

Suzano Petroquímica S.A.

*Consolidated Financial Statements
for the Quarter Ended March 31, 2007 and
Independent Accountants' Review Report*

Deloitte Touche Tohmatsu Auditores Independentes

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

1. We have performed a special review of the accompanying consolidated balance sheet of Suzano Petroquímica S.A. (the "Company") and subsidiaries as of March 31, 2007 and the related statement of income for the quarter then ended, all expressed in Brazilian reais and prepared under the responsibility of the Company's management in conformity with Brazilian accounting practices. Our responsibility is to express an opinion on these financial statements.
2. We conducted our review in accordance with specific standards established by the Brazilian Institute of Independent Auditors (IBRACON), together with the Federal Accounting Council, which consisted principally of: (a) inquiries of and discussions with persons responsible for the accounting, financial and operating areas as to the criteria adopted in preparing the quarterly financial statements, and (b) review of the information and subsequent events that had or might have had material effects on the financial position and results of operations of the Company.
3. Based on our special review, we are not aware of any material modifications that should be made to the quarterly financial statements referred to in paragraph 1 for them to be in conformity with Brazilian accounting practices, as applied under the standards established by the Brazilian Securities Commission (CVM) specifically applicable to the preparation of quarterly financial statements.
4. The statements of cash flows and changes in financial position for the quarter ended March 31, 2007 are presented for purposes of additional analysis and are not a required part of the basic quarterly financial statements prepared in accordance with Brazilian accounting practices. Such information has been subject to the review procedures applied in the special review of the quarterly financial statements and, based on our special review, we are not aware of any material modification that should be made to these additional statements.
5. We had previously audited the consolidated balance sheet as of December 31, 2006, presented for comparative purposes, and issued an unqualified audit report thereon, dated February 9, 2007. We had previously reviewed the consolidated statements of operations, cash flows and changes in financial position for the quarter ended March 31, 2006, presented for comparative purposes, and issued an unqualified review report dated August 4, 2006 based on our review and on the report of other independent auditors on the financial statements of the jointly-controlled subsidiaries Rio Polímeros S.A. and Politeño Indústria e Comércio S.A., whose investments (R\$48,135 thousand and R\$164,269 thousand) in the proportional consolidated assets represent 42.1% of the total consolidated assets.

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6. Brazilian accounting practices vary in certain significant aspects from generally accepted accounting principles in the United States of America - U.S. GAAP. The Company has presented the nature and effect of such differences in Note 26 to the financial statements.

May 11, 2007

Deloitte Touche Tohmatsu

SUZANO PETROQUÍMICA S.A.

CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2007 AND DECEMBER 31, 2006

(In thousands of Brazilian reais)

<u>ASSETS</u>	<u>Note</u>	<u>03/31/2007</u>	<u>12/31/2006</u>	<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>Note</u>	<u>03/31/2007</u>	<u>12/31/2006</u>
CURRENT ASSETS				CURRENT LIABILITIES			
Cash and cash equivalents	6	391,996	304,031	Payables to suppliers		183,926	197,620
Short-term investment		68,398	89,304	Loans	15	287,074	256,186
Trade accounts receivable	7	332,248	310,245	Debentures	15	1,360	331
Inventories	8	236,507	256,197	Taxes other than income tax		35,059	23,931
Recoverable taxes	9	48,222	38,207	Salaries and payroll charges		9,093	13,830
Deferred income taxes	10.a	5,613	5,772	Customer advances		2,361	5,543
Other credits		104,320	79,511	Dividends payable		214	213
Prepaid expenses		6,323	7,171	Other accounts payable		53,552	51,319
Total current assets		<u>1,193,627</u>	<u>1,090,438</u>	Total current liabilities		<u>572,639</u>	<u>548,973</u>
NONCURRENT ASSETS				NONCURRENT LIABILITIES			
Long-term assets:				Long-term liabilities:			
Deferred income taxes	10.a	79,186	83,127	Payables to suppliers		40,858	40,931
Recoverable taxes	9	193,186	178,099	Loans	15	1,636,127	1,645,440
Escrow deposits		1,069	889	Debentures	15	32,191	32,191
Trade accounts receivable	7	7,724	8,335	Deferred income taxes		1,016	1,413
Other credits		26,326	26,120	Taxes other than income taxes		73,601	73,655
Permanent assets:				Provision for contingencies	16	9,813	12,268
Investments	11	35,809	35,811	Provision for pension plans		3,044	3,044
Property, plant and equipment	13	1,330,241	1,356,765	Other accounts payable		11,972	12,102
Deferred charges	14	<u>573,341</u>	<u>595,867</u>	Total noncurrent liabilities		<u>1,808,622</u>	<u>1,821,044</u>
Total noncurrent assets		<u>2,246,882</u>	<u>2,285,013</u>	DEFERRED INCOME		<u>37,965</u>	<u>38,864</u>
				SHAREHOLDERS' EQUITY			
				Capital stock		826,283	826,283
				Income reserves		<u>195,000</u>	<u>140,287</u>
				Total shareholders' equity		<u>1,021,283</u>	<u>966,570</u>
TOTAL ASSETS		<u><u>3,440,509</u></u>	<u><u>3,375,451</u></u>	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u><u>3,440,509</u></u>	<u><u>3,375,451</u></u>

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

SUZANO PETROQUÍMICA S.A.

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE QUARTERS ENDED MARCH 31, 2007 AND 2006
(In thousands of Brazilian reais, except for earnings per share)

	<u>Note</u>	<u>2007</u>	<u>2006</u>
GROSS OPERATING REVENUES		805,349	741,871
Taxes on sales and other sales deductions		(174,889)	(170,357)
NET SALES	18	<u>630,460</u>	<u>571,514</u>
Cost of sales	18	<u>(504,245)</u>	<u>(509,821)</u>
GROSS PROFIT	18	<u>126,215</u>	<u>61,693</u>
OPERATING (EXPENSES) REVENUES			
Selling expenses		(48,257)	(41,661)
General and administrative expenses		(16,028)	(20,811)
Financial expenses, net	19	(36,147)	(34,263)
Exchange variation	19	48,152	49,555
Goodwill amortization		(13,545)	(17,589)
Other operating revenues		2,558	378
OPERATING INCOME (LOSS)		<u>62,948</u>	<u>(2,698)</u>
Nonoperating revenues (expenses)		<u>10,858</u>	<u>(227)</u>
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST		<u>73,806</u>	<u>(2,925)</u>
Current income and social contribution taxes	10.b	(16,268)	(978)
Deferred income and social contribution taxes	10.b	(2,939)	1,763
INCOME (LOSS) BEFORE MINORITY INTEREST		<u>54,599</u>	<u>(2,140)</u>
Minority interest		-	(605)
NET INCOME (LOSS)		<u><u>54,599</u></u>	<u><u>(2,745)</u></u>
EARNINGS PER SHARE - R\$		<u><u>0.24</u></u>	<u><u>(0.01)</u></u>
NUMBER OF SHARES AT QUARTER END		<u><u>226,695,380</u></u>	<u><u>226,695,380</u></u>

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

SUZANO PETROQUÍMICA S.A.CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE QUARTERS ENDED MARCH 31, 2007 AND 2006

(In thousands of Brazilian reais)

	<u>2007</u>	<u>2006</u>
SOURCES OF FUNDS		
Operation sources of funds (as described below)	63,009	4,737
New long-term loans	35,481	361,014
Increase of noncurrent liabilities	218	130
Decrease of noncurrent assets	1,835	11,245
Transfer of noncurrent assets to current assets	16,659	-
Other	-	612
Total sources	<u>117,202</u>	<u>377,738</u>
APPLICATIONS OF FUNDS		
In noncurrent assets:		
Additions in investment	-	30
Additions to property, plant and equipment	34,150	8,611
Additions to deferred charges	489	19,845
	<u>34,639</u>	<u>28,486</u>
Increase in noncurrent assets	1,964	16,688
Decrease of noncurrent liabilities	72	8,069
Transfer of noncurrent liabilities to current liabilities	1,004	60
Total applications	<u>37,679</u>	<u>53,303</u>
INCREASE IN WORKING CAPITAL	<u>79,523</u>	<u>324,435</u>
VARIATIONS IN WORKING CAPITAL		
Current assets:		
Beginning of the quarter	1,090,438	879,763
End of the quarter	<u>1,193,627</u>	<u>882,712</u>
	103,189	2,949
Current liabilities:		
Beginning of the quarter	548,973	944,711
End of the quarter	<u>572,639</u>	<u>623,225</u>
	23,666	(321,486)
INCREASE IN WORKING CAPITAL	<u>79,523</u>	<u>324,435</u>
OPERATION SOURCES OF FUNDS		
Net income	54,599	(2,745)
Minority interest on income	-	(10)
Expenses (revenues) that do not affect working capital:		
Depreciation and amortization	33,731	20,826
Net book value of property, plant and equipment disposals	3,898	307
Deferred income taxes	3,846	944
ADENE - tax incentives	114	-
Provision for losses with ICMS tax - long term	-	320
Provision for contingencies - long term	(2,564)	438
Goodwill amortization	13,545	17,589
Long-term interest charges, monetary variation and exchange losses	<u>(44,160)</u>	<u>(32,932)</u>
Funds from operations	<u>63,009</u>	<u>4,737</u>

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

SUZANO PETROQUÍMICA S.A.CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED MARCH 31, 2007 AND 2006
(In thousands of Brazilian reais)

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	54,599	(2,745)
Minority interest on income	-	(10)
Adjustments to reconcile net income to cash generated by operating activities:		
Depreciation and amortization	33,731	20,826
Disposal of permanent assets	3,809	307
Goodwill amortization	13,545	17,589
Interest charges, monetary variations and foreign exchange losses (gains)	(10,824)	(16,810)
Provision for contingencies and other	(2,564)	415
Deferred income taxes	3,846	(1,159)
ADENE - tax incentives	114	-
Other	8,059	(4,588)
Changes in assets and liabilities:		
Increase in trade accounts receivable	(36,586)	(121,904)
Decrease (increase) in inventories	19,271	(38,539)
Decrease (increase) in recoverable taxes	3,793	(18,674)
Decrease (increase) in other current and long-term assets	(13,442)	3,378
Decrease in payables to suppliers	(15,712)	(11,877)
Decrease in other current and long-term liabilities	(15,145)	(60,970)
Cash flows from operating activities	<u>46,494</u>	<u>(234,761)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash collected on sale of equipment/subsidiaries, net of cash of subsidiaries sold	100	72
Increase in investments	-	(38)
Acquisition of minority interest	-	(30)
Short-term investment	20,906	13,609
Additions to property, plant and equipment	(34,150)	(20,354)
Additions to deferred charges	(489)	(19,845)
Cash flows used in investing activities	<u>(13,633)</u>	<u>(26,586)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of dividends	-	(1,857)
Proceeds from new loans	112,635	549,467
Payments of loans	(57,531)	(448,061)
Cash flows from financing activities	<u>55,104</u>	<u>99,549</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>87,965</u>	<u>(161,798)</u>
Cash and cash equivalents at beginning of the quarter	304,031	202,120
Cash and cash equivalents at end of the quarter	391,996	40,322

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

SUZANO PETROQUÍMICA S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2007 AND FOR THE YEAR ENDED DECEMBER 31, 2006 (In thousands of Brazilian reais, unless otherwise indicated)

1. OPERATIONS

The operations of Suzano Petroquímica S.A. (the “Company”), a publicly-owned company, include: (a) manufacturing, development, importation and exportation of polypropylene used in the production of auto parts, household appliances, containers, bottles, packaging, carpets, furniture and other; (b) holding company of investments in any company or enterprise; (c) leasing or granting the use of its assets relating to the above activities referred to in item (a) above; and (d) rendering of services relating to the activities described above.

