Petroquímica is a Company committed to reaching and maintaining high standards of corporate governance. On November 22, 2004, it joined the Level 2 of Bovespa's differentiated practices of corporate governance, after including in its bylaws the requirements of this special listing segment and others that go beyond what is required in this level by the stock exchange (Bovespa).

Among the Level 2 requirements:

- ✓ Tag along of 80%: granting to all shareholders the right of being included in a public offering for the alienation of voting control for an amount equivalent to 80% of the price paid for shares pertaining to the voting-control group (superior to the 70% required by Level 2 listing);
- ✓ Granting of voting rights to owners of preferred shares in subjects which involves the transformation of the Company, merger, spin-off, agreements with voting-control shareholders, and other situations that signal potential conflicts of interest;
- ✓ Compulsory public offering for acquisition of shares in case the Company makes the cancellation of the Level 2 listing. In this case, the acquisition price will be determined by an independent appraiser;
- ✓ Presentation of financial statements in accordance with IFRS or US GAAP;
- ✓ Adherence to the Bovespa's chamber of arbitration.

In addition to observing the requirements of the Level 2 listing, Suzano Petroquímica offers other benefits to non-controlling shareholders, such as:

- ✓ Payment of minimum dividends equivalent to 30% of adjustment net income to all shareholders, including preferred shares - higher than the proportion established in the corporate law (25%);
- ✓ Right to elect one member of the Board of Directors, in segregated election polls, by owners of preferred shares who represent 10% of total capital, already at the 2005 General Shareholders Meeting – without the requirement of choosing a director from the three-name listing to be presented by the voting-control shareholders, as required by the corporate law;
- ✓ Installation of a permanent Fiscal Committee.

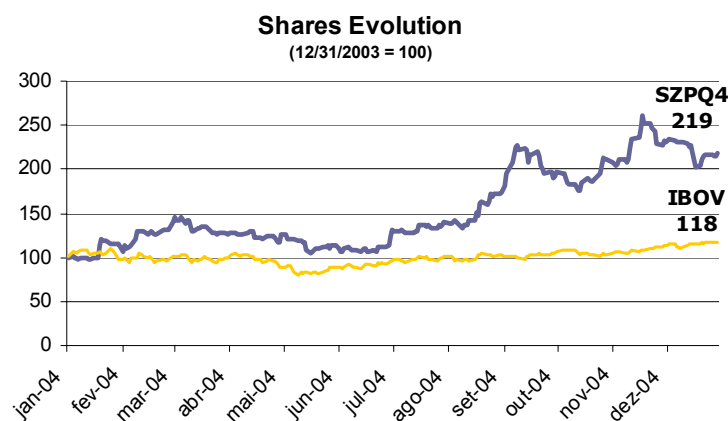
Re-positioning in the Capital Markets

The capital market was chosen as the source of funding for the growth of Suzano's companies, operating in segments which require heavy investments. At Suzano Petroquímica, the capital markets assumed a relevant role in its strategy as from 2004, when it adopted a more active attitude towards strengthening our distinguished position among the main groups in the industry. Suzano Petroquímica believes that reaching this objective involves, among other factors, the increase in the dispersion of its capital shares in the market, including individuals and other non-institutional investors; the increase in liquidity of its shares, in such a way we will be included in relevant stock indices; and the adoption and maintenance of modern practices of corporate governance. During 2004, some measures were adopted to increase the transparency of the Company and improve its practices of relationship with investors.

In December 2004, a public primary and secondary distribution of preferred shares was performed in the domestic market, with sales efforts abroad. In this offering, 30.8 million preferred shares were distributed, being 5.5 million primary, 6 million owned by Previ (pension plan of employees of Banco do Brasil) and 19.3 million owned by Suzano Holding. The price of the offering was R\$5.80 per share, amounting to R\$178,640 thousand.

As the main results of this re-positioning, and after the closing of the equity offering, the Company reached important milestones which prove that we are going in the planned direction. Among these results, we can highlight:

- ✓ Increase in the shareholders base, from approximately 790 shareholders in 2003 to more than 6,000 as of December 31, 2004. The quantity of individual shareholders increased by 680%, reaching more than 5,500 shareholders, and foreign shareholders increasing by more than 175%;
- ✓ Its free float increased from 17% to 27% of total capital;
- ✓ The average amount of daily financial trade volume at Bovespa increased from R\$104 thousand in 2003 to R\$ 641.9 thousand in 2004, and during the last quarter this average evolved to R\$ 2,039 thousand. The average number of deals increased from 7.4 per day in 2003 to 46.7 in 2004. The Company expects a larger advance of this average indicator during 2005; and
- ✓ As from January 2005, Suzano Petroquímica became one of the shares of IBrX100, occupying the 75th place, and of IBVX-2 in the 45th place.



During 2004, the share price appreciated by 119%, as a result of the new position in the market, in addition to the positive results of its jointly-controlled companies and to the favorable perspective for the sector, which is at the beginning of a high margins cycle.

INDUSTRY SCENARIO AND ECONOMIC CONTEXT

The good performance of the Brazilian economy during 2004, better than expectations, reflected mainly the tight fiscal policies and the control of inflation. Taking 2004 as a whole, domestic and international petrochemical companies experienced the beginning of the upturn cycle of the petrochemical industry, or pre fly-up, generating an overall increase in prices and margins, despite the increase in raw-material prices resulting mainly from the escalation of oil prices. The worldwide offer of petrochemical products has not kept pace with demand and, as a result, prices have been posing considerable increases.

Analyzing the domestic market, the first months of 2004 were marked by a small increment in thermoplastics sales volume, generated by the good performance in Brazilian exports and agri-business. During the second and third quarters, there has been a recovery in the domestic market, with increase in prices and margins, particularly because of the products used by the manufacturing of vehicles, packaging, food and shoes. The last quarter was influenced by the seasonality typical of the petrochemical industry, the elevated inventories of transformers and the postponement of their purchases resulting from the drop in the oil price, causing reductions in domestic sales volume, increase in exports and price reduction.

Preliminary data from ABIQUIM indicates for 2004 an expansion of apparent consumption of thermoplastic resins of 12% in the domestic market, in relation to 2003, a highly positive perspective if compared to the 3.7% retraction from 2002 to 2003. Taking into account the different families products with which Suzano Petroquímica is engaged, the estimated consumption growth for 2004 is 12% for polyethylene and EVA, 11% for polypropylene and 18% synthetic rubber.

The recovery of the domestic economy occurred in 2004 shall contribute significantly to leverage the activity in 2005, resulting in petrochemical products demand growth, especially for thermoplastic resins which show a strong correlation to GDP. In addition to the positive moment in the domestic scenario, 2005 will be also influenced by the beginning of the “fly-up”, which is the period of increase in margins of the cycle in the petrochemical industry, as a result of the imbalances between supply and demand.

It is expected that the upturn cycle of the worldwide petrochemical industry will last longer than the previous cycle, finishing in 2007, when the new production capacity shall be starting-up (mainly in the Middle East). The constraints in the investments in the industry that took place in the last years contributed to the worldwide offer of petrochemical products to be well below demand (influenced by the return of worldwide economic growth), generating an expectation of enlargement of the upturn cycle and maintenance of margins higher than historic levels even after 2007.

Suzano Petroquímica expects to capture through its jointly-controlled companies this positive moment for the industry, specially in the thermoplastic segment, together with Riopol start-up in the second quarter of this year, and the de-bottlenecking projects already approved by Polibrasil.

ANALYSIS OF 2004 PERFORMANCE

The Company's Performance

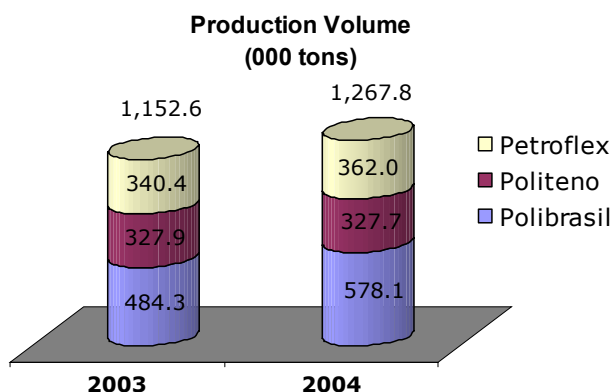
The company closed 2004 with shareholders' equity of R\$956 million, total assets of R\$1.0 billion and gross debt of R\$13 million. Parent company net income amounted to R\$109.1 million, being 46 times 2003's as a result of the increase in equity pick-up from jointly-controlled companies, which amounted to R\$128.0 million in 2004, as stated below:

	<u>% Share on Capital</u>	<u>Equity Pick-up (R\$ million)</u>
Total equity pick-up		<u>128.0</u>
Through SPQ Investimentos e Participações Ltda.		<u>44.4</u>
SPQ investimentos e Participações Ltda.	100.0%	(0.7)
Politeno Indústria e Comércio S.A.	33.9%	45.1
Through Suzano Química Ltda.		<u>83.6</u>
Suzano Química Ltda.	100.0%	(1.9)
Polipropileno Participações S.A.	86.6%	(0.5)
Polibrasil Participações S.A.	50.0%	68.1
Petroflex Indústria e Comércio S.A.	20.1%	20.4
Rio Polímeros S.A.	33.3%	0.4
Suzanopar Petroquímica Ltd.	100.0%	(2.9)

Consolidated Performance

Production and Sales

Production levels of the jointly controlled companies of Suzano Petroquímica reached 1,267.8 thousand tons during 2004, being 578.1 thousand tons of polypropylene, manufactured by Polibrasil, 327.7 thousand tons of polyethylene, manufactured by Politeno and 362.0 thousand tons of synthetic elastomers, manufactured by Petroflex. This production level was 10% higher than 2003's, mainly explained by the production growth of Polibrasil, which in 2004 had its first full year of operation of its new plant in Mauá.