As of July 11, 2006, the Company concluded the first phase of the increase in the production capacity of polypropylene at Mauá’s plant. This project increased production capacity of polypropylene by 60,000 tons per year, to 360,000 ton per year, becoming the Mauá plant the largest polypropylene manufacturing facility in Latin America.

The Company holds investments in the following jointly-controlled subsidiaries:

Petroflex Indústria e Comércio S.A. (“Petroflex”)

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. (“Rio Polímeros”)

Production (540,000 tons of capacity per year) of polyethylene from the fraction of natural gas extracted from Bacia de Campos, Rio de Janeiro.

On October 31, 2005, Rio Polímeros completed its premarketing operations, which included purchasing and resale of polyethylene manufactured by third parties, the objectives of which were the training of sales, logistics and technical assistance teams, and testing of distribution systems, to prepare for the operating phase of the plant. These premarketing operations were contemplated in the business plan and were reflected in results of operations for the first semester of 2005. In April 2006, Rio Polímeros started its industrial production and considered concluded the construction of the plant facilities denominated Gas Chemical Complex in Duque de Caxias, State of Rio de Janeiro. The services of construction, engineering and assembly were conducted by the consortium formed by ABB Lummus and Snamprogetti.

The operating phase began on March 31, 2006. As a result, the statement of income includes operations for the period from April 1 to December 31, 2006.

2. SALE OF SUBSIDIARY

On April 4, 2006, the subsidiary SPQ Investimentos e Participações Ltda. (“SPQ”), Sumitomo Chemical Company, Limited and Itochu Corporation (Japanese group), as sellers, and Braskem S.A., as buyer, entered into an agreement for the purchase and sale of the total equity interest in Politeno Indústria e Comércio S.A. (“Politeno”) (which was a Company’s jointly-owned subsidiary). In exchange for the shares in Politeno, SPQ received, on April 6, 2006, a down payment of R\$129,704, and a contingent purchase price agreement that will be calculated based on the difference between the net price of polyethylene and the net price of ethene, which is indexed to the price of naphtha (spread of polyethylene). The contingent payment or amount to be received will be calculated over the 18-month period subsequent to the sale. This agreement was classified as a hybrid financial instrument and, consequently, is recorded at its market value at each period end. The Company recorded income relating to this agreement amounting to R\$15,692 for the quarter ended March 31, 2007 (R\$80,048 from the start date of the agreement to March 31, 2007), which was classified as nonoperating income in the consolidated quarterly financial statements. As of March 31, 2007, the asset recorded related to this instrument amounted to R\$80,048 and is classified as “Other assets”.

3. PRESENTATION OF FINANCIAL STATEMENTS

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

The preparation of financial statements requires the 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, provisions for losses on other current assets, useful lives of fixed assets, goodwill and its amortization, deferred income tax assets, provision for contingencies and the fair value of financial instruments, including Politeno’s contingent purchase price agreement which is accounted for as derivative instrument at fair value. The Company’s management reviews its assumptions and estimates regularly.

Until March 31, 2006, Rio Polímeros was in preoperating phase.

The Company’s consolidated statement of income for the quarter ended March 31, 2007 is not comparable to the consolidated statement of income as of and for the quarter ended March 31, 2006, which reflect the 33.89% ownership interest in Politeno.

Note 25 includes a “pro forma” statement of income for the quarter ended March 31, 2006, which includes pro forma adjustment to not consider the proportional consolidation of Politeno for the period.

4. DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES

- a) Recognition of revenues and expenses: Results of operations are recognized on the accrual basis. Sales revenue is recognized when all related risks and benefits of products are transferred to the customer. Revenue is not recognized if there is significant uncertainty as to its realization.

- b) Items denominated in foreign currencies: 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 currently in income.
- c) Rights and obligations: Monetarily restated according to contractual financial charges or exchange rates, to reflect amounts accrued through the balance sheet date.
- d) Cash and cash equivalents: Include petty cash, bank accounts and highly-liquid temporary cash investments with original maturities of less than 90 days. Temporary cash investments are recorded at cost plus income accrued to the balance sheet date, which does not exceed market value.
- e) Short-term investments: Represented by stock of listed companies recorded at the lower of cost or fair market value.
- f) Allowance for doubtful accounts: Recognized based on an individual analysis of accounts receivable in an amount considered sufficient by management to cover probable losses on the realization of receivables.
- g) Discounted accounts receivable and vendor operations: The discounted export receivables and vendor operations are registered as reduction of accounts receivable.
- h) Inventories: Stated at average cost of acquisition or production, which does not exceed market value. Production costs reflect the full absorption method based on normal utilization of production capacity; the impact of underutilization of capacity is charged to income currently. Spare parts are stated at acquisition cost and charged to manufacturing costs upon consumption or obsolescence.
- i) Investments: The investment in jointly-controlled subsidiaries is stated under the equity method in the individual financial statements of the Company. All other investments are recorded under the cost method. Goodwill from acquisitions relates to the expectation of future profitability and is being amortized over periods of seven to ten years. The investments in the capital stock of companies which have been destined for sale is reclassified to current assets and is carried at the lower of cost or market value. The Company reviews the accounting practices used by subsidiaries and, in case of differences with the Company's accounting practices, makes adjustments to their shareholders' equity and results of operations, for purposes of application of equity method.
- j) Property, plant and equipment: Stated at acquisition or construction cost, plus interest and other financial charges incurred during construction. Depreciation is computed under the straight-line method at the rates based on the estimated useful lives of the assets (see Note 13). Expenses related to scheduled shutdown of plants are capitalized in the cost of related assets and depreciated during the period between the current shutdown and the next scheduled shutdown, the intervals may vary from one up to three years.

- k) **Deferred charges:** Expenditures incurred during the preoperating phase are recorded at cost and deferred and amortized after the start-up until ten years. In the consolidated balance sheet and in the Company's individual balance sheet after the merger of subject companies, balances of goodwill resulting from the acquisition of subsidiaries mentioned in Note 2 are reclassified to deferred charges. Goodwill from acquisitions relates to the expectation of future profitability, which has been amortized over a period of seven to ten years.
- l) **Income and social contribution taxes:** Recognized on the accrual basis. 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 taking into account the historical profitability and the expectations of generation of future taxable income based on feasibility studies. Subsidiaries located in the State of Bahia or which operate plants located there are entitled to a benefit of reduction in and/or exemption of income tax which was granted in prior years. The benefit is deducted from income tax payable and recorded by the individual companies as capital reserves, directly in shareholders' equity. For purposes of the consolidated financial statements, income tax expense is stated at the amount net of the tax-incentive exemption or reduction.
- m) **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 probable that funds or assets will be needed to settle such obligation. Provisions are recorded based on the best estimates of the risk involved which are supported by the external legal counsel's opinion. The balances of provisions are deducted of escrow, if applicable.
- n) **Deferred income:** Related to negative goodwill from prior acquisitions of shares of Polibrasil companies that have been merged into the Company, which have been amortized over a period of seven years, the same period of amortization of the goodwill paid in the last acquisition of Polibrasil companies.
- o) **Interest on capital:** Recorded originally in accounting records as finance income, when declared or paid by subsidiaries or affiliates, and as finance expense when interest is appropriated to shareholders. However, for purposes of the financial statements the Company uses the essence of the transaction and, accordingly, credits and charges for interest on capital are considered as dividends received and paid, respectively, and do not flow through income. Consequently, interest on capital received from subsidiaries and affiliates is credited to the investment caption, and interest on capital paid or payable to shareholders is charged to retained earnings.
- p) **Pension plan contributions:** Contributions to private defined-contribution pension plans, computed according to the rules of such plans, are charged monthly to income. For the few cases of employees who remain entitled to defined-benefit plans, a provision is recorded to recognize the possible deficit, if any, determined on the basis of studies developed by independent actuaries. In case of excess assets in overfunded plans, the Company does not recognize the corresponding assets.

- q) Statements of cash flows and changes in financial position: The statement of cash flows is presented as supplemental information and has been prepared in accordance with Accounting Standard - Procedure No. 20, "Statement of Cash Flows", issued by the Brazilian Institute of Independent Auditors (IBRACON), and the statement of changes in financial position is presented for the purpose of quarterly financial statements.

5. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements include the Company and its direct and indirect subsidiaries, and the Company's jointly-controlled subsidiaries, which were proportionally consolidated, according to the following percentage shares:

	03/31/2007 and 12/31/2006		03/31/2006	
	<u>Voting</u>	<u>Total</u>	<u>Voting</u>	<u>Total</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
Suzanopar Petroquímica Ltd.	100.00	100.00	100.00	100.00
Rio Polímeros S.A.	33.33	33.33	33.33	33.33
SPQ Investimentos e Participações Ltda.	100.00	100.00	100.00	100.00
Petroflex Indústria e Comércio S.A.	20.14	20.12	20.14	20.12
Politeno Indústria e Comércio S.A.	-	-	35.00	35.00

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 intercompany transactions.
- Segregation of minority interests from equity and results of operations.
- The elements of the financial statements of jointly-controlled subsidiaries were consolidated and eliminated (when this was the case) at the subject percent rate of participation in total capital (proportional consolidation).

6. CASH AND CASH EQUIVALENTS

	<u>03/31/2007</u>	<u>12/31/2006</u>
Bank accounts	27,723	41,891
Temporary cash investments	<u>364,273</u>	<u>262,140</u>
	<u>391,996</u>	<u>304,031</u>

7. TRADE ACCOUNTS RECEIVABLE

	<u>03/31/2007</u>	<u>12/31/2006</u>
Domestic clients	426,563	399,612
Foreign clients	<u>112,901</u>	<u>151,975</u>
	539,464	551,587
Discounted receivables	(18,318)	(56,317)
Vendor operations (*)	(161,380)	(162,339)
Allowance for doubtful accounts	<u>(19,794)</u>	<u>(14,351)</u>
	<u>339,972</u>	<u>318,580</u>
Receivables classified under current assets	<u>332,248</u>	<u>310,245</u>
Receivables classified under noncurrent assets	<u>7,724</u>	<u>8,335</u>

(*) Operations by means of which customers obtain bank funding to settle in cash their purchases from the Company, which provides guarantees to the banks. In case of delinquent customers, the Company must reimburse these banks.

The jointly-owned subsidiary Petroflex established the Receivables Investment Fund (FIDC I) in December 2003, as an open-end fund, which was discontinued in March 2007. Replacing that fund, the jointly-owned subsidiary Petroflex established a new Receivables Investment Fund (FIDC II), as a closed-end fund, with a five-year maturity, which is managed by Votorantim Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda. and is characterized by the securitization of receivables of the jointly-owned subsidiary arising from transactions between the jointly-owned subsidiary and its customers in the domestic market, in accordance with established terms and conditions. As of March 31, 2007, the jointly-owned subsidiary holds 706 subordinated shares of the FIDC II, equivalent to R\$17,643, with unit value of R\$24.99, representing 15% of total shares. The remaining shares are held by third parties. The financial positions of the FIDC I and FIDC II were consolidated in the Company's financial statements as of March 31, 2007 and December 31, 2006, respectively, in proportion to the Company's interest in the jointly-owned subsidiary.

The summary of aging of accounts receivable is as follows:

	<u>03/31/2007</u>	<u>12/31/2006</u>
Current accounts:		
From 1 to 30 days	298,127	313,995
From 31 to 60 days	119,049	104,028
From 61 to 90 days	50,346	51,490
From 91 to 360 days	17,681	19,593
More than 360 days	<u>7,724</u>	<u>8,041</u>
	<u>492,927</u>	<u>497,147</u>

	<u>03/31/2007</u>	<u>12/31/2006</u>
Past-due accounts:		
From 1 to 30 days	13,620	32,647
From 31 to 60 days	4,376	2,957
From 61 to 90 days	2,094	1,694
From 91 to 360 days	19,522	11,568
More than 360 days	<u>6,926</u>	<u>5,574</u>
	<u>46,538</u>	<u>54,440</u>
	<u>539,465</u>	<u>551,587</u>

8. INVENTORIES

	<u>03/31/2007</u>	<u>12/31/2006</u>
Finished products	153,355	164,912
Work in progress	3,181	2,583
Raw materials	58,346	57,582
Auxiliary materials and other	1,145	1,527
Maintenance materials	23,891	32,580
Provision for losses in inventories	<u>(3,411)</u>	<u>(2,987)</u>
	<u>236,507</u>	<u>256,197</u>

9. RECOVERABLE TAXES

	<u>03/31/2007</u>	<u>12/31/2006</u>
Advances for income and social contribution taxes	8,392	6,737
Recoverable ICMS tax	194,667	192,241
Provision for losses on ICMS tax credits	<u>(8,529)</u>	<u>(5,870)</u>
Other	<u>46,878</u>	<u>23,198</u>
	<u>241,408</u>	<u>216,306</u>
Amount classified under current assets	<u>48,222</u>	<u>38,207</u>
Amount classified under noncurrent assets	<u>193,186</u>	<u>178,099</u>

The Company and its jointly-controlled subsidiaries have accumulated ICMS (State Value-Added Tax - VAT) tax credits as a result of the interstate sales, the tax rate of which is lower than the rate on purchases of raw materials, and of export sales which are exempted from this State tax.

The Company and the jointly-controlled subsidiaries have developed tax planning strategies for recovery of accumulated ICMS tax credits represented by the initiatives discussed below. The provisions for losses on these credits have been determined on the basis of the average discounts granted in negotiations for some plants.

Company

Plant located in Camaçari - BA

- 1) Deferral (exemption) of ICMS tax on importation of materials used for manufacturing purposes, on purchases from suppliers located in the State of Bahia and on importation of machinery and equipment. As a result, beginning in March 2005, there have been no new credits on these acquisitions, permitting the realization of existing credits.
- 2) Monthly transfer of ICMS tax credits arising from local sales to the naphtha cracker (Bahiaplast Program, ProBahia and Desenvolve).
- 3) Pending approval from State tax authorities (Bahia), since August 2006, for the contracted alienation to third parties of R\$30 million of tax credits arising from the acquisition of raw materials.
- 4) State Government authorization to ICMS credits transfer, in the amount of R\$4.6 million, in the second quarter of 2007.

Plant located in Mauá - SP

- 1) Negotiations with the State tax authorities for the transfer of ICMS tax credits on exports, amounting to R\$14 million, to be used for the payment of raw material purchases without any discount.
- 2) Negotiation with the State tax authorities for a special tax regime for appropriation and automatic transfer of export tax credits by means of insurance mechanism ("Fast-Track").
- 3) Negotiation of tax incentive project for the plastic transformation industry chain with the State tax authorities, aimed at the reduction of the intra-state tax rate of basic and intermediary petrochemical products to 12%, neutralizing the accumulation of unused balances of credits resulting from the inter-state sales.
- 4) Restructuring of operations among plants to optimize the utilization of tax credits.

Jointly-controlled subsidiaries

Rio Polímeros

The Company's participation on the tax credits of Rio Polímeros on March 31, 2007 amounts to R\$77,360 (R\$77,354 on December 31, 2006), being the portion of R\$66,780 related to deferred credits, recorded based on Decree-Law No. 25,665/99, charged in the importation of equipment utilized in the construction of the industrial facilities. The Decree-Law allows the postponement of the payment of VAT for six years, considering the acquisition date, without charging interest. At the moment taxes become due, the jointly-controlled subsidiary has the right to compensate the amount with monthly VAT obligation generated in the course of its normal operations, in a period of 48 months. Therefore, in the consolidated financial statements, the amount of R\$66,780 is recorded as noncurrent assets and noncurrent liabilities in the same amount.

The Company and 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.

10. INCOME AND SOCIAL CONTRIBUTION TAXES

a) Deferred income tax

Deferred income tax of the Company, its subsidiaries and jointly-controlled subsidiaries included in the financial statements arises from temporary differences and tax losses.

On March 31, 2007, the Company has accumulated tax losses for purposes of corporate income tax amounting to R\$139,358 (R\$152,799 on December 31, 2006) and tax losses for purposes of social contribution tax amounting to R\$152,599 (R\$166,153 on December 31, 2006).

The composition of deferred income tax assets is as follows:

	03/31/2007			12/31/2006	
	Suzano Petroquímica S.A.	Rio Polímeros S.A.	Petroflex Indústria e Comércio S.A.	Total	Total
Current:					
Tax losses	-	5,099	-	5,099	35
Temporary differences	-	71	443	514	5,737
	-	5,170	443	5,613	5,772
Long term:					
Tax losses	48,573	10,408	-	58,983	64,821
Temporary differences	17,050	145	3,009	20,204	18,306
	65,623	10,553	3,009	79,186	83,127

The Company's management and management of jointly-controlled subsidiaries, based on profit projections, recognized tax credits on accumulated tax losses (for both corporate income and social contribution tax purposes). These tax losses do not expire, but are limited to 30% of yearly taxable income.

The tax credits recovery estimates were based on taxable income projections, considering different financial and business assumptions on the date of preparation of such projections. Therefore, actual results could differ from those estimates.

Based on mentioned estimated projections of the Company's management and management of jointly-controlled subsidiaries, the realization of such tax credits is expected as follows:

<u>Year of realization</u>	<u>Consolidated</u>
2007	5,613
2008	11,649
2009	523
2010	349
2011	1,041
As from 2012	<u>65,624</u>
Total	<u>84,799</u>

b) Income tax expense reconciliation

	<u>03/31/2007</u>	<u>12/31/2006</u>
Income (loss) before income taxes	73,806	(2,925)
Unrecognized tax credits of certain companies	<u>-</u>	<u>392</u>
	73,806	(2,533)
Combined income and social contribution tax rate	<u>34%</u>	<u>34%</u>
Credit (expense) of income taxes at the combined rate	(25,094)	861
Exchange rate changes on foreign investments	-	(14)
ADENE tax incentives	114	900
Goodwill amortization	-	(1,002)
Tax credits on temporary differences from prior years	398	-
Other permanent additions	<u>5,375</u>	<u>40</u>
Total income tax credit	<u>(19,207)</u>	<u>785</u>
Current income taxes	(16,268)	(978)
Deferred income taxes	<u>(2,939)</u>	<u>1,763</u>
	<u>(19,207)</u>	<u>785</u>

The Company has tax incentives up to fiscal year 2013, consisting of a 25% reduction of corporate income tax on the portion of operating profits earned by the Camaçari plant, which is located in the State of Bahia, a tax-incentive region subject to the jurisdiction of ADENE (Northeast Region Development Agency).

The jointly-controlled subsidiary Petroflex has tax incentives up to fiscal year 2008, consisting of income tax exemption on the portion of operating profits earned in the tax-incentive region subject to ADENE jurisdiction.