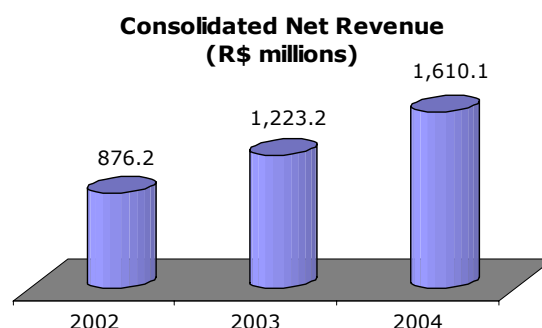


Suzano Petroquímica's jointly controlled companies have maintained a high degree of utilization of installed capacity, reflecting the growth in demand for petrochemical products, accompanying the increase in domestic economic activity.

During 2004, the commercial performance of jointly controlled companies was also distinguished. Polibrasil reached sales volume of 568.8 thousand tons in 2004, an increase of 20.2% in relation to the previous year, while production increased by 19.4%. This increase, both of production levels and sales volume resulted mainly from the new plant in Mauá, which had its first full year of operation in 2004. Riopol also continued to develop its pre-marketing program, with sales volume of 45.5 thousand tons, 137.8% above 2003's sales. Petroflex reached sales volume of 363 thousand tons, 6.1% higher than in 2003. Only Politenó had a small reduction in sales volume, 1% less than 2003.

Net Revenues

During 2004, Suzano Petroquímica had record net consolidated operating revenues of R\$1,610.1 million, 31.6% higher than 2003's. This increase was mainly resulted from increases in prices of thermoplastic resins and elastomers during 2004, coupled with larger sales volume of both Polibrasil and Petroflex.



Cost of Sales

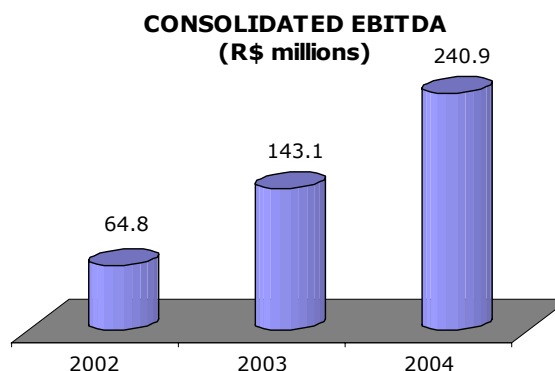
During 2004, consolidated cost of sales increased by 24.5% in relation to 2003, reaching R\$1,268.6 million. This increase is explained mainly by the increase in cost of raw materials and, in a lesser degree, by the sales volume.

At Polibrasil, cost of sales increased by 29.5% during 2004 as a result of the approximately 20% increase in propylene prices, coupled with a 15% growth in sales volume. Politenó showed cost of sales 15.5% higher than 2003's, also caused by the increase of approximately 48% in ethylene prices, which is the main raw material for the production of polyethylene. Petroflex also had its cost of sales affected by the increase in prices of raw materials, increasing by 10% in relation to the prior year. The raw material that posed the highest increase (in US dollars) was styrene with 34%, followed by acrylonitrile with 13% and butadiene with 2%.

The increase in costs of raw materials in the petrochemical industry is related in general to the price increases of petrochemical naphtha, which price is connected to the increase of oil prices in international markets.

Ebitda

During 2004, the Company reached record consolidated Ebitda of R\$ 240.9 million, a 68.3% increase in relation to 2003's, as result mainly from the margin increase during 2004 and, in a lesser degree, from the increase in our jointly controlled companies sales volume. Such margin increase was a result of a combination of factors: the results coming from the investments of our jointly controlled companies in manufacturing modernization and expansion of capacity, the increase in prices of products sold which all together surpassed the increase in prices of raw materials (spread increase) and the improvement in the sales mix of our jointly controlled companies.



Net Financial Results

During 2004, consolidated net financial results of Suzano Petroquímica were negative by R\$ 27.8 million, when compared to a negative result of R\$ 69.6 million in 2003, mainly as a result of the smaller volume of US-dollar denominated funds by the subsidiary Suzanopar Petroquímica Ltd. applied abroad, suffering a smaller impact of the appreciation of the local currency in relation to other currencies during the year.

Net Income

In 2004 net income amounted to R\$ 109.1 million, 4,373.2% higher than 2003's, again explained by the non-recurring effect of the appreciation of the local currency on the US-dollar denominated funds of Suzanopar Petroquímica Ltd. during 2003, besides the improvement in the jointly controlled companies results.

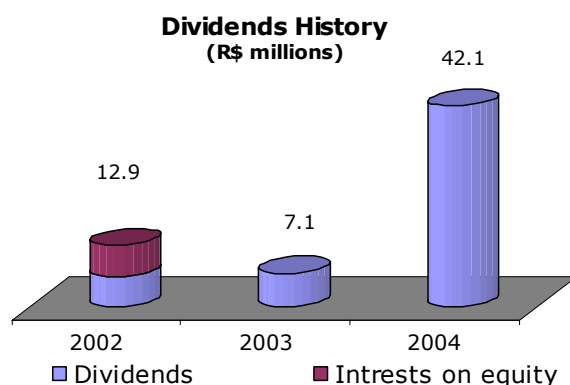
Net Debt

Net consolidated debt as of December 31, 2004 reached R\$ 578.6 million, reduced by 9.2% when compared with the net debt of R\$ 637.0 million as of September 30, 2004, mainly as a result of the 6% reduction of net debt of Polibrasil, and the 18% reduction of net debt of Petroflex. On the other hand, net debt in 2004 was 8.8% higher than the net debt of R\$531.8 million in December 2003, as a result of 14.7% increase in Rio Polímeros debt resulting from the execution of its project, the increase in debt of Politeno, caused by a negative impact on cash from the accumulation of ICMS tax credits, and by the reduction of cash at Suzanopar Petroquímica Ltd. resulting from the capital contribution at Riopol during the last quarter. Net consolidated debt includes the acquisition of technology by Polibrasil.

The ratio between Net Debt and Consolidated Ebitda in December 2004 was 2.4, a 0.8 points reduction in relation to the same such ratio in September 2004, which was 3.2. In December 2003, this ratio was 3.7. It should be observed that this ratio is distorted by the fact that the consolidated debt of Riopol is incorporated without the corresponding cash generation resulting from its operations.

Remuneration of Shareholders

For the year ended December 31, 2004, management proposed the payment of dividends amounting to R\$28.1 million, on top of the dividends distributed in advance during the year (R\$14.0 million). Accordingly, 2004 dividends amount to R\$42.1 million, representing 41% of net income adjusted by the legal reserve. Total dividends correspond to R\$0.186 per preferred and common share.



RISKS AND CHALLENGES

Financial and Economic Risks

Credit Risk

Suzano Petroquímica's jointly controlled companies have sales policies subordinated to credit policies determined by its management, which are aimed at minimizing possible problems resulting from client non-payment. These policies involve careful selection of its clients' portfolio – taking into account their payment ability, differentiated credit criteria and dilution of sales among clients.

Exchange Risk

Suzano Petroquímica and its jointly controlled companies are exposed to several market risks, including exchange rates and interest rates variation. In relation to the exchange rate risk, their products are linked to international prices denominated in foreign currency resulting in a natural hedge against such risk.

In order to meet the equity contributions in US dollars by Suzano Petroquímica to the Riopol project, funds were maintained in an account abroad during the whole project with the aim of protecting our exposure to the fluctuation of the exchange rate. As from the start-up, Riopol will have approximately 25% of its net operating revenues generated by exports, through sales agreements already signed with traders, which will constitute a natural hedge to mitigate the effects of exchange rate variations.

Operational and Sector Risks

Raw Materials

Petrochemical naphtha is the major raw material of the petrochemical crackers in Brazil, being processed at Petrochemical Complexes and originating the raw material for the intermediate companies – the manufacturers of resins, rubber and intermediate products. The shortage of naphtha expected for the next following years becomes worrisome for the intermediate companies, threatening their expansion plans.

Riopol has an alternative and pioneering route in Brazil for the production of polyethylene: the use of natural gas fractions, which eliminates its dependence on naphtha. Polibrasil has also acted strongly on an alternative and pioneering route to obtain propylene: the use of refinery propylene resulting from the catalyst cracking. Approximately 40% of raw materials consumed by Polibrasil come from this source.

The use of alternative routes to naphtha represents a facilitating factor for Riopol and Polibrasil in their expansion projects. This has not happened with Petroflex and Politeno, being the latter dependent on a sole supplier of raw materials.

As in the case of petrochemical products in general, the cost of products of Suzanos's jointly controlled companies is strongly influenced by the price of its raw materials, which constitute the major portion of production costs.

The main raw materials of Petroflex, Politeno and Polibrasil are butadiene, ethylene and propylene, respectively, which prices are strongly connected to the oil price – as they are derived from that product. Historical data indicate that petrochemical companies present good profitability even in periods of oil high prices, as they are able to pass along the increases in the raw material prices their clients, keeping the margins of their products. Riopol has as principal raw materials ethane and propane produced from natural gas and, accordingly, their prices are sensible to the natural gas price variation.

Besides the relative protection of margins provided by market conditions, raw materials prices of some of our jointly controlled companies are subjected to margin sharing policies and some pricing conditions consider moving averages, helping to mitigate the effects of specific current increases in prices of raw materials.

Adverse Market Conditions

Adverse domestic market conditions might jeopardize the margin balance mentioned previously, resulting in difficulties for the jointly controlled companies to pass-through to their prices cost pressures caused by the increase of raw materials prices. These conditions might be caused by new entrants in the domestic market with competitive cost positions (integrated manufacturing), downturns in the petrochemical cycle and imports. As it relates to imports, the fragmentation of the transformation segment – purchasers of small quantities of products – and the high import duties and taxes work as a protection to the domestic producers of thermoplastic resins.

The petrochemical industry is cyclical, alternating periods of restricted supply with increases of prices and profit margins, and periods of increments of capacity, excess supply and prices and profit margins reduction. The periods of low prices coupled with an eventual increase in prices of raw materials might contribute substantially to margins reduction, despite the factors stressed above.