11. INVESTMENTS

	<u>03/31/2007</u>	<u>12/31/2006</u>
Petroquímica União S.A. - common stock	33,385	33,385
Other	<u>2,424</u>	<u>2,426</u>
	<u>35,809</u>	<u>35,811</u>

Position and summary of activity of investments in consolidated subsidiaries:

	<u>SPQ Investimentos e Participações Ltda.</u>	<u>Rio Polímeros S.A.</u>	<u>Suzanopar Petroquímica Ltd.</u>	<u>Total</u>
a) Interest in the capital as of March 31, 2007				
Shares owned:				
Quotas	196,920,100	-	269,999	-
Common shares	-	423,965,910	-	-
Preferred shares	-	97	-	-
Voting capital	100.00%	33.33%	100.00%	-
Total capital	100.00%	33.33%	100.00%	-
b) Information on subsidiaries as of March 31, 2007				
Capital	227,042	1,469,806	632	-
Adjusted shareholders' equity	308,188	1,393,460	807	-
Adjusted results for the period	21,660	21,196	(25)	-
c) Investments				
Balance as of December 31, 2006	286,530	457,421	832	744,783
Equity in earnings (losses)	<u>21,660</u>	<u>7,066</u>	<u>(25)</u>	<u>28,701</u>
Balance as of March 31, 2007	<u>308,190</u>	<u>464,487</u>	<u>807</u>	<u>773,484</u>

The position and summary of activity of the investment of SPQ interest in its controlled subsidiary Petroflex on March 31, 2007 was as follows:

	<u>Petroflex Indústria e Comércio S.A.</u>
a) Interest in the capital as of December 31, 2005	
Voting capital	20.1412%
Total capital	20.1191%
b) Shares owned	
Common shares	23,629,554
Preferred shares	11,560,220
c) Information on subsidiaries as of March 31, 2007	
Capital	161,880
Adjusted shareholders' equity	353,132
Adjusted results for the period	14,693
d) Investment	
Balance as of December 31, 2006	68,091
Equity in earnings	<u>2,956</u>
Balance as of March 31, 2007	71,047
Negative goodwill	<u>(17,593)</u>
	<u><u>53,454</u></u>

The balance sheets and statements of income of the subsidiaries and proportionally consolidated subsidiaries as of and for the quarter ended March 31, 2007 and year ended December 31, 2006 used in the consolidation are presented below (total amounts, without considering the Company's proportional interest):

	SPQ Investimentos e Participações Ltda.		Rio Polímeros S.A.		Suzanopar Petroquímica Ltd.	
	Consolidated		Company		Company	
	<u>03/31/2007</u>	<u>12/31/2006</u>	<u>03/31/2007</u>	<u>12/31/2006</u>	<u>03/31/2007</u>	<u>12/31/2006</u>
ASSETS						
Current assets	<u>372,588</u>	<u>354,284</u>	<u>508,529</u>	<u>435,175</u>	<u>807</u>	<u>832</u>
Cash and cash equivalents	171,221	166,878	52,185	4,372	807	832
Trade accounts receivable	75,079	43,723	136,547	141,958	-	-
Inventories	27,434	31,356	121,351	158,822	-	-
Recoverable taxes	9,336	11,413	-	21,406	-	-
Other credits	89,518	100,914	198,446	108,617	-	-
Noncurrent assets	<u>97,183</u>	<u>97,908</u>	<u>3,190,072</u>	<u>3,265,249</u>	<u>-</u>	<u>-</u>
Recoverable taxes	8,535	8,159	315,671	263,194	-	-
Other credits	1,197	1,182	1,815	1,817	-	-
Investments	615	615	-	-	-	-
Property, plant and equipment	86,836	87,952	2,298,809	2,410,947	-	-
Deferred charges	-	-	573,777	589,291	-	-
TOTAL ASSETS	<u>469,771</u>	<u>452,192</u>	<u>3,698,601</u>	<u>3,700,424</u>	<u>807</u>	<u>832</u>

	SPQ Investimentos e Participações Ltda.		Rio Polímeros S.A.		Suzanopar Petroquímica Ltd.	
	Consolidated		Company		Company	
	<u>03/31/2007</u>	<u>12/31/2006</u>	<u>03/31/2007</u>	<u>12/31/2006</u>	<u>03/31/2007</u>	<u>12/31/2006</u>
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities	<u>75,898</u>	<u>78,200</u>	<u>364,636</u>	<u>369,666</u>	<u>-</u>	<u>-</u>
Loans	16,930	14,116	224,949	236,823	-	-
Other liabilities	58,968	64,084	139,687	132,843	-	-
Noncurrent liabilities	<u>68,092</u>	<u>69,871</u>	<u>1,940,505</u>	<u>1,958,494</u>	<u>-</u>	<u>-</u>
Loans	22,087	55,585	1,617,589	1,635,361	-	-
Other liabilities	46,005	14,286	322,916	323,133	-	-
Deferred income	17,593	17,593	-	-	-	-
Shareholders' equity	308,188	286,528	1,393,460	1,372,264	807	832
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>469,771</u>	<u>452,192</u>	<u>3,698,601</u>	<u>3,700,424</u>	<u>807</u>	<u>832</u>
STATEMENTS OF INCOME (LOSS)						
	<u>03/31/2007</u>	<u>03/31/2006</u>	<u>03/31/2007</u>	<u>03/31/2006</u>	<u>03/31/2007</u>	<u>03/31/2006</u>
Net sales	70,137	120,217	387,117	-	-	-
Cost of sales	<u>(60,330)</u>	<u>(105,908)</u>	<u>(312,721)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Gross profit	9,807	14,309	74,396	-	-	-
Operating expenses	(4,865)	(10,520)	(41,285)	-	-	-
Interest income (loss)	<u>2,925</u>	<u>235</u>	<u>(885)</u>	<u>-</u>	<u>(25)</u>	<u>(61)</u>
Operating income (loss)	7,867	4,024	32,226	-	(25)	(61)
Nonoperating revenues (expenses)	15,703	(84)	2	-	-	-
Income taxes	(1,910)	(546)	(11,032)	-	-	-
NET INCOME (LOSS)	<u>21,660</u>	<u>3,394</u>	<u>21,196</u>	<u>-</u>	<u>(25)</u>	<u>(61)</u>

12. RELATED PARTIES

The balances and transactions with related parties are described below.

	03/31/2007			12/31/2006		
	Assets	Liabilities	Transactions	Assets	Liabilities	Transactions
	Current	Current	Revenue	Current	Current	Revenue
	Accounts receivable	Accounts payable	(expense or purchases)	Accounts receivable	Accounts payable	(expense or purchases)
SPP Agaprint Indústria e Comércio Ltda.	36,022	-	28,857	23,996	-	18,545
Clion Indústria e Comércio Ltda.	11,884	-	8,488	8,374	-	4,338
Suzano Holding S.A.	-	245	(723)	-	250	(662)
	<u>47,906</u>	<u>245</u>	<u>36,622</u>	<u>32,370</u>	<u>250</u>	<u>22,221</u>

13. PROPERTY, PLANT AND EQUIPMENT

	Weighted yearly average depreciation rate - %	Consolidated					
		03/31/2007			12/31/2006		
		Cost	Depreciation	Net book value	Cost	Depreciation	Net book value
Land	-	25,302	-	25,302	25,302	-	25,302
Buildings	4	137,693	(32,392)	105,302	137,852	(31,551)	106,301
Buildings	2.5	18,141	(2,378)	15,763	18,141	(2,261)	15,880
Machinery and equipment	10	572,397	(268,975)	303,422	618,269	(300,570)	317,699
Machinery and equipment	3.3	714,141	(24,844)	689,297	740,998	(18,506)	722,492
Machinery and equipment	5.7	63,757	(25,190)	38,567	75,344	(27,115)	48,229
Furniture, fixture and installations	10	74,748	(45,765)	28,983	74,376	(48,860)	25,516
Vehicles	20	4,400	(2,495)	1,905	4,598	(2,962)	1,636
Leasehold improvements	50	327	(273)	54	327	(265)	62
Computer hardware and other	20	19,962	(10,712)	9,250	18,585	(14,793)	3,792
Other items	10	40,190	(3,161)	37,029	44,976	(4,238)	40,738
Construction in progress	-	<u>75,367</u>	<u>-</u>	<u>75,367</u>	<u>49,118</u>	<u>-</u>	<u>49,118</u>
		<u>746,425</u>	<u>(416,185)</u>	<u>1,330,241</u>	<u>1,807,886</u>	<u>(451,121)</u>	<u>1,356,765</u>

Transfer of land use rights

Under the agreement signed with the city authorities of Duque de Caxias, based on the applicable legislation, Rio Polímeros S.A. has the right of use of the land where the petrochemical plant is located for a period of 50 years, renewable for another 50 years. As per the agreement, the city authorities transferred the right of use of 87.49% of the land destined to the construction of the plant. The legal process aimed at transferring the right of use of the remaining portion of the land has been conducted at the 4th Civil Court of Duque de Caxias.

Before the application of the equity method and the consolidation process, the shareholders' equity of Petroflex was adjusted in order to exclude the effects of revaluation of assets recorded on the subsidiary's book in December 2006, which amounted to R\$13,265. The reversal was made to conform the financial position and results of operations of Petroflex to the accounting practices adopted by the Company.

14. DEFERRED CHARGES

	Suzano Petroquímica S.A.	Rio Polímeros S.A.	Total
Technology	75,750	-	75,750
Preoperating expenses	-	212,424	212,424
Goodwill	418,404	-	418,404
Other	53,297	-	53,297
Amortization	(165,369)	(21,165)	(186,534)
Net book value - 03/31/2007	<u>382,082</u>	<u>191,259</u>	<u>573,341</u>
Net book value - 12/31/2006	<u>399,436</u>	<u>196,431</u>	<u>595,867</u>

Technology

From the total balance of technology, R\$47,869 relates to the acquisition of rights for the use of the "Spheripol" technology by means of an agreement signed in 1998 with Baselltech USA Inc., which has been used in the Company's Mauá plant, and has been amortized over five years.

Preoperating expenses

Rio Polímeros

These deferred charges refer to manufacturing costs incurred during the preoperating phase of the Rio Polímeros plant (R\$84,811), construction of a water transportation system in partnership with Petrobras (R\$17,144), and disbursements for payroll, services, taxes and other (R\$110,469) incurred during the preoperating phase. In April 2006, Rio Polímeros started its operations.

Goodwill

From the total balance of goodwill, R\$340,320 (net of amortization of R\$78,084) refers to the acquisition of Basell Brasil Poliolefinas Ltda. Which was computed based on the equity of Polibrasil as of August 31, 2005 and recorded based on the expectation of future profitability, and is being amortized over seven years, the period used in the projections that determined the business valuation. There has been no specific allocation from the acquisition price to property, plant and equipment since the book value approximated its fair value as determined by independent appraisers on the date of acquisition. After the merger of Suzano Química Ltda., Polipropileno S.A., Polibrasil Resinas and Polibrasil Compostos, on November 30, 2005, the goodwill balance was transferred to deferred charges in the Company's balance sheet, maintaining the amortization period of seven years.