An integrated operation might strongly contribute to lower the production costs and to generate gains in competitiveness. Riopol, having been created with total integration between cracking and resin production, shows a relevant difference in the domestic market of polyethylene and a protection against other integrated competitors, a fact that does not take place with other domestic producers, which do not have full integration between those two steps in the petrochemical chain.

SOCIAL RESPONSIBILITY

Acting in partnership with the community to develop and honor the human being is a commitment of all Suzano companies. Several projects in this regard have been promoted by Suzano's jointly controlled companies, all aiming at assuring sustainable development and creating value for all stakeholders. Among these projects, we emphasize the following:

- Polibrasil: sponsoring of AACD (Association for Handicapped Children's Assistance) whose program aims the installation of a orthopedic shop which produces prosthesis, waistcoats and all kinds of accessories for rehabilitation of handicapped people; educational programs through the COFIC (Industrial Development Committee of Camaçari), aiming at elevating the quality of basic education and promoting the inclusion of extra curriculum subjects as a way of contributing to the full development of students; besides promoting community work, such as the "Pólo da Vida" program, which offers to the poor community of the region, services such as medical and dental assistance, legal services, examinations and lectures, as well as recreational activities for children, and the "Sport for Handicapped People", which aims to make the social inclusion of people with special needs by means of the training of sports such as swimming, gymnastics, yoga, etc.

- Petroflex: acts on the community by means of programs such as: “Portas Abertas” (Open Doors), aimed at stimulating educational, cultural and recreational activities; “Pequenos Empreendedores” (Little Entrepreneurs), which promotes the professional preparation for the labor force, in the community of Duque de Caxias, by means of technical courses certified by Sesi and Senai and recognized by the Federal Agency for Education; “Management and Improvement of Education Quality”, which aims at providing technical ability to teachers of public schools and assessment of the education quality; and “Luar de Dança” which permits to low-income communities of Duque de Caxias’ neighborhood the access to classes on classical and modern dance.

- Politenho: sponsoring of projects such as: “Creche Esperança”, which takes care of children who are between 3 and 6 years old and includes the participation of employees and service providers; “Ação Social” (Social Action), a partnership with Sesi and the County Administration of Camaçari and Rede Bahia, offers several public services such as mobile library, mobile dental and medical office and other mobile services for the population such as military listing, personal hygiene orientation, drug prevention, among others; and “Programs for the Improvement of Quality of Life” involving during 2004 several joint projects with institutions, government representatives and non-governmental organizations to materialize actions aimed at improving the quality of life of people such as the campaigns for vaccination against tropical diseases.

- Riopol: sponsoring of projects such as: “Crianças saudáveis, futuro saudável” (Healthy children, healthy future), developed by the NGO “INMED”, in association with the County Administration of Duque de Caxias, which aims at educating people, and treating and preventing child diseases and malnutrition in poor communities; “Hortas Comunitárias” (Communitarian Vegetable Garden) which involves students from public schools and their parents and aims at developing community vegetable gardens; “Preservação da Natureza Humana” (Human Nature Preservation), idealized by the NGO Pax-Internatural, which aims at creating conscience by the youth and teenagers as to the risks related to sexual practices; “Biblioteca Comunitária” (Communitarian Library), which is a mobile library circulating the regions of Duque de Caxias; and “Projeto Comunidade Escola” (Community School Project), which consists of training 40 school facilitators and 30 community facilitators who will act on the operation of the selective collection of solid waste (for recycling purposes).

The Company and the jointly controlled companies are committed to the manufacturing of petrochemicals with the least possible impact over natural resources and on the environment. Besides observing the Brazilian environmental regulation and the required standards (including international standards), the jointly controlled companies of Suzano Petroquímica monitor rigorously their several manufacturing processes.

The Company sponsors the Responsible Act Program, introduced in Brazil by ABIQUIM for the definition of excellence standards on environment, security and occupational health. All plants of jointly controlled subsidiaries possess the Environment Certificate NBR ISO 14001:1996.

INDEPENDENT AUDITORS

As from the second quarter of 2004, the financial statements of Suzano Petroquímica have been audited by Deloitte Touche Tohmatsu Auditores Independentes (DTT), who replaced KPMG Auditores Independentes.

During 2004, DTT has not provided any services not related to external auditing which corresponding fees would have represented more than the 5% limit of total fees, as defined by CVM Instruction #381/03.

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

Suzano Petroquímica S.A.

*Financial Statements for the Years Ended
December 31, 2004 and 2003 Together
with the Management Report on Performance
and the Report of Independent Auditors'*

Deloitte Touche Tohmatsu Auditores Independentes

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Suzano Petroquímica S.A.
São Paulo - SP

1. We have audited the accompanying individual and consolidated balance sheets of Suzano Petroquímica S.A. (the "Company") and subsidiaries as of December 31, 2004, and the related statements of income, changes in shareholders' equity, and changes in financial position for the year then ended, prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements. The financial statements of the jointly-controlled subsidiary Rio Polímeros S.A. as of and for the year ended December 31, 2004, the investment balance of which amounts to R\$373,178 thousand (37.3% of the Company total assets), and whose assets represent 45% of the consolidated total assets, and which generated a gain from the equity pickup for the year amounting to R\$424 thousand, have been audited by other independent auditors and our opinion insofar as it relates to the amounts of investment, consolidated assets and liabilities and results of operations, and to the amounts disclosed on notes to financial statements, compiled from the financial statements of this jointly-controlled subsidiary is based on the report of these auditors.
2. Our audit was 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 position of Suzano Petroquímica S.A. and subsidiaries as of December 31, 2004, and the results of their operations, the changes in shareholders' equity, and the changes in their financial positions for the year then ended in conformity with Brazilian accounting practices.

4. Our audit was conducted for the purpose of expressing an opinion on the financial statements taken as a whole. The individual and consolidated statements of cash flows for the year ended December 31, 2004 are presented for purposes of additional analysis and are not a required part of the basic financial statements prepared in accordance with Brazilian accounting practices. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.
5. The financial statements for the year ended December 31, 2003, presented for comparative purposes, were audited by other independent auditors whose opinion thereon, dated February 27, 2004, was unqualified.
6. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, January 21, 2005


DELOITTE TOUCHE TOHMATSU
Auditores Independentes


João Eugenio Leitão Filho
Engagement Partner

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

SUZANO PETROQUÍMICA S.A.

(Public-owned company)

BALANCE SHEETS AS OF DECEMBER 31, 2004 AND 2003

(In thousands of Brazilian reais)

ASSETS	Consolidated		Company		LIABILITIES AND SHAREHOLDERS' EQUITY	Consolidated		Company	
	2004	2003	2004	2003		2004	2003	2004	2003
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents	34,884	50,116	2,820	6	Trade accounts payable	58,139	85,979	-	-
Temporary cash investments	134,613	173,971	26,377	6,147	Loans	128,493	125,116	6,490	6,505
Trade accounts receivable	154,954	156,808	-	-	Taxes payable	16,457	13,907	253	69
Inventories	141,275	108,066	-	-	Payroll and related charges	8,850	9,066	711	235
Dividends receivable	-	-	-	9,121	Related parties	9,177	6,088	214	683
Recoverable taxes	28,306	48,468	3,551	4,217	Proposed and payable dividends	28,230	7,061	28,132	7,061
Deferred income and social contribution taxes	5,515	3,307	579	-	Accounts payable	21,264	14,062	2,227	69
Other receivables	16,446	13,594	790	10	Income and social contribution taxes	5,556	1,792	-	-
Prepaid expenses	3,545	3,082	128	179		276,166	263,071	38,027	14,622
	519,538	557,412	34,245	19,680					
LONG-TERM ASSETS					LONG-TERM LIABILITIES				
Deferred income and social contribution taxes	18,518	15,044	187	-	Trade accounts payable	-	4,816	-	-
Recoverable taxes	99,612	40,135	-	-	Loans	597,705	603,361	6,220	12,215
Judicial deposits	2,661	2,391	-	-	Income and social contribution taxes	1,448	1,557	-	-
Other receivables	10,329	5,198	-	-	Reserve for contingencies	69,514	48,788	-	-
Related parties	1,038	-	7,117	26,725	Related parties	13,007	22,035	-	-
	132,158	62,768	7,304	26,725	Taxes payable	45,546	24,538	-	-
					Pension plan	4,609	4,804	-	-
PERMANENT ASSETS					Accounts payable	675	-	549	-
Investments	71,132	71,002	958,122	836,618		732,504	709,899	6,769	12,215
Property, plant and equipment	1,186,603	1,109,181	787	637	DEFERRED INCOME	33,034	32,739	-	-
Deferred charges	96,129	71,167	-	-	MINORITY INTEREST	8,194	8,998	-	-
	1,353,864	1,251,350	958,909	837,255	SHAREHOLDERS' EQUITY				
					Capital	826,283	794,383	826,283	794,383
TOTAL ASSETS	2,005,560	1,871,530	1,000,458	883,660	Revaluation reserves	2,489	2,513	2,489	2,513
					Profit reserves	126,890	59,927	126,890	59,927
						955,662	856,823	955,662	856,823
					TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,005,560	1,871,530	1,000,458	883,660

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

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

SUZANO PETROQUÍMICA S.A.

(Public-owned company)

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(In thousands of Brazilian reais, except earnings per share)

	<u>Consolidated</u>		<u>Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
GROSS SALES	2,074,611	1,493,736	-	-
Sales taxes	(464,494)	(270,529)	-	-
NET SALES	1,610,117	1,223,207	-	-
Cost of sales	(1,268,629)	(1,019,113)	-	-
GROSS PROFIT	341,488	204,094	-	-
Selling expenses	(98,204)	(74,583)	-	-
General and administrative expenses	(52,971)	(39,116)	(17,226)	(7,822)
Management fees	(1,416)	(1,195)	(389)	(238)
Financial expenses	(44,006)	(82,003)	(2,354)	(2,461)
Financial income	16,181	12,404	980	2,008
Equity pickup	-	(298)	127,947	11,538
Goodwill amortization	(2,513)	(2,513)	(668)	(668)
Other operating income (expense)	(2,018)	8,484	-	-
INCOME FROM OPERATIONS	156,541	25,274	108,290	2,357
Nonoperating income (expense)	256	(3,968)	8	-
INCOME BEFORE INCOME TAXES	156,797	21,306	108,298	2,357
Income and social contribution taxes - current	(49,474)	(24,299)	-	-
Income and social contribution taxes - deferred	2,944	6,038	766	-
INCOME BEFORE MINORITY INTEREST	110,267	3,045	109,064	2,357
Minority interest	(1,203)	(607)	-	-
NET INCOME	109,064	2,438	109,064	2,357
Earnings per share - R\$			0.48	0.01
Number of shares at yearend			226,695,380	221,195,380

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

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

SUZANO PETROQUÍMICA S.A.

(Public Owned Company)

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(In thousands of Brazilian reais)

<u>Company</u>	<u>Capital</u>	<u>Revaluation reserves</u>	<u>Profit reserves</u>			<u>Retained earnings</u>	<u>Total</u>
			<u>Legal</u>	<u>Statutory reserves</u>	<u>Unrealized profit</u>		
BALANCES AS OF DECEMBER 31, 2002	794,383	2,542	3,874	54,229	6,492	-	861,520
Realization of revaluation reserve of jointly controlled subsidiaries	-	(29)	-	29	-	-	-
Net income	-	-	-	-	-	2,357	2,357
Proposed allocation of net income:							
Dividends	-	-	-	-	(6,492)	(562)	(7,054)
Reserves	-	-	118	1,677	-	(1,795)	-
BALANCES AS OF DECEMBER 31, 2003	794,383	2,513	3,992	55,935	-	-	856,823
Capital increase	31,900	-	-	-	-	-	31,900
Realization of revaluation reserve of jointly controlled subsidiaries	-	(24)	-	24	-	-	-
Net income	-	-	-	-	-	109,064	109,064
Proposed allocation of net income:							
Prepaid dividends	-	-	-	-	-	(14,015)	(14,015)
Additional dividends proposed	-	-	-	-	-	(28,110)	(28,110)
Reserves	-	-	5,453	61,486	-	(66,939)	-
BALANCES AS OF DECEMBER 31, 2004	826,283	2,489	9,445	117,445	-	-	955,662

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

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

SUZANO PETROQUÍMICA S.A.

(Public-owned company)

STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(In thousands of Brazilian reais)

	<u>Consolidated</u>		<u>Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
SOURCES OF FUNDS				
From operations:				
Net income	109,064	2,438	109,064	2,357
Minority interest	1,203	607	-	-
Items not affecting working capital:				
Depreciation and amortization	54,002	45,468	104	67
Net book value of property, plant and equipment disposals	1,814	2,360	34	-
Deferred income taxes	(3,583)	(3,716)	(187)	-
Provision for recoverable ICMS	3,713	-	-	-
Write-off of recoverable ICMS	3,657	-	-	-
Provision for contingencies	20,726	12,305	-	-
Equity pickup in subsidiaries	-	298	(127,947)	(11,538)
Dividends collected	-	408	38,300	20,500
Goodwill amortization	2,513	2,513	668	668
Change of ownership interest in affiliated company	-	3,096	-	-
Monetary and exchange variations on long-term items	13,144	(21,953)	155	674
Income tax incentive	-	78	-	-
Other	295	353	-	-
Funds provided by operations	206,548	44,255	20,191	12,728
From shareholders:				
Capital increase	31,900	-	31,900	-
From third parties:				
Borrowings	95,562	233,373	-	-
Increase in long-term liabilities	34,818	24,501	549	-
Decrease in long-term assets	-	1,634	26,725	-
Subsidiary capital reduction	-	-	-	12,500
Other	-	133	-	-
TOTAL SOURCES	<u>368,828</u>	<u>303,896</u>	<u>79,365</u>	<u>25,228</u>
USES OF FUNDS				
In permanent assets				
Increase in investments	2,644	5	32,525	10
Acquisition of minority interest	1,960	-	-	-
Additions to property, plant and equipment	127,089	328,135	288	373
Additions to deferred charges	31,110	18,432	-	-
	162,803	346,572	32,813	383
Increase in long-term assets	73,286	41,592	7,117	25,928
Proposed and paid dividends	42,125	7,054	42,125	7,054
Dividends of minority interests	47	-	-	-
Decrease in long-term liabilities	141,536	115,795	6,150	6,001
Other	-	3,497	-	-
TOTAL USES	<u>419,797</u>	<u>514,510</u>	<u>88,205</u>	<u>39,366</u>
DECREASE IN WORKING CAPITAL	<u>(50,969)</u>	<u>(210,614)</u>	<u>(8,840)</u>	<u>(14,138)</u>
Increase (decrease) in current assets	(37,874)	(187,923)	14,565	(19,490)
Increase (decrease) in current liabilities	13,095	22,691	23,405	(5,352)

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

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

SUZANO PETROQUÍMICA S.A.

(Public-owned company)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2004

(In thousands of Brazilian reais)

	<u>Consolidated</u> <u>2004</u>	<u>Company</u> <u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	109,064	109,064
Minority interest	1,203	-
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	54,002	104
Net book value of property, plant and equipment disposals	1,814	34
Equity pickup in subsidiaries	-	(127,947)
Goodwill amortization	2,513	668
Dividends collected	-	47,421
Monetary and exchange variations on long-term items	8,338	1,239
Provision for contingencies	20,726	-
Deferred income taxes	(5,791)	(767)
Provision for recoverable ICMS	3,713	-
Write-off of recoverable ICMS	3,657	-
Other	295	-
Changes in assets and liabilities:		
Decrease in trade account receivables	1,854	-
Increase in inventories	(33,209)	-
Decrease (increase) in recoverable taxes	(39,315)	666
Increase in other current and long-term assets	(17,124)	(7,846)
Decrease in trade accounts payable	(32,656)	-
Increase in other current and long-term liabilities	28,849	2,898
Net cash provided by operating activities	<u>107,933</u>	<u>25,534</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investments	(2,644)	(5,799)
Acquisition of minority interest	(1,909)	-
Additions to property, plant and equipment	(127,089)	(288)
Additions to deferred charges	<u>(31,110)</u>	<u>-</u>
Net cash used in investing activities	<u>(162,752)</u>	<u>(6,087)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(21,007)	(21,054)
Dividends of minority interests	(47)	-
Borrowings	170,592	-
Repayments of loans	(181,209)	(7,249)
Capital increase	<u>31,900</u>	<u>31,900</u>
Net cash provided by financing activities	<u>229</u>	<u>3,597</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(54,590)</u>	<u>23,044</u>
At beginning of year	224,087	6,153
At end of year	169,497	29,197

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

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

SUZANO PETROQUÍMICA S.A.

(Public-owned company)

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(In thousands of Brazilian reais, unless otherwise indicated)

1. OPERATIONS

Suzano Petroquímica S.A. (“Company”) is a holding company engaged in investments in, and management of, petrochemical companies.

These companies are engaged in the following segments:

Polibrasil Participações S.A./Polipropileno S.A./Polibrasil Resinas S.A.

Production of polypropylene used for production of auto parts, household appliances, containers, packaging, carpet, furniture and other.

Politeno Indústria e Comércio S.A.

Production of polyethylene used for production of plastic bags and films, packaging, domestic utilities, toys, agricultural canvas, cleaning products and other.

Petroflex Indústria e Comércio S.A.

Production of emulsion and solution elastomers used for production of tires, tread bands and rubber for shoes, televisions, refrigerators, hoses, gaskets, pads, bushing, carpets and other.

Rio Polímeros S.A.

Production of polyethylene for industrial use from the cracking of natural gas. This company is in pre-operating stage, with start-up scheduled for the first semester of 2005. Since March 2003, it has performed pre-marketing operations, including purchasing and resale of polyethylene, aiming mainly at the training of sales, logistics and technical assistance teams and testing of distribution systems.

2. PRESENTATION OF FINANCIAL STATEMENTS

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

Some captions for the year ended December 31, 2003 were reclassified, consistently with the current financial statements.

3. DESCRIPTION OF SIGNIFICANT ACCOUNTING PRATICES

a) Recognition of revenues and expenses

The result of operations is determined based on the accrual basis. Sales revenue is recognized when all related risks and benefits of products are transferred to the client. Revenue is not recognized if there is significant uncertainty as to its realization.

b) Use of estimates

Accounting estimates were based on objective and subjective factors, including management's judgment in determining the adequate amount to be recorded in the financial statements. Significant items subject to estimates and assumptions include the allowance for doubtful accounts, useful lives of fixed assets, deferred income taxes, reserve for contingencies and the fair value of financial instruments. The Company reviews estimates and assumptions at least on a quarterly basis.

c) Items denominated in foreign currency

Monetary assets and liabilities denominated in foreign currencies are recorded based on the exchange rate at the balance-sheet date. Changes in exchange rates result in transaction gains and losses which are recognized in income currently.

d) Rights and obligations

Monetarily restated according to contractual financial charges or exchange rates, to reflect amounts accrued through the balance-sheet date.

e) Temporary cash investments

Recorded at cost plus income accrued to the balance sheet date, which does not exceed market value.

f) Allowance for doubtful accounts

Recorded in an amount considered sufficient to cover any losses in the realization of credits.

g) Inventories

Stated at average cost of acquisition or production, which does not exceed market value. Spare parts are stated at acquisition cost and charged to manufacturing costs upon consumption or obsolescence.

h) Investments

In subsidiaries carried at the equity method, and other investments at cost. Goodwill from acquisitions derives from expectations of future profitability, being amortized in 10 years. Negative goodwill will be amortized at the investment disposal. The Company addresses the accounting practices used by subsidiaries and, in case of differences to its own, adjustments are made to their equity amounts for purposes of the application of the equity method.

i) Property, plant and equipment

Stated at acquisition or construction cost, plus interest and other financial charges incurred during construction plus the impact, in some cases, of appraisal write-ups (revaluations). Depreciation is computed under the straight-line method at the rates based on the estimated useful lives of the assets.

j) Deferred charges

Expenditures incurred during pre-operating phase are recorded at cost and deferred and amortized after the start-up for 10 years. In the consolidated balance sheet, balances of goodwill resulting from the acquisition of subsidiaries are reclassified to deferred charges. Goodwill from acquisitions derives from expectations of future profitability, being amortized in 10 years.

k) Income and social contribution taxes

Income tax is computed at 15% of taxable income, plus 10% on income exceeding R\$240. Social contribution tax is calculated at 9% of taxable income. Deferred income taxes have been provided for on temporary differences between the tax basis and book basis of assets and liabilities. Deferred income taxes on tax losses and temporary differences were recognized based on Instruction CVM nº 371/02 taking into account the historical profitability and the expectations of generation of future taxable income based on a feasibility study.

l) Provisions

A provision is recorded in the balance sheet when the Company has an obligation by law or resulting from a past event and it is likely that funds will be needed to settle such obligation. Provisions are recorded based on the best estimates of the risk involved.

m) Deferred income

Related to unamortized negative goodwill from acquisitions recorded by subsidiaries, originated from the so-called “other economical reasons”.

n) Foreign subsidiary's currency translation method

Financial statements of foreign subsidiaries have been translated into local currency based on the exchange rate in effect at the end of the period. Accounting practices, when applicable, are adjusted to the Company's.

4. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements include the Company and its direct and indirect subsidiaries and the so-called jointly controlled subsidiaries, which were consolidated proportionally, as follows:

	<u>Direct and indirect subsidiaries</u>		<u>Jointly-controlled companies</u>	
	<u>Voting</u>	<u>Total</u>	<u>Voting</u>	<u>Total</u>
Suzano Química Ltda.	100.00%	100.00%	-	-
Suzanopar Petroquímica Ltd.	100.00%	100.00%	-	-
Polibrasil Participações S.A.	-	-	50.00%	50.00%
Polipropileno S.A.	-	-	98.38%	98.11%
Polibrasil Resinas S.A.	-	-	100.00%	100.00%
Polibrasil Compostos S.A.	-	-	100.00%	100.00%
Norcom Compostos Termoplásticos do Nordeste S.A.	-	-	100.00%	100.00%
Polipropileno Participações S.A.	89.06%	86.59%	-	-
Petroflex Indústria e Comércio S.A.	-	-	20.14%	20.12%
Rio Polímeros S.A.	-	-	33.33%	33.33%
SPQ Investimentos e Participações Ltda.	100.00%	100.00%	-	-
Politeno Indústria e Comércio S.A.	-	-	35.00%	33.89%
Politeno Empreendimentos Ltda.	-	-	99.99%	99.99%

Description of the main consolidation procedures:

Elimination of assets and liabilities between consolidated companies.

Elimination of participation in capital, reserves and retained earnings of consolidated subsidiaries.

Elimination of income, expenses and unrealized income from inter-company transactions.

Segregation of minority interests from equity and results of operations.

The elements of the financial statements of jointly controlled subsidiaries were consolidated at the subject percent rate of participation in total capital.

The reconciliation between net income of the Company and the consolidated statements is as follows:

	<u>2004</u>	<u>2003</u>
Consolidated financial statements	109,064	2,438
Adjustments in subsidiaries shareholder's equity	<u>-</u>	<u>(81)</u>
Company's individual financial statements	<u>109,064</u>	<u>2,357</u>

5. TRADE ACCOUNTS RECEIVABLE - CONSOLIDATED

	<u>2004</u>	<u>2003</u>
Domestic	162,147	154,397
Overseas	86,330	41,708
Discounted notes	(77,164)	(27,125)
Allowance for doubtful accounts	<u>(16,359)</u>	<u>(12,172)</u>
	<u>154,954</u>	<u>156,808</u>

6. INVENTORIES - CONSOLIDATED

	<u>2004</u>	<u>2003</u>
Finished goods	86,066	64,400
Work in process	883	331
Raw material	38,442	30,545
Auxiliary and maintenance materials and other	<u>15,884</u>	<u>12,790</u>
	<u>141,275</u>	<u>108,066</u>

7. RECOVERABLE TAXES - CONSOLIDATED

	<u>2004</u>	<u>2003</u>
Income tax and social contribution	6,047	7,343
Recoverable ICMS	132,536	84,918
Provision for losses on ICMS	(13,968)	(4,941)
Other taxes	<u>3,303</u>	<u>1,283</u>
	127,918	88,603
Current portion	<u>28,306</u>	<u>48,468</u>
Noncurrent portion	<u>99,612</u>	<u>40,135</u>

From the total balance of recoverable ICMS as of December 31, 2004, R\$39,393 relates to Politenó. The management of this jointly controlled subsidiary is making efforts to collect these credits as well as has adopted measures aimed at reducing the future flow of credits. In addition, the alienation of a portion of these credits to third parties was already formalized, pending of approval of the subject transfers by the Finance Agency of the State of Bahia.

In the case of Politenó, negotiations have been conducted with the Finance Agency to realize the remaining balances of credits aimed at identifying alternative courses of action such as authorization by that agency to permit using the credits in the acquisition of raw materials, extension of deferral of ICMS obligations established in the Bahiaplast program and the use of credits to pay for the indirect importation of petrochemical naphtha.

From the total balance of recoverable ICMS as of December 31, 2004, R\$46,098 relate to Rio Polímeros, amount reflecting the long-term obligation, based on Decree Law # 25,665/99, from the importation of equipment and spare parts for the setting up of the plant.

During 2004, the provision for losses on recoverable ICMS was increased in light of the studies conducted and experience with prior transactions. The management of the jointly controlled subsidiaries will continue to review periodically the realization of ICMS balances and the need to adjust the provision to bring the asset to the likely value to be recovered.

8. INCOME AND SOCIAL CONTRIBUTION TAXES- CONSOLIDATED

a) Deferred taxes

Tax credits recognized by jointly controlled subsidiaries over temporary differences and tax losses, as follows:

	2004				
	Rio Polímeros S.A.	Petroflex Ind. e Com. S.A.	Polibrasil Participações S.A.	Politenó Ind. e Com. S.A.	Suzano Petroquímica S.A.
					Total
Current portion					
Tax losses	-	35	3,240	-	-
Temporary differences	-	<u>1,661</u>	<u>-</u>	-	<u>579</u>
	<u>-</u>	<u>1,696</u>	<u>3,240</u>	<u>-</u>	<u>5,515</u>
Noncurrent portion					
Tax losses	106	-	-	-	-
Temporary differences	-	<u>6,344</u>	<u>9,568</u>	<u>2,313</u>	<u>187</u>
	<u>106</u>	<u>6,344</u>	<u>9,568</u>	<u>2,313</u>	<u>18,518</u>

	2003				
	Rio Polímeros S.A.	Petroflex Ind. e Com. S.A.	Polibrasil Participações S.A.	Politeno Ind. e Com. S.A.	Total
Current portion					
Tax losses	-	926	1,807	-	2,733
Temporary differences	-	<u>574</u>	<u>-</u>	<u>-</u>	<u>574</u>
	<u>-</u>	<u>1,500</u>	<u>1,807</u>	<u>-</u>	<u>3,307</u>
Noncurrent portion					
Tax losses	191	-	3,420	426	4,037
Temporary differences	<u>-</u>	<u>3,605</u>	<u>7,402</u>	<u>-</u>	<u>11,007</u>
	<u>191</u>	<u>3,605</u>	<u>10,822</u>	<u>426</u>	<u>15,044</u>

The companies recognized deferred income taxes on tax losses, from current and past years, based on expectations of generation of future taxable income, supported by feasibility studies. The ability to use tax losses never expires, but the offsetting of taxable income is limited to 30% of yearly taxable income.

The companies expect to recover these tax credits as follows:

Rio Polímeros S.A. - during 2006.

Petroflex Indústria e Comércio S.A. - from 2005 to 2007.

Polibrasil Participações S.A. - from 2005 to 2009.

Politeno Indústria e Comércio S.A. - after the end of the period of tax incentives.

b) Reconciliation

	<u>2004</u>	<u>2003</u>
Income before taxes on income	156,797	21,306
Subsidiaries which have not recognized credits on tax losses	<u>23,798</u>	<u>13,207</u>
	180,595	34,513
Combined tax rate	<u>34%</u>	<u>34%</u>
Income and social contribution taxes at the combined tax rate	61,402	11,734
Foreign subsidiaries exchange variation	1,892	19,913
Tax incentives	(12,989)	(10,146)
Amortized goodwill	627	627
Interest on capital charges	(1,069)	-
Tax losses	-	(5,105)
Effects from other permanent additions (exclusions)	<u>(3,333)</u>	<u>1,238</u>
Total charged to income	<u>46,530</u>	<u>18,261</u>
Income and social contribution taxes - current	49,474	24,299
Income and social contribution taxes - deferred	<u>(2,944)</u>	<u>(6,038)</u>
	<u>46,530</u>	<u>18,261</u>

9. INVESTMENTS

	<u>Consolidated</u>		<u>Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Subsidiaries	-	-	953,447	831,275
Unamortized goodwill	-	-	4,675	5,343
Other investments carried at cost				
Petroquímica União S.A.	33,385	33,385	-	-
Nordeste Química S.A. - Norquisa (1)	63,391	63,370	-	-
Provisão para perdas	(32,620)	(29,953)	-	-
Other	<u>6,976</u>	<u>4,200</u>	<u>-</u>	<u>-</u>
	<u>71,132</u>	<u>71,002</u>	<u>958,122</u>	<u>836,618</u>

The subsidiaries' financial statements were closed at December 31 and have been audited by independent auditors.

- (1) The subsidiary Polipropileno Participações S.A. and the jointly controlled subsidiary Politenio Indústria e Comercio S.A. own 10.93% e 11.11%, respectively, of the capital stock of Nordeste Química S.A. - NORQUISA. These investments are carried at cost, which reflect the equity method based on the financial statements of NORQUISA as of May 31, 2002, when the joint control by Polipropileno e Politenio became ineffective because of the statutory restructuring of Braskem S.A. During 2002, a provision for a permanent loss in these investments was recorded.