15. LOANS

		Yearly interest rate - %	03/31/2007		12/31/2006	
<u>Company</u>	<u>Index or currency</u>		<u>Current</u>	<u>Long term</u>	<u>Current</u>	<u>Long term</u>
In local currency:						
BNDES (National Bank for Economic and Social Development)	TJLP	TJLP + 5	13,879	-	20,794	-
“Compror”	CDI	55.0 to 69.8 of CDI	43,870	-	53,053	-
Export credit note - Banco Itaú	CDI	CDI + 0.462	16,289	75,000	13,569	75,000
Export credit note - Banco Bradesco	CDI	105.5 of CDI	6,082	96,000	2,909	96,000
Export credit note - Banco do Brasil	CDI	106 of CDI	2,416	100,000	5,942	100,000
FINEM (enterprise funding)	TJLP	TJLP + 3.02	467	45,515	170	18,214
			<u>83,003</u>	<u>316,515</u>	<u>96,436</u>	<u>289,214</u>
In foreign currency:						
IFC - Portion A	US\$	Libor + 2.75	2,439	102,520	389	106,900
IFC - Portion B	US\$	Libor + 2.00	6,215	287,056	979	299,320
IFC - Portion C	US\$	Libor	323	20,504	52	21,380
Advance on export contracts	US\$	5.50 to 6.37	101,922	-	59,460	-
Advanced export - Banco ABN Amro Real	US\$	Libor + 1.60	65	112,772	68	117,590
Export credit note - Banco Votorantim	US\$	7.97	726	205,040	5,065	213,800
Advanced export - Banco Santander	US\$	Libor + 1.79	417	25,630	958	26,725
FINEM (enterprise funding)	US\$	2.52	51	4,807	53	1,996
			<u>112,158</u>	<u>758,329</u>	<u>67,024</u>	<u>787,711</u>
			<u>195,161</u>	<u>1,074,844</u>	<u>163,460</u>	<u>1,076,925</u>
	<u>Index or currency</u>	Yearly interest rate - %	03/31/2007		12/31/2006	
<u>Subsidiaries</u>			<u>Current</u>	<u>Long term</u>	<u>Current</u>	<u>Long term</u>
Rio Polímeros S.A.:						
Local currency:						
BNDES - Subcredit A	TJLP	TJLP + 5	19,181	187,160	13,850	186,935
BNDES - Subcredit B	TJLP	TJLP + 5	3,769	36,776	2,721	36,732
BNDES - Subcredit C	Currency basket	BNDES + 5	4,760	45,320	3,570	47,219
BNDES - Sub A	TJLP	TJLP + 4.50	650	6,413	475	6,405
BNDES - Sub B	US\$	UMBNDDES + 3	97	996	76	1,039
FUNDES	-	6.17	226	15,385	148	10,164
“Compror”	CDI	90 to 103 of CDI	8,123	-	12,115	-
			<u>36,806</u>	<u>292,050</u>	<u>32,955</u>	<u>288,494</u>
Foreign currency:						
U.S. Exim Bank	US\$	5.51	11,532	133,210	9,959	147,032
SACE	US\$	5.51	8,567	113,936	7,254	109,594
Advance on export contracts	US\$	5.10 to 5.43	18,078	-	28,773	-
			<u>38,177</u>	<u>247,146</u>	<u>45,986</u>	<u>256,626</u>
			<u>74,983</u>	<u>539,196</u>	<u>78,941</u>	<u>545,120</u>

	Index or currency	Yearly interest rate - %	03/31/2007		12/31/2006	
<u>Subsidiaries</u>			<u>Current</u>	<u>Long term</u>	<u>Current</u>	<u>Long term</u>
Petroflex Indústria e Comércio S.A.:						
Local currency:						
BNDES (National Bank for Economic and Social Development)	TJLP/ UMBNDDES	TJLP + 3.50 and UMBNDDES + 5	1,553	3,101	1,553	3,480
FINEP	TJLP	TJLP + 0.40	<u>634</u>	<u>6,242</u>	<u>627</u>	<u>6,392</u>
			<u>2,187</u>	<u>9,343</u>	<u>2,180</u>	<u>9,872</u>
Foreign currency:						
U.S. Exim Bank	US\$	Libor + 1.22	275	352	303	508
Interest on discount export bills	US\$	5.36	213	-	195	-
Advanced exports	US\$	Libor + 1.66	68	11,550	398	12,044
BNDES (National Bank for Economic and Social Development)	UMBNDDES	UMBNDDES + 11.17	367	842	405	971
Advances on export exchange contracts	US\$	5.53	<u>13,820</u>	<u>-</u>	<u>10,304</u>	<u>-</u>
			<u>14,743</u>	<u>12,744</u>	<u>11,605</u>	<u>13,523</u>
			<u>16,930</u>	<u>22,087</u>	<u>13,785</u>	<u>23,395</u>
Consolidated:						
Local currency			121,996	617,907	131,571	587,580
Foreign currency			<u>165,078</u>	<u>1,018,219</u>	<u>124,615</u>	<u>1,057,860</u>
			287,074	1,636,127	256,186	1,645,440

TJLP - long-term interest rate

CDI - interbank deposit certificate

UMBNDDES - monetary unit of BNDES

In January 2006, the subsidiary Petroflex issued debentures amounting to R\$160,000, with a total term of five years (final maturity at December 1, 2010). These debentures bear interest at 104.5% of the accumulation of daily averages of CDI rates.

On March 31, 2007, the proportional amount of the obligation consolidated by the Company was R\$1,360, current portion, and R\$32,191, noncurrent portion.

The debenture indenture requires that certain semiannual financial ratios be maintained, and such requirement has been complied with at March 31, 2007.

As of March 31, 2007, the long-term portion of loans matures as follows:

	Jointly-controlled subsidiaries			Consolidated
	Company	Rio Polímeros S.A.	Petroflex Indústria e Comércio S.A.	
2008	81,281	53,034	3,360	137,675
2009	122,268	59,551	6,799	188,618
2010	124,785	57,581	5,997	188,363
2011	156,513	57,581	5,931	220,025
2012 hereafter	<u>589,997</u>	<u>311,449</u>	<u>-</u>	<u>901,446</u>
	<u>1,074,844</u>	<u>539,196</u>	<u>22,087</u>	<u>1,636,127</u>

Guarantees of loans

Company

The loans with International Finance Corporation - IFC (world bank group), limited to US\$80,000, are guaranteed by the parent company, Suzano Holding S.A., with a cost of 0.6% per year, and are guaranteed by Company's installations and machinery and equipment of the plants located in Mauá, State of São Paulo, and in Camaçari, State of Bahia.

The FINEM loan is guaranteed by a junior mortgage of a property of the plant in Duque de Caixas, State of Rio de Janeiro.

Jointly-controlled subsidiaries

- Rio Polímeros

Cash flow of future operations, supported by export contracts, capital stock of Rio Polímeros owned by shareholders Suzano Petroquímica S.A., Unipar - União de Indústrias Petroquímicas S.A. and Petrobras Química S.A. - Petroquisa, and subrogation of the license of use of land.

Due to the delay in the construction of the plant and of the beginning of testing phase, Rio Polímeros concluded on April 17, 2006 the negotiations with banks to postpone the interest and principal due in 2006 to April 2007 and the extension of loan terms by a year, postponing last installment to April 2016.

- Petroflex

- BNDES - guarantee provided by related companies Braskem S.A., Suzano Petroquímica S.A. and Unipar - União de Indústrias Petroquímicas S.A. and mortgage of property located in Triunfo, State of Rio Grande do Sul.

- FINEP - first degree mortgage of property located in Duque de Caxias, State of Rio de Janeiro.

Index or rate

03/31/2007

Long-term Interest Rate - TJLP (b)	6.50%
Interbank Deposit Certificate - CDI (b)	12.68%
Monetary Unit of BNDES - UMBNDES (a)	(4.02)%
TJLP Related Ratio - URTJLP (a)	0.12%
Reference Rate - TR (a)	0.51%
General Market Price Index - IGP-M (a)	1.11%

(a) 2007 first quarter variation.

(b) March 2007 existing rates.

Pursuant to certain loan agreements, the Company is required to comply with certain semester and annual financial covenants, computed using financial statements prepared in accordance with generally accepted accounting principles in Brazil (Banco Votorantim and Banco ABN Amro), and generally accepted accounting principles in the United States of America as it relates to the contract with the IFC.

16. PROVISIONS AND COMMITMENTS

The provision recorded to recognize probable losses in administrative and judicial disputes related to tax, labor and government-mandated pensions is considered sufficient, according to the assessment of legal counsel and other legal advisors.

The summary of the activity of the provision for contingencies at March 31, 2007 is as follows:

a) Provisions

	<u>12/31/2006</u>	<u>Additions</u>	<u>Reversal and/or payments</u>	<u>Interest charges</u>	<u>03/31/2007</u>
Labor	6,084	-	(515)	81	5,650
Tax	6,656	-	(1,618)	28	5,066
Civil	<u>3,399</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,399</u>
	<u>16,139</u>	<u>-</u>	<u>(2,133)</u>	<u>109</u>	<u>14,115</u>
Escrow deposits	<u>(3,871)</u>	<u>(484)</u>	<u>53</u>	<u>-</u>	<u>(4,302)</u>
Total	<u>12,268</u>	<u>(484)</u>	<u>(2,080)</u>	<u>109</u>	<u>9,813</u>

As of March 31, 2007, the Company is involved in other legal disputes amounting to R\$38,598 and the likelihood of losses is considered possible (not probable) by outside legal counsel, which, accordingly, have not been provided for. This amount does not include the clause 4th labor claim (also a possible loss as per the legal counsel's opinion) the exposure amount cannot be determined. The Company's management is of the opinion that such other cases do not require a provision for losses.

As of March 31, 2007, the Company has contingent assets, and its outside legal counsel is of the opinion that a favorable outcome is probable, amounting approximately to R\$7,788. The gain will be recorded only after the subject final court decisions.

Labor lawsuit concerning clause 4th (relating to the former 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. The 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.

b) Commitments

The Company has take-or-pay contracts for raw material purchase effective through September 2026 and the total contracted purchase amount is approximately R\$10,910,440 for this quarter. Historically, the Company has fully consumed the contracted quantities of raw materials.