The unamortized negative goodwills have been recorded to deferred income in the consolidated financial statements, based on the follow subsidiaries:

<u>Owner</u>	<u>Subsidiary</u>	<u>Negative goodwill</u>
Suzano Química Ltda.	Petroflex Industria e Comércio S.A.	17,593
Suzano Química Ltda.	Polipropileno Participações S.A.	2,859
Polibrasil Participações S.A.	Polipropileno S.A.	10,871
Polipropileno S.A.	Polibrasil Resinas S.A.	<u>1,711</u>
		<u>33,034</u>

Investment data and summary of activity of direct subsidiaries' investment accounts:

	<u>Suzano Química Ltda.</u>	<u>SPQ Investimentos e Participações Ltda.</u>	<u>Total</u>
Subsidiaries			
a) % Share Ownership			
December 31, 2004 and 2003			
Voting capital	100.00%	100.00%	
Total capital	100.00%	100.00%	
b) Information on subsidiaries			
December 31, 2003			
Capital stock	629,703	144,376	
Adjusted shareholders' equity	678,845	152,430	
Adjusted results for the year	(17,016)	28,554	
December 31, 2004			
Capital stock	663,116	144,376	
Adjusted shareholders' equity	789,884	163,563	
Adjusted results for the year	83,514	44,433	
c) Investment activity			
Balance -- December 31, 2002	695,851	156,876	852,727
Purchase and subscription of shares	10	-	10
Capital reduction	-	(12,500)	(12,500)
Dividends collected	-	(20,500)	(20,500)
Equity pickup	<u>(17,016)</u>	<u>28,554</u>	<u>11,538</u>
Balance -- December 31, 2003	678,845	152,430	831,275
Dividends collected	(5,000)	(33,300)	(38,300)
Purchase and subscription of shares	32,525	-	32,525
Equity pickup	<u>83,514</u>	<u>44,433</u>	<u>127,947</u>
Balance -- December 31, 2004	<u>789,884</u>	<u>163,563</u>	<u>953,447</u>

The table below discloses the indirect investments of the Company, materialized through the direct subsidiaries referred to above (companies' data and summary of activity of investment accounts):

	Suzano Química Ltda.					SPQ Investimentos e Participações Ltda.
	Rio Polímeros S.A. (1)	Suzanopar Petroquímica Ltd.	Polibrasil Participações S.A.	Petroflex Indústria e Comércio S.A.	Polipropileno Participações S.A.	Politeno Indústria e Comércio S.A.
a) % Share Ownership						
December 31, 2003						
Voting capital	33.33%	100.00%	50.00%	20.14%	87.25%	35.00%
Total capital	33.33%	100.00%	50.00%	20.12%	83.57%	33.80%
December 31, 2004						
Voting capital	33.33%	100.00%	50.00%	20.14%	89.06%	35.00%
Total capital	33.33%	100.00%	50.00%	20.12%	86.59%	33.89%
b) Information on subsidiaries						
December 31, 2003						
Capital stock	895,134	153,297	275,080	148,854	66,344	333,303
Adjusted shareholders' equity	894,025	165,675	412,675	205,147	23,359	411,491
Adjusted results for the year	(1,109)	3,321	57,150	60,534	(443)	92,534
December 31, 2004						
Capital stock	1,119,373	67,180	275,080	152,702	66,344	359,868
Adjusted shareholders' equity	1,119,535	81,229	545,365	255,311	22,730	431,570
Adjusted results for the year	1,271	2,678	136,121	101,439	(629)	129,689
c) Investment activity						
Balance -- December 31, 2002	146,523	357,692	177,447	29,037	19,892	147,095
Subscription of shares	151,855	-	-	-	-	-
Capital reduction (2)	-	(136,769)	-	-	-	-
Dividends	-	-	-	(714)	-	(36,117)
Equity pickup	(370)	(55,248)	28,890	12,951	(370)	29,041
Balance -- December 31, 2003	298,008	165,675	206,337	41,274	19,522	140,019
Subscription of shares	74,746	-	-	-	-	-
Purchase of shares	-	-	-	-	392	-
Capital reduction (2)	-	(81,558)	-	-	-	-
Negative goodwill	-	-	-	-	295	-
Interest on Capital	-	-	-	(3,143)	-	-
Dividends	-	-	(1,715)	(7,134)	-	(38,049)
Equity pickup	424	(2,888)	68,061	20,370	(527)	45,074
Balance -- December 31, 2004	373,178	81,229	272,683	51,367	19,682	147,044
Last stock price at São Paulo Stock Exchange - BOVESPA						
12/17/04 - PNA	-	-	-	-	-	18.47
12/30/04 - PNB	-	-	-	-	-	6.20
12/28/04 - ON	-	-	-	0.79	-	-
12/30/04 - PNA	-	-	-	0.70	-	-

(1) Pre-operating stage enterprise - according to the investment project, Suzano Química Ltda. will be required to subscribe additional capital funds amounting to approximately US\$21.8 million up to the completion of the project.

(2) For purposes of transfer of funds to Rio Polímeros S.A.

The summarized balance sheets and statements of income of subsidiaries and jointly controlled subsidiaries used for consolidation, are indicated below (total amounts before proportional consolidation in the case of jointly-controlled subsidiaries):

	Rio Polímeros S.A. pre-operating		Suzanopar Petroquímica Ltd.		Polibrasil Participações S.A. Consolidated	
	2004	2003	2004	2003	2004	2003
Balance Sheets:						
Assets:						
Current assets	<u>78,627</u>	<u>51,062</u>	<u>81,230</u>	<u>165,675</u>	<u>343,261</u>	<u>338,350</u>
Cash and cash equivalents	22,498	14,618	81,230	165,675	64	1,504
Trade accounts receivable	20,583	13,328	-	-	116,656	129,171
Inventories	25,304	17,397	-	-	164,991	135,634
Tax credits	8,440	4,718	-	-	38,968	52,714
Other	1,802	1,001	-	-	22,582	19,327
Long-term assets	<u>138,110</u>	<u>75,264</u>	<u>-</u>	<u>-</u>	<u>49,041</u>	<u>24,335</u>
Tax credits	136,957	74,187	-	-	48,800	21,642
Other	1,153	1,077	-	-	241	2,693
Permanent assets	<u>2,515,413</u>	<u>2,137,647</u>	<u>-</u>	<u>-</u>	<u>702,204</u>	<u>763,666</u>
Investments	-	-	-	-	69,348	72,739
Property, plant and equipment	2,282,365	1,994,193	-	-	610,963	664,648
Deferred charges	<u>233,048</u>	<u>143,454</u>	<u>-</u>	<u>-</u>	<u>21,893</u>	<u>26,279</u>
Total assets	<u>2,732,150</u>	<u>2,263,973</u>	<u>81,230</u>	<u>165,675</u>	<u>1,094,506</u>	<u>1,126,351</u>
Liabilities and shareholders' equity:						
Current liabilities	<u>76,875</u>	<u>29,017</u>	<u>-</u>	<u>-</u>	<u>255,099</u>	<u>307,465</u>
Loans	43,272	-	-	-	159,483	143,043
Other	33,603	29,017	-	-	95,616	164,422
Long-term liabilities	<u>1,535,740</u>	<u>1,340,931</u>	<u>-</u>	<u>-</u>	<u>261,389</u>	<u>374,147</u>
Loans	1,399,102	1,252,872	-	-	214,239	313,665
Other	136,638	88,059	-	-	47,150	60,482
Deferred income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,743</u>	<u>21,743</u>
Minority interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,910</u>	<u>10,321</u>
Shareholders' equity	<u>1,119,535</u>	<u>894,025</u>	<u>81,230</u>	<u>165,675</u>	<u>545,365</u>	<u>412,675</u>
Total liabilities and shareholders' equity	<u>2,732,150</u>	<u>2,263,973</u>	<u>81,230</u>	<u>165,675</u>	<u>1,094,506</u>	<u>1,126,351</u>
Statements of Income:						
Net sales	148,606	51,802	-	-	1,812,409	1,312,111
Cost of sales	<u>(133,355)</u>	<u>(51,053)</u>	<u>-</u>	<u>-</u>	<u>(1,422,393)</u>	<u>(1,098,132)</u>
Gross profit	15,251	749	-	-	390,016	213,979
Operating expenses	(13,344)	(2,602)	(89)	(52)	(145,382)	(105,557)
Net financial income (expense)	130	170	2,767	3,372	(29,913)	(12,015)
Equity pickup	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,691)</u>	<u>(3,690)</u>
Income (loss) from operations	2,037	(1,683)	2,678	3,320	211,030	92,717
Nonoperating income (expense)	-	-	-	-	257	(2,436)
Income and social contribution taxes	(766)	574	-	-	(72,556)	(31,139)
Minority interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,610)</u>	<u>(1,360)</u>
Net income (loss)	<u>1,271</u>	<u>(1,109)</u>	<u>2,678</u>	<u>3,320</u>	<u>136,121</u>	<u>57,782</u>

Suzano Petroquímica S.A.
(Public-owned company)