Commitments for purchase of raw materials per year are as follows:

<u>Year</u>	<u>R\$</u>
2007 (nine remaining months)	776,940
2008	1,035,920
2009	1,035,920
2010	1,035,920
2011	1,035,920
2012	1,035,920
2013 to 2026	<u>4,953,900</u>
Total	<u>10,910,440</u>

The Company provides contingent guarantees, jointly with Suzano Papel e Celulose S.A., for the payment of future supply of raw material by Petrobras S.A. to Rio Polímeros. Such guarantees will be extinguished from: (i) the payment of these amounts by Rio Polímeros; or (ii) the payment of all obligations of Rio Polímeros to the creditors under the long-term loan agreements (scheduled for the second quarter of 2016), whichever occurs first. The Company also has additional obligations deriving from payments for the construction of the water main to supply water for the Rio Polímeros project, which has been made according to our financial planning.

Pursuant to the agreement, the Company is liable, in proportion to the interest sold, for liabilities of Politenó, not specified in the agreement and relating to the period prior to the sale, provided that they, individually or in the aggregate, exceed R\$12.0 million (floor trigger), arising within three years after the sale date (April 2006). To date, there are no lawsuits with unfavorable outcome for the period prior to the sale that are not mentioned in the respective agreement.

Rio Polímeros S.A.

Under the terms of the raw material supply agreement signed with Petrobras on December 22, 2000, Rio Polímeros has acquired the right to receive raw materials (ethane and propane) to produce 500,000 tons/year of ethylene. Besides the supply guarantee, the contract foresees sale and purchase obligations of the subject raw material (“take or pay” and “supply or pay”).

This agreement has a 15-year term, beginning on the first supply of ethane and/or propane, realized after the conclusion of the plant’s performance tests phase, renewable for successive periods of two years.

Petroflex Indústria e Comércio S.A.

The jointly-controlled Petroflex has entered into supplying agreements with Braskem S.A. and Lyondell Chemical Company, ending 2016 and 2007, respectively, to acquire butadiene and styrene. Such agreements establish a minimum acquisition volume. In 2006, Petroflex is in compliance with such clauses. For 2007, Petroflex complied with the minimum volume requirements by purchasing approximately US\$221,520. In case of default, the penalties are the following:

- Braskem - payment of the amount correspondent to the quantity of products not purchased by Petroflex, considering 50% of the average sales price in the quarter that the default event occurred.
- Lyondell - reduction in quantity to be supplied during the year in the proportion of the quantity not acquired.

17. CAPITAL STOCK AND DIVIDENDS

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, except for some instances related to the requirements to join the Level 2 of Corporative Governance of BOVESPA, 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. The balance of this special reserve cannot surpass 80% of the amount of capital. The amount remaining after the constitution of this special reserve for future capital increase might be destined to the statutory reserve till this reserve reaches 20% of capital.

18. NET SALES AND COST OF SALES

	03/31/2007			12/31/2006		
	<u>Net sales</u>	<u>Cost</u>	<u>Gross profit</u>	<u>Net sales</u>	<u>Cost</u>	<u>Gross profit</u>
Domestic market	484,474	(365,720)	118,754	468,012	(409,377)	58,635
Foreign markets	<u>145,986</u>	<u>(138,525)</u>	<u>7,461</u>	<u>103,502</u>	<u>(100,444)</u>	<u>3,058</u>
	<u>630,460</u>	<u>(504,245)</u>	<u>126,215</u>	<u>571,514</u>	<u>(509,821)</u>	<u>61,693</u>

19. FINANCIAL INCOME (EXPENSES)

	<u>03/31/2007</u>	<u>12/31/2006</u>
Financial expenses:		
Interest (mainly financing and debentures)	(42,227)	(33,512)
Monetary variation on financing	(175)	(614)
Exchange rate variation on financing	47,100	48,478
Exchange rate variation on suppliers balance	426	3,127
Exchange rate variation on advanced export contracts	2,366	(833)
Bank expenses	(1,379)	(2,809)
Losses on derivative contracts	-	(1,747)
Other expenses	<u>(2,872)</u>	<u>(8,218)</u>
	<u>3,239</u>	<u>3,871</u>
Financial income:		
Interest on receivables	427	1,591
Monetary variation	3	-
Exchange rate variation	(1,568)	(835)
Gain on derivative contracts	-	9,852
Other financial income	<u>9,904</u>	<u>813</u>
	<u>8,766</u>	<u>11,421</u>
Financial expenses, net	<u>12,005</u>	<u>15,292</u>
Financial expenses, net	(36,147)	(34,031)
Exchange rate variation, net	<u>48,152</u>	<u>49,322</u>
Financial results	<u>12,005</u>	<u>15,292</u>

20. FINANCIAL INSTRUMENTS

The Company and the jointly-controlled subsidiaries participate in operations involving the usual financial instruments described below.

The fair market values estimated for the assets, liabilities and financial instruments recognized in the Company's financial statements as of March 31, 2007 which are different from the corresponding book values can be summarized as follows:

	<u>Book value</u>	<u>Fair value</u>
Short-term investments (stocks for sale)	68,398	68,398
Investments carried at cost- Petroquímica União S.A.	33,385	37,875

The jointly-controlled subsidiaries disclosed in their financial statements that there are no relevant differences between the fair market values and book values of assets, liabilities and financial instruments recorded in the consolidated financial statements.

a) The criterion for determination of fair market values stated above is as follows:

- Short-term investments: The fair value of preferred shares of Petroquímica União S.A. (“PQU”) was estimated based on an analysis of discounted cash flows developed by third parties. Although PQU is a public company, its shares are very thinly traded and, consequently, not indicative of the fair value of PQU’s shares. In addition to these shares, the Company owns other shares which are available for sale, amounting to R\$1,342, reflecting market value in light of the fact that this is lower than book value. The Company also owns 2,129,324 preferred shares class “A” from Braskem S.A., which represent 0.6% of its total equity. The book value of such shares as of March 31, 2007 was R\$33.5 million. The Company, based on studies from market analysts, concluded that the book value is not higher than the fair value estimated for March 2007.
- Investments carried at cost - PQU (common stocks): As mentioned, the fair value was estimated based on the actual price of the stock. See disclosure above regarding the trading of PQU’s shares.

The Company and the jointly-controlled subsidiaries had no off-book financial instruments as of March 31, 2007.

b) Credit risk

The financial instruments that potentially expose the Company to credit risk concentration are consisted mainly of banking balances, short-term investments and trade accounts receivable. The trade accounts receivable balance is spread out in several different customers; there is no customer that represents a concentration of 10% or more of the total net sales. To reduce such risk, the Company has individually evaluated the credit limits to be granted, but, as a market trend, no advances from customers are required, or guarantees, except for exports, which require letters of credit. The Company’s management addresses the credit risk on accounts receivable evaluating the need of recording an allowance for doubtful accounts.

c) Exchange rate variation risk

The Company is susceptible to the effects of the volatility of exchange rate variation over assets and liabilities denominated in foreign currencies, mainly the U.S. dollar.

21. INSURANCE COVERAGE (UNAUDITED)

The Company and the jointly-controlled subsidiaries adopt a policy of maintaining adequate insurance coverage for property, plant and equipment items and inventories subject to risk, based on the orientation of insurance consultants. The coverage of principal insurance policies is as follows:

<u>Entity and type of risk</u>	<u>Object</u>	<u>Coverage amount</u>
Suzano Petroquímica S.A.:		
Fire and unrealized profits	Plants	841,054
Civil responsibility	Directors and management officers	41,008
Civil responsibility	Overseas inventories, operations and other	41,008
Petroflex Indústria e Comércio S.A.:		
Fire and unrealized profits	Plants	69,612
Civil responsibility	Directors and management officers	4,371
Civil responsibility	Overseas inventories, operations and other	2,012
Rio Polímeros S.A.:		
Acts of terrorism	Business interruption	218,263
Fire and unrealized profits	Plants	4,519,162
Civil responsibility	Directors and management officers	46,417
Civil responsibility	Overseas inventories, operations and other	232,065

22. GUARANTEES GRANTED TO OTHERS

Guarantees assumed by the Company in connection with the obligations of subsidiaries and jointly-controlled subsidiaries are as follows:

	<u>03/31/2007</u>	<u>12/31/2006</u>
Petroflex Indústria e Comércio S.A.-		
BNDES	<u>8,297</u>	<u>12,742</u>
Rio Polímeros S.A.:		
Credit letter - Unibanco	-	19,643
Credit letter - Banco Safra	-	12,828
Credit letter - Banco do Brasil	<u>9,127</u>	<u>9,127</u>
	<u>9,127</u>	<u>41,598</u>
	<u>17,424</u>	<u>54,340</u>

23. PENSION PLANS

In January 2005, the Company created a private defined-contribution supplementary pension plan for its employees. This plan, named Suzano Prev, is sponsored also by other Companies of Suzano Group. In the terms of the pension plan bylaws, the contributions made by the Company at March 31, 2007 amounted to R\$22.

Previnor - Associação de Previdência Privada

As a result of the merger of Polibrasil Participações and subsidiaries, the Company assumed the responsibility for the pension plan relating to the employees of these companies, which is managed by Previnor - Associação de Previdência Privada (private pension association plan), a private pension entity. The main objective of Previnor is to supplement pension benefits provided by the Federal social security system to the employees of Previnor and its sponsors and their relatives. Previnor collects monthly contributions from the sponsors, computed on the basis of the monthly compensation of employees, and maintains a defined contribution plan for scheduled benefits and defined-benefit plan for risk and proportional benefits. Contributions for March 31, 2007 amounted to R\$566 (R\$913 on March 31, 2006). The Company has responsibility to pay for plan deficits in relation to the plan obligations determined by actuarial calculations. As of November 30, 2006, an actuarial report prepared by independent actuaries resulted in a plan surplus for Previnor of R\$5,677. This surplus, which has not been recognized in the Company's financial statements, is represented by the following:

	<u>11/30/2006</u>
Present value of plan obligations	(37,212)
Fair value of plan's assets	<u>44,969</u>
Net result	7,757
Portion attributable to sponsor	<u>(2,080)</u>
Net surplus	<u><u>5,677</u></u>

The main actuarial assumptions used for the computations above (expressed in weighted averages) are as follows:

	<u>11/30/2006</u>
	<u>%</u>
Discount rate of the actuarial obligation	10.25
Expected earnings on the plan's assets	12.00
Expectation of inflation	4.50
Estimated future salary raises	6.05
Turnover of employees	0.50
Future increase of benefits	5.00
Proportion of employees opting for early retirement	100.00

The pension plan of Petroflex is also managed by Previnor.

Petroflex, besides being sponsor of the plan managed by Previnor, for a portion of its employees is co-sponsor of Fundação Petrobras de Seguridade Social - Petros (Petrobras sponsors 90% of the plan), which is a defined-benefit plan. The estimated actuarial obligation of Petroflex is recognized and the Company's participation on this liability amounts to R\$245 as of March 31, 2007 (R\$107 in 2006).

In March 31, 2007 and December 31, 2006, the percentage over the contribution salary was 12.93% to Petros and 8% to Previnor. The contribution made by Petroflex in period amounted to R\$453 (R\$532 in first quarter ended 2006) - Petros and R\$245 (R\$370 in first quarter ended 2006) - Previnor.

The jointly-controlled subsidiaries Petroflex disclose in their financial statements the information required by CVM Instruction No. 371/2000, and there is no additional deficit arising from pension plans attributable to these companies to be recorded.

In 2004, Rio Polímeros joined Previnor, having as main objective providing supplemental benefits regularly provided by the Government pension plan to employees. The monthly contributions are based on the employees' salaries. During first quarter in 2007, the total contribution made by the jointly-controlled subsidiary was R\$364 (R\$455 in first quarter in 2006).

24. CONTRACTUAL RIGHTS

According to construction contract of Rio Polímeros plant facilities ("EPC Contract"), the Consortium of Building Contractors is obliged to indemnify the jointly-controlled subsidiary by US\$200 thousand (US\$66.7 thousand proportional amount) per day of delay in the conclusion of the construction of the facilities. The indemnification period is from April 2005 until the date of the operational acceptance on March 31, 2006.

The agreement established that in the calculation of the number of days that conclusion was delayed, Rio Polímeros must deduct the days affected by events nonattributable to the consortium. Both parties are under negotiation to define the responsibilities for the events that caused the delay. On March 31, 2007, the Company did not record any asset arising from these negotiations.

25. "PRO FORMA" FINANCIAL INFORMATION

As a result of the sale of Politeno on April 4, 2006, the consolidated statement of income for the quarter ended March 31, 2007 is not comparable with the consolidated statement of income for the quarter ended March 31, 2006.

The "pro forma" information was prepared to present the Company's results of operations as if Politeno was sold on January 1, 2006.

The "pro forma" financial information is presented only to permit additional analysis from the comparison of consolidated statement of income, does not purport to be indicative of what would have occurred if the participation of Politeno had actually been sold as of January 1, 2006 and does not purport to represent the individual financial statements of the Company nor is it necessarily indicative of a potential trend in future operating results.

The consolidated balance sheets for the periods reported have not been presented on a “pro forma” basis, since they are comparable. The Company’s statement of operations for the quarter ended March 31, 2006 includes a pro forma adjustment to reverse the equity in earnings amounting to R\$3,585, related to Politenio.

CONSOLIDATED STATEMENTS OF INCOME
FOR THE QUARTER ENDED MARCH 31, 2007 AND
“PRO FORMA” STATEMENT OF OPERATIONS
FOR THE QUARTER ENDED MARCH 31, 2006

	<u>03/31/2007</u>	<u>03/31/2006</u> “Pro forma”
GROSS OPERATING REVENUES	805,349	621,654
Taxes on sales and other sales deductions	(174,889)	(146,963)
NET SALES	<u>630,460</u>	<u>474,691</u>
Cost of sales	(504,245)	(427,307)
GROSS PROFIT	<u>126,215</u>	<u>47,384</u>
OPERATING (EXPENSES) REVENUES		
Selling expenses	(48,257)	(34,214)
General and administrative expenses	(16,028)	(18,244)
Financial expenses, net	(36,147)	(33,214)
Exchange variation	48,152	48,311
Goodwill amortization	(13,545)	(17,589)
Other operating revenues	2,558	652
OPERATING INCOME (LOSS)	<u>62,948</u>	<u>(6,914)</u>
Nonoperating revenues (expenses)	10,858	(756)
INCOME (LOSS) BEFORE INCOME TAXES	<u>73,806</u>	<u>(7,670)</u>
Current income and social contribution taxes	(16,268)	900
Deferred income and social contribution taxes	(2,939)	1,332
INCOME (LOSS) BEFORE MINORITY INTEREST	<u>54,599</u>	<u>(5,438)</u>
Minority interest	-	2,693
NET INCOME (LOSS)	<u><u>54,599</u></u>	<u><u>(2,745)</u></u>

26. SUMMARY AND RECONCILIATION OF THE DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN BRAZIL (BRAZILIAN GAAP) AND ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA (U.S. GAAP)

I - Description of GAAP differences

The consolidated financial statements of the Company are prepared in accordance with BR GAAP, which comply with those prescribed by Brazilian corporate law and specific standards established by the CVM. Note 4 to the consolidated financial statements summarizes the accounting policies adopted by the Company. Accounting policies, which differ significantly from U.S. GAAP, are summarized below:

a) Inflation accounting

Under BR GAAP, the Company discontinued accounting for the effects of inflation as of December 31, 1995. As of January 1, 1996, the carrying value of all nonmonetary assets and liabilities became their historical basis. Under U.S. GAAP, Brazil was considered to be a highly inflationary economy until July 1, 1997, and the effect of inflation was recognized until December 31, 1997.

In determining amounts under U.S. GAAP, the effects of inflation for the years ended December 31, 1996 and 1997 were determined using the “Índice Geral de Preços - Mercado - IGP-M” index, which is a widely-accepted and respected index published monthly by the Fundação Getúlio Vargas.

Through December 31, 1995, the Company used indexes established by the government to restate balances and transactions for purposes of its corporate law financial statements.

b) Reversal of fixed asset revaluations and related deferred tax liabilities

For U.S. GAAP reconciliation purposes, the revaluation of fixed assets and the related deferred income tax effects recorded in the financial statements prepared in accordance with BR GAAP have been eliminated in order to present fixed assets at historical cost less accumulated depreciation. Accordingly, the depreciation on such revaluation charged to income has also been eliminated for U.S. GAAP reconciliation purposes.

c) Capitalization of interest in relation to construction in progress

Under BR GAAP, prior to January 1, 1996 the Company was not required to capitalize the interest cost of borrowed funds as part of the cost of the related asset. Under U.S. GAAP, capitalization of borrowed funds during construction of major facilities is recognized as part of the cost of the related assets.

Under U.S. GAAP, interest on construction-period financing denominated in foreign currencies is capitalized using contractual interest rates, exclusive of foreign exchange or monetary correction gains or losses. Interest on construction-period financing denominated in Brazilian reais is capitalized.

d) Deferred charges

BR GAAP permits the deferral of research and development costs and of preoperating expenses incurred in the construction or expansion of a new facility until the facility begins commercial operations. Deferred charges are amortized over a period of five to ten years.

For U.S. GAAP reconciliation purposes, such amounts do not meet the conditions established for deferral and, accordingly, have been charged to income, and the related amortization under Brazilian GAAP has been reversed.

e) Different criteria for amortization of technology

Under BR GAAP, the amount of R\$47,869 of legal rights to use the technology Polibrasil acquired from Basell is being amortized by the straight-line method over five years, which is a period allowed by Brazilian corporate law.

Under U.S. GAAP, the technology right is being amortized by the period of the contract which allows Polibrasil to use this technology, which is twenty years. The difference presented in the shareholders' equity reconciliation relates to the timing effects of these two different amortization periods used.

f) Pension plan

In determining the pension benefit obligations for BR GAAP, Brazilian Accounting Standard NPC No. 26 is effective for financial statements beginning with the year ended December 31, 2001. As permitted by NPC No. 26, the transitional obligation at adoption date, which is the difference between the plan's net assets and the projected benefit obligation at that date, was fully recognized directly to retained earnings.

For the purpose of U.S. GAAP, the Company recognizes these effects according to SFAS No. 87, "Employer's Accounting for Pensions". An initial transition obligation determined based on an actuarial valuation is recognized and actuarial gains and losses, as well as unexpected variations in plan assets and the projected benefit obligation and the effects of amendments, settlements and other events, are recorded in accordance with these standards and therefore result in deferral differences. Under SFAS No. 87, the Company defers actuarial gains and losses.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans", which amends SFAS No. 87, "Employers' Accounting for Pensions", SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits", SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions", and SFAS No. 132R, "Employers' Disclosures about Pensions and Other Postretirement Benefits (revised 2003)". This Statement requires companies to recognize an asset or liability for the overfunded or underfunded status of their benefit plans in their financial statements. SFAS No. 158 also requires the measurement date for plan assets and liabilities to coincide with the sponsor's year end. The standard provides two transition alternatives related to the change in measurement date provisions.

g) Acquisitions

Under Brazilian accounting practices, assets and liabilities of acquired entities are reflected at book values. Goodwill is represented by the excess of purchase price paid over the book value of net assets and is amortized on a straight-line basis over the periods estimated to be benefited.

Under U.S. GAAP, business combinations are accounted for by the purchase method utilizing fair values. Goodwill is not amortized and is tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill is impaired. Such impairment test is performed utilizing a two-step method. The first step compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, the second step is performed to measure the amount of impairment loss, if any, by comparing the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. If the implied fair value of reporting unit goodwill is lower than the carrying amount of such goodwill, an impairment loss is recognized.

h) Impairment test

SFAS No. 142, "Goodwill and Other Intangible Assets", addresses financial accounting and reporting for acquired goodwill and other intangible assets. SFAS No. 142 addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. This statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. Under SFAS No. 142, goodwill is no longer subject to amortization over its estimated useful life, but rather it will be subject to at least an annual assessment for impairment by applying a fair-value-based test. Additionally, negative goodwill is recognized as an extraordinary gain at the time of the business combination.

i) Impairment of long-lived assets

Under BR GAAP, the carrying value of fixed assets is written down to realizable values when it is estimated that such assets will not be realized when compared to the results of future discounted cash flow projection. Under U.S. GAAP, SFAS No. 144, "Accounting for the Impairment of Long-lived Assets and Long-lived Assets to Be Disposed of", addresses accounting for the impairment of long-lived assets. Under SFAS No. 144, a provision for impairment is recorded against long-lived assets when there is an indication, based on a review of undiscounted future cash flows, that the carrying value of an asset or a group of assets may not be recoverable. No impairment provision was required under U.S. GAAP nor BR GAAP for all periods presented.

j) Earnings per share

Under BR GAAP, net income per share is calculated on the number of shares outstanding at the balance sheet date; no information is disclosed on diluted earnings per share. Information is disclosed per lot of one thousand shares, because generally this is the minimum number of shares that can be traded on the Brazilian stock exchanges. Subsequent changes in the Company's share capital are not retroactively reflected in the disclosure of number of shares outstanding and in the calculation of earnings per share under BR GAAP.