	Petroflex Indústria e Comércio S.A.		Polipropileno Participações S.A.		Politeno Indústria e Comércio S.A.	
	Consolidado		Controladora		Consolidado	
	2004	2003	2004	2003	2004	2003
Balance Sheets:						
Assets:						
Current assets	459,813	465,151	584	643	303,379	289,081
Cash and cash equivalents	189,783	182,828	308	424	13,083	23,269
Trade accounts receivable	107,861	141,521	-	-	199,768	174,291
Inventories	130,842	102,977	-	-	70,501	40,357
Tax credits	22,751	31,042	276	219	4,012	36,949
Other	8,576	6,783	-	-	16,015	14,215
Long-term assets	55,564	32,131	-	-	144,394	55,978
Tax credits	32,922	20,597	-	-	121,117	45,507
Other	22,642	11,534	-	-	23,277	10,471
Permanent assets	365,438	332,382	24,827	24,827	195,006	191,733
Investments	4,225	4,225	24,827	24,827	53,605	53,707
Property, plant and equipment	361,213	328,157	-	-	137,574	133,620
Deferred charges	-	-	-	-	3,827	4,406
Total assets	880,815	829,664	25,411	25,470	642,779	536,792
Liabilities and shareholders' equity:						
Current liabilities	267,696	334,295	1	1	155,886	87,270
Loans	51,328	216,198	-	-	51,393	10,557
Other	216,368	118,097	1	1	104,493	76,713
Long-term liabilities	357,808	290,222	2,680	2,110	32,695	15,403
Loans	41,699	63,441	2,680	2,110	28,202	11,537
Other	316,109	226,781	-	-	4,493	3,866
Minority interest	-	-	-	-	1	1
Shareholders' equity	255,311	205,147	22,730	23,359	454,197	434,118
Total liabilities and shareholders' equity	880,815	829,664	25,411	25,470	642,779	536,792
Statements of Income:						
Net sales	1,305,961	1,091,828	-	-	1,119,386	943,856
Cost of sales	(1,043,662)	(947,574)	-	-	(866,073)	(749,972)
Gross profit	262,299	144,254	-	-	253,313	193,884
Operating expenses	(96,108)	(52,655)	(138)	(185)	(107,524)	(83,524)
Net financial income (expense)	(37,934)	(40,171)	(491)	(258)	(5,367)	(3,096)
Equity pickup	-	-	-	-	-	(852)
Income (loss) from operations	128,257	51,428	(629)	(443)	140,422	106,412
Nonoperating income (expense)	471	1,582	-	-	(11)	81
Income and social contribution taxes	(30,475)	7,524	-	-	(44,606)	(40,295)
Minority interest	-	-	-	-	(1)	(1)
Net income (loss)	98,253	60,534	(629)	(443)	95,804	66,197

Related parties

Consolidated	2004			2003	
	Assets	Liabilities		Liabilities	
	Noncurrent	Current	Noncurrent	Current	Noncurrent
	Trade accounts Receivable	Accounts payable	Accounts payable	Accounts payable	Accounts payable
Company with non-consolidated related parties	1,038	214	-	683	-
Payables of Suzano Química Ltda. to non-consolidated related parties	-	34	-	-	-
Related parties in consolidation of jointly-controlled subsidiaries:					
Polibrasil Participações S.A. (1)	-	8,921	13,007	5,396	22,035
Petroflex Indústria e Comércio S.A	-	8	-	9	-
Total	<u>1,038</u>	<u>9,177</u>	<u>13,007</u>	<u>6,088</u>	<u>22,035</u>

- (1) Technology acquisition agreement with Baseltech USA Inc. ("Spheripol"), which represented US\$8,261 thousand, plus interest of 8% per year with yearly payments until 2008.

Company	2004			2003	
	Assets		Liabilities	Assets	Liabilities
	Noncurrent		Current	Noncurrent	Current
	Accounts receivable	Advance for future capital increase	Accounts payable	Advance for future capital increase	Accounts payable
With consolidated parties:					
Polibrasil Participações S.A.	1,415	-	1,415	-	-
Suzano Química Ltda.	-	5,371	5,371	26,725	-
With non-consolidated parties:					
Suzano Holding S.A.	331	-	331	203	683
Suzano Bahia Sul	-	-	11	-	-
Total	<u>1,746</u>	<u>5,371</u>	<u>7,117</u>	<u>26,725</u>	<u>683</u>

There are no relevant transactions among related companies.

10. PROPERTY, PLANT AND EQUIPMENT - CONSOLIDATED

	Yearly depreciation rates	2004	2003
Buildings	2.5% to 6.7%	83,504	82,696
Machinery and equipment	5% to 20%	559,817	548,667
Other	10% to 20%	54,054	67,203
		697,375	698,566
Accumulated depreciation		(321,672)	(271,288)
		375,703	427,278
Construction in progress		794,711	664,966
Land		16,189	16,937
		<u>1,186,603</u>	<u>1,109,181</u>

As of December 31, 2004, approximately R\$755,587 of the balance of “construction in progress” is related to the construction, assembly and engineering of the plant of Rio Polímeros by the group ABB Lummus/Snamprogetti contracted as of July 1st, 2000, when the agreement with Univation Technologies related to licensing of the right of use of polypropylene production technology was signed. As of March 15, 2000, the agreement with ABB Lummus Global Technologies related to licensing the right of use of ethylene production technology was signed.

11. DEFERRED CHARGES - CONSOLIDATED

	2004					2003
	<u>Technology</u>	<u>Pre-operating expenses</u>	<u>Goodwill</u>	<u>Other</u>	<u>Amortization</u>	<u>Balance</u>
Polibrasil Participações S.A.	25,464	32,808	1,521	3,968	(51,292)	12,469
Politeno Indústria e Comércio S.A.	-	21,292	-	-	(19,990)	1,302
Rio Polímeros S.A.	-	77,683	-	-	-	77,683
Suzano Petroquímica S.A.	-	-	4,675	-	-	4,675
	<u>25,464</u>	<u>131,783</u>	<u>6,196</u>	<u>3,968</u>	<u>(71,282)</u>	<u>96,129</u>
						<u>71,167</u>

Technology

Acquisition of rights of use of Spheripol® technology by means of an agreement signed in 1998 with Baselltech USA Inc. to be used in the Polibrasil Resinas S.A.’s new plant, located in Mauá (SP), with capacity of 300 thousand tons per year, using this advanced technology owned by the other shareholder of Polibrasil, namely Basell, a worldwide leader in the production of polypropylene.

Pre-operating expenses

As of September 13, 2002, Rio Polímeros and Petrobrás signed agreements to build a water transportation system to serve both companies with half the funds required by each party. The construction began in April 2003. The planning and management of the construction work have been conducted under the responsibility of Petrobrás.

12. LOANS

	<u>Consolidated</u>		<u>Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Investments’ funding	21,721	34,757	12,710	18,720
Brazilian Development Bank - BNDES	249,720	217,211	-	-
In foreign currency	439,778	452,145	-	-
Debentures	-	5,877	-	-
Other	<u>14,979</u>	<u>18,487</u>	<u>-</u>	<u>-</u>
	726,198	728,477	12,710	18,720
Current portion	<u>128,493</u>	<u>125,116</u>	<u>6,490</u>	<u>6,505</u>
Noncurrent portion	<u>597,705</u>	<u>603,361</u>	<u>6,220</u>	<u>12,215</u>

The Company loan is related to the purchase of capital shares in the privatization of Politenó Indústria e Comércio S.A., bearing interest at 6.5% per year plus monetary restatement based on TR variation, which matures in biannual installments up to 2006.

The consolidated loans include, additionally, the following:

POLIBRASIL PARTICIPAÇÕES S.A./POLIPROPILENO S.A./POLIBRASIL RESINAS S.A.

R\$9,010 - privatization program, IGPM + 6.5% per year - biannual maturities until February 2006 - guaranteed by 6,763,421 shares of Petroquímica União S.A. owned by Polibrasil;

Loan (Spheripol/Splitter) - R\$126,620 - resources from BNDES (R\$36 million) - interest at TJLP (Long-Term Interest Rate) plus 5% per year - and from FMO (The Netherlands Development Bank) (US\$34 million) bearing interest at 6-month LIBOR plus 4.2% per year. Polibrasil plants located in Mauá (SP), Camaçari (BA) and Duque de Caxias (RJ) were given as guarantees to both BNDES and FMO. As additional guarantee to FMO, Polibrasil obtained a bank credit letter with Banco Bradesco in the amount of US\$10 million.

Advanced collection of exports - R\$28,200- interest at 6-month LIBOR plus 4.5% per year and exchange variation - maturities until March 2007.

POLITENO INDÚSTRIA E COMÉRCIO S.A.

Foreign currency - R\$24,079 - LIBOR plus 2.00% to 3.5% per year and impact of exchange variation;

Local currency - R\$3,040 - TJLP plus 2.5% to 8.3% per year.

PETROFLEX INDÚSTRIA E COMÉRCIO S.A.

Local currency - R\$9,703 - TJLP plus 3.5% to 5.0% per year, and UMBND plus 5.0% per year;

Advance collection of exports - R\$8,029 - Libor plus 4.0% per year and impact of exchange variation;

Foreign currency - Exim-Bank - R\$958 - Libor plus 1.22% per year and impact of exchange variation;

RIO POLÍMEROS S.A.

Local currency - BNDES - R\$167,533 - TJLP plus 5% per year; R\$36,329 - BNDES's basket of currencies plus 5% per year.

Foreign currency - R\$276,929 - Interest at 5.51% per year plus impact of exchange variation.

Interest expenses have been capitalized during the construction phase.

The subsidiary offered as guarantee the future cash flow from operations, supported by export contracts, and shareholders offered their shares in the subsidiary's capital, among others.

The maturities of long-term loans are as follows:

	<u>Consolidated</u>	<u>Company</u>
2006	52,360	6,220
2007	75,135	-
2008	78,589	-
2009	86,418	-
2010 and later	<u>305,203</u>	<u>-</u>
	<u>597,705</u>	<u>6,220</u>

13. PROVISION FOR CONTINGENCIES - CONSOLIDATED

The jointly controlled subsidiaries have recognized provisions for contingencies to cover for possible losses in administrative and court disputes related to tax, social security, labor and civil matters in amounts considered sufficient based on the assessment of legal advisors.

The consolidated provision for contingencies originated from the following companies:

	<u>2004</u>	<u>2003</u>
Tax Contingencies		
Politeno Indústria e Comércio S.A.	1,531	1,315
Polibrasil Participações S.A.	5,930	4,015
Petroflex Indústria e Comércio S.A. (1)	<u>56,608</u>	<u>38,609</u>
	<u>64,069</u>	<u>43,939</u>
Labor Disputes		
Polibrasil Participações S.A.	1,923	2,078
Petroflex Indústria e Comércio S.A.	<u>433</u>	<u>648</u>
	<u>2,356</u>	<u>2,726</u>
Civil Disputes		
Polibrasil Participações S.A.	<u>2,717</u>	<u>2,115</u>
Other	<u>372</u>	<u>8</u>
	<u>69,514</u>	<u>48,788</u>

- (1) Relates, mainly, to a court dispute of Petroflex on credits for the Federal Excise Tax - IPI for the theory that the taxpayers can use the subject tax credits in the purchase of exempted materials. The company obtained a preliminary judicial authorization to use the credits.

Labor lawsuit concerning Clause 4 (relating to the subsidiaries Polibrasil Resinas and Politeno)

Under the collective negotiation agreement between Polibrasil Resinas (plant located in Camaçari, state of Bahia) and Politeno, among other companies with plants in the Camaçari petrochemical hub, and the petrochemical workers' union, salaries and benefits paid to those workers, in the period from September 1989 to August 1990, should be monetarily restated based on the IPC (consumer price index), being prohibited the substitution of the IPC for any other lower index.

In March 1990, the Brazilian government introduced an economic plan known as Collor Plan, which established certain indices for the monetary restatement of the employees' salaries, however, without including the IPC of April 1990. Based on former court decisions, the association of petrochemical companies understood that the Collor Plan did not determine salary increases based on the IPC, which was contrary to the terms of the annual collective negotiation. Thus, the employers' association filed a lawsuit against the workers' union claiming a statement that the monetary restatement indices established by the Collor Plan prevailed over the conflicting provisions of the collective agreements. The Regional Labor Court decided in favor of the workers' union and this decision was later changed in part due to the appeal filed with the Superior Labor Court. In 1998, the companies' association filed an extraordinary appeal with the Federal Supreme Court.

Initially the Federal Supreme Court decided favorably to the workers' union, but changed its decision in December 2002, stating that the collective agreement cannot prevail over federal law, particularly law concerning the public order in Brazil. The Federal Supreme Court's decision on this matter is not definitive. Company's management believes that appeals are still possible, and considers it is not possible to determine the amounts involved in the lawsuit; accordingly, no change to the accounting procedures adopted until then has been made, i.e., no provision for possible loss arising from the outcome of the lawsuit has been recorded.

14. CAPITAL STOCK

Capital stock subscribed and paid-in is represented by 226,695,380 nominative shares without par value, being 97,375,446 common shares and 129,319,934 preferred shares.

The bylaws establish a minimum dividend of 30%, computed on adjusted income. Preferred shares have no voting rights and are entitled to the same dividend as common shares'. The bylaws provide for the recognition of a special reserve for future capital increase, in the amount of 90% of the profits remaining after appropriation of the legal reserve and dividend distribution, aiming to assure adequate operating conditions and assure the continuity of the annual dividend distribution.

As of August 27, 2004, a dividend payment of R\$0.060 per common share and R\$0.066 per preferred share was approved in a management meeting, representing a total distribution of R\$14 million.

A General Extraordinary Meeting of Shareholders held as of November 18, 2004 approved the increase in mandatory minimum dividends from 25% to 30% on adjusted net income, as well as the cancellation of the provisions that permitted preferred shares to receive dividends 10% higher than the dividends attributed to common shares.

At December 16, 2004, the Board of Directors approved the increase in capital stock with the distribution of 5,500,000 preferred shares amounting to R\$31,900.

DIVIDENDS

The computation of dividends in accordance with the bylaws, as proposed by management is as follows:

	<u>2004</u>	<u>2003</u>
Net income	109,064	2,357
Legal reserve (5%)	<u>(5,453)</u>	<u>(118)</u>
	103,611	2,239
 Mandatory minimum dividend - 30% (25% in 2003)	 <u>31,083</u>	 <u>562</u>
 Proposed dividends	 28,110	 562
Prepaid dividends	14,015	-
Realized portion of unrealized profit reserve	<u>-</u>	<u>6,492</u>
Total dividends	<u>42,125</u>	<u>7,054</u>

Total dividends correspond to 40.7% of the adjusted net income. Proposed dividends correspond to R\$0.1240 per common and preferred shares.

15. NET SALES AND COST OF PRODUCTS SOLD

Consolidated

	<u>2004</u>			<u>2003</u>		
	<u>Net sales</u>	<u>Cost of sales</u>	<u>Gross profit</u>	<u>Net sales</u>	<u>Cost of sales</u>	<u>Gross profit</u>
Domestic market	1,350,530	(1,055,816)	294,714	1,058,340	(873,338)	185,002
Foreign market	<u>259,587</u>	<u>(212,813)</u>	<u>46,774</u>	<u>164,867</u>	<u>(145,775)</u>	<u>19,092</u>
	<u>1,610,117</u>	<u>(1,268,629)</u>	<u>341,488</u>	<u>1,223,207</u>	<u>(1,019,113)</u>	<u>204,094</u>

16. FINANCIAL INCOME (EXPENSE) - CONSOLIDATED

	<u>2004</u>	<u>2003</u>
Financial expenses	(52,356)	(51,840)
Exchange variation losses	<u>8,350</u>	<u>(30,163)</u>
	<u>(44,006)</u>	<u>(82,003)</u>
Financial income	16,689	17,628
Exchange variation gains	<u>(508)</u>	<u>(5,224)</u>
	<u>16,181</u>	<u>12,404</u>

17. EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION - EBTIDA

	<u>2004</u>	<u>2003</u>
Net sales	<u>1,610,117</u>	<u>1,223,207</u>
Gross profit	341,488	204,094
Operating expenses:		
Selling expenses	(98,204)	(74,583)
Administrative expenses	(54,387)	(40,311)
Other operating income (expense)	<u>(2,018)</u>	<u>8,484</u>
Earnings before interest and taxes (EBIT)	186,879	97,684
Depreciation/amortization	<u>54,002</u>	<u>45,468</u>
Earnings before interest, taxes, depreciation and amortization (EBITDA)	<u>240,881</u>	<u>143,152</u>
Margin (EBITDA/net sales)	<u>14.96%</u>	<u>11.70%</u>

18. FINANCIAL INSTRUMENTS

Estimated market values of financial instruments included in the balance sheet as of December 31, 2004 which differ from the amounts in the financial statements are as follows:

Company and consolidated

	<u>Account balance</u>	<u>Market value</u>
Loans and financing		
In local currency	<u>12,710</u>	<u>12,452</u>

The Company's individual balance sheet includes basically investments in subsidiaries and affiliates, credits receivable from subsidiaries and investment-funding loans.

Asset balances, representing permanent investments in subsidiaries, are carried under the equity method, and no market value comparison exists in light of the characteristics of these investments.

The balances of loans had their market value calculated on the basis of their present value determined by means of future cash flows, using interest rates similar to instruments of the same nature.

The investment in Petroquímica União S.A. (PQU), by the jointly controlled subsidiary Polibrasil Resinas S.A., is carried at cost and amounts to R\$66,769. This investment is valued at the price of PQU stock at the São Paulo Stock Exchange as of December 31, 2004 would correspond to R\$ 112,205.

The investments in Nordeste Química S.A. - NORQUISA is carried at the cost method by the jointly controlled subsidiaries Polipropileno Participações S.A. and Politenó Indústria e Comércio S.A., as discussed in note 9. There are no parameters to determine the market value of this investment due the fact that NORQUISA is a privately held company.

The subsidiaries informed in their financial statements that they performed the evaluation of their assets and liabilities at the market value, concluding that book values are not significantly different when compared with market values.

The jointly controlled subsidiaries Politenó and Polibrasil Resinas S.A. had open Vendor operations amounting to R\$12,476 and R\$200,865, respectively, as of December 31, 2004 (R\$10,656 and R\$73,381 in 2003) recorded as reduction of trade accounts receivable. These enterprises guarantee these amounts and must pay the financial institutions in case of delinquency by subject clients. These companies have not experienced material losses from these transactions.

19. INSURANCE

The Company and its subsidiaries have policies to maintain adequate insurance coverage for risks on property, plant and equipment and inventories, based on the advice of their insurance consultants.

20. GUARANTEES

As of December 31, guarantees provided to subsidiaries were as follows:

	<u>2004</u>	<u>2003</u>
Suzano Química Ltda.		
Guarantee letter	_____ -	<u>81,838</u>
Petroflex Indústria e Comércio S.A.		
BNDES (National Development Bank)	19,291	9,720
Banco do Brasil - privatization Coperbo	_____ -	<u>1,252</u>
	<u>19,291</u>	<u>10,972</u>
Joint guarantees with Suzano Bahia Sul Papel e Celulose S.A.:		
Polibrasil Resinas S.A.		
FMO (Dutch Development Bank)	-	120,675
BNDES (National Development Bank)	<u>36,155</u>	<u>47,562</u>
	<u>36,155</u>	<u>168,237</u>
Total	<u>55,446</u>	<u>261,047</u>

21. PENSION PLANS

The jointly controlled subsidiaries Politeno Indústria e Comércio S.A. (Politeno), Polibrasil Participações S.A. (Polibrasil) and Petroflex Indústria e Comércio S.A. (Petroflex) and their subsidiaries sponsor supplementary pension plans for their employees, recognized in accordance with CVM Deliberation No. 371/00.

The pension plan of Politeno, Polibrasil and a portion of Petroflex's is a mixed plan (defined benefit and defined contribution) managed by PREVINOR - Associação de Previdência Privada. Previnor's main goal is the supplementary pension benefits (in relation to the pension benefits by the mandatory Federal pension system) for employees (and their direct relatives). The sponsors and employees make monthly contributions based on monthly salaries.

Petroflex, besides Previnor, sponsors for a portion of its employees a defined-benefit plan managed by Fundação Petrobrás de Seguridade Social - PETROS, a multi-sponsored plan, being Petrobrás the main sponsor, with 90% of participation. The plan includes a provision for solidarity among sponsors.

The jointly controlled subsidiaries Politeno, Polibrasil and Petroflex disclosed in their financial statements the information required by CVM Deliberation No. 371/00. According to their financial statements, there are no cases of additional deficit of sponsors' responsibility to be recognized.