Under U.S. GAAP, since the preferred and common shareholders have different voting and liquidation rights, basic and diluted earnings per share have been calculated using the “two-class” method, pursuant to SFAS No. 128, “Earnings per Share”, which provides computation, presentation and disclosure requirements for earnings per share. The “two-class” method is an earnings allocation formula that determines earnings per share for preferred and common stock according to the dividends to be paid as required by the Company’s bylaws and participation rights in undistributed earnings. Basic earnings per common share are computed by dividing net income by the weighted-average number of common and preferred shares outstanding during the period. In accordance with Emerging Issues Task Force - EITF No. 03-6, “Participating Securities and the “Two-class” Method under FASB Statement No. 128”, since preferred shareholders have a liquidation preference over common shareholders, net losses are not allocated to preferred shareholders.

The computation of basic and diluted earnings per share is as follows:

	03/31/2007			03/31/2006		
	<u>Common</u>	<u>Preferred</u>	<u>Total</u>	<u>Common</u>	<u>Preferred</u>	<u>Total</u>
Basic and diluted:						
Net income available under U.S. GAAP	28.3	37.6	65.9	4.1	5.5	9.6
Weighted average shares outstanding	97,375	129,320	226,695	97,375	129,320	226,695
Earnings per share under U.S. GAAP (in Brazilian reais - R\$)	0.29	0.29	-	0.04	0.04	-

k) Investments in affiliated companies

As discussed in Note 5, under BR GAAP, the Company consolidates jointly-controlled subsidiaries using proportional consolidation. The Company’s principal investments accounted for using proportional consolidation are Petroflex, Rio Polímeros and Politenio (up to March 2006). Under U.S. GAAP, proportional consolidation is not applied. This is a presentational difference only and does not affect the net income nor shareholders’ equity as determined under U.S. GAAP. Refer to item l) below.

For U.S. GAAP reconciliation purposes, less than 20% owned affiliated companies have been accounted for at cost, and investments with voting participation of more than 20% and less than 50% have been accounted for on the equity method for all years presented.

l) Transactions between entities under common control

Under U.S. GAAP, accounting for a transfer of assets or exchange of shares between entities under common control, the entity that receives the net assets or the equity interest shall initially recognize the assets and liabilities transferred at their carrying amounts in the accounts of the transferring entity at the date of transfer.

Under BR GAAP, some transactions between entities under common control could be recognized based on values other than transferred carrying amounts.

The adjustment presented under this caption represents the above-mentioned difference relating to transference of shares of the subsidiaries Petroflex and SPQ Investimentos e Participações occurred among entities under common control of the Company.

m) Minority interest

Minority interest corresponds to the respective participations of minority shareholders in all adjustments from subsidiaries in these financial statements.

n) Accounting for derivative financial instruments

Under BR GAAP, derivative financial instruments are recorded at liquidation values as determined on each balance sheet date. Under U.S. GAAP, since none of the Company's derivative financial instruments qualify for hedge accounting, the derivative instruments are reported at fair value on each balance sheet date and classified as an asset or a liability.

As of March 31, 2007 and December 31, 2006, the Company had no outstanding derivative instruments.

o) Classification of export notes

Certain subsidiaries of the Company have discounted certain export notes under recourse financing arrangements with financial institutions operating in Brazil. If the original debtors fail to pay their obligations when due, these subsidiaries would be required to repay the financed amounts. Under BR GAAP, such transactions are classified as a reduction of accounts receivable as mentioned in Note 7. Under U.S. GAAP, these transactions are recorded gross as accounts receivable and bank loans. As a consequence, current assets and liabilities under U.S. GAAP would be increased by R\$1,658 as of March 31, 2007 and by R\$56,317 as of December 31, 2006. This U.S. GAAP difference has no net income or equity effect.

p) Investments classified as marketable securities

Under Brazilian accounting practices, permanent losses on equity securities held for sale shall be recorded in the statement of income based on the lower of cost or market value.

Under U.S. GAAP, SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities", the Company classifies its investment in the shares of Braskem as available for sale securities. Consequently, the securities are marked-to-market at period end with a corresponding charge to other comprehensive income.

q) New accounting pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. Accordingly, the Company will adopt SFAS 157 in fiscal year 2009. Management does not expect that the adoption of this SFAS will have an impact on the Company's financial statements.

In June 2006, the FASB issued Interpretation No. 48, “Accounting for Uncertainty in Income Taxes” (FIN 48), which supplements SFAS No. 109, “Accounting for Income Taxes”, by defining the confidence level that a tax position must meet in order to be recognized in the financial statements. The Interpretation requires that the tax effects of a position be recognized only if it is “more-likely-than-not” to be sustained based solely on its technical merits as of the reporting date. The more-likely-than-not threshold represents a positive assertion by management that a company is entitled to the economic benefits of a tax position. If a tax position is not considered more-likely-than-not to be sustained based solely on its technical merits, no benefits of the position are to be recognized. Moreover, the more-likely-than-not threshold must continue to be met in each reporting period to support continued recognition of a benefit. At adoption, companies must adjust their financial statements to reflect only those tax positions that are more-likely-than-not to be sustained as of the adoption date. Any necessary adjustment would be recorded directly to retained earnings in the period of adoption and reported as a change in accounting principle. This Interpretation is effective as of the beginning of the first fiscal year beginning after December 15, 2006. Management is assessing the impact on Company’s financial condition and results of operations.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Liabilities”, including an amendment of FASB Statement No. 115, “Accounting for Certain Investments in Debt and Equity Securities”. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reporting earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is expected to expand the use of fair value measurement for accounting for financial instruments and is effective as of the beginning of a fiscal year that begins after November 2007. Accordingly, the Company will adopt this SFAS No. 159 with SFAS No. 157 in fiscal year 2009. Management does not expect that the adoption of these statements will have an impact in the Company’s financial statements.

II - Reconciliation of the differences between U.S. GAAP and BR GAAP in net income

	<u>Ref.</u>	<u>Quarter ended March 31, 2007</u>	<u>Quarter ended March 31, 2006</u>
Net income (loss) as reported under BR GAAP		54,599	(2,475)
U.S. GAAP adjustments relating to investments accounted for using the equity method	(k)	5,405	7,953
Adjustments from consolidated companies:			
Inflation accounting, net of depreciation	(a)	(379)	(305)
Different criteria for-			
Capitalization of interest, net from depreciation	(c)	3,307	2,600
Different criteria for amortization of technology	(e)	1,593	497
Derivative financial instruments	(n)	-	(201)
Business combinations Polibrasil	(g)	2,741	12,340
Transactions between entities under common control	(l)	-	4,007
Minority interest on U.S. GAAP adjustments	(m)	-	(1,665)
Deferred income tax on the above adjustments		(1,269)	(12,880)
Net income under U.S. GAAP		<u>65,997</u>	<u>9,601</u>
Temporary loss on investments held for sale	(p)	447	-
Deferred income tax on the above adjustments		<u>(152)</u>	<u>-</u>
Comprehensive income under U.S. GAAP		<u>66,292</u>	<u>9,601</u>

III - Reconciliation of the differences between U.S. GAAP and BR GAAP in shareholders' equity

	<u>Ref.</u>	<u>03/31/2007</u>	<u>12/31/2006</u>
Shareholders' equity as reported under BR GAAP		1,021,283	966,570
U.S. GAAP adjustments relating to investments accounted for using the equity method	(k)	(112,886)	(118,291)
Adjustments from consolidated companies:			
Inflation accounting, net of depreciation	(a)	4,066	4,445
Different criteria for:			
Capitalization of interest, net from depreciation	(c)	(45,583)	(48,890)
Pension plan	(f)	8,606	8,606
Different criteria for amortization of technology	(e)	9,342	7,749
Reversal of tax incentives		(114)	-
Business combinations Polibrasil	(g)	74,547	71,806
Transactions between entities under common control	(l)	17,593	17,593
Investments classified as marketable securities	(p)	(1,133)	(1,580)
Deferred income tax on the above adjustments		(3,810)	(2,389)
Shareholders' equity under U.S. GAAP		<u>971,911</u>	<u>905,619</u>
Accumulated comprehensive income under U.S. GAAP		<u>806</u>	<u>511</u>

IV - Additional disclosures required by U.S. GAAP

a) Intangible assets subject to amortization

Following is a summary of the Company's intangible assets ("Spheripol" technology) subject to amortization under U.S. GAAP:

	<u>03/31/2007</u>	<u>12/31/2006</u>
Gross	47,869	47,869
Accumulated amortization	<u>(14,332)</u>	<u>(13,563)</u>
Net	<u>33,537</u>	<u>34,306</u>

The estimated aggregate amortization expense for the next five years is as follows:

	<u>Amount</u>
2007	3,072
2008	3,072
2009	3,072
2010	3,072
2011	3,072

b) Supplementary information - valuation and qualifying accounts for accounts receivable

	<u>03/31/2007</u>
Balance at beginning of the quarter	13,449
Additions	<u>5,342</u>
Balance at end of the quarter	<u>18,791</u>

c) Condensed financial information under U.S. GAAP

Based on the reconciling items and discussion above, the Company's condensed balance sheets, statements of operations, and statements of changes in shareholders' equity under U.S. GAAP are as follows:

(i) Condensed balance sheets under U.S. GAAP

<u>Assets</u>	<u>03/31/2007</u>	<u>12/31/2006</u>
Current assets:		
Cash and cash equivalents	315,049	272,794
Short-term investment	67,113	66,666
Trade accounts receivable	243,132	271,439
Inventories	172,029	171,901
Deferred income taxes	1,089	1,341
Other credits	104,469	97,716
Prepaid expenses	<u>2,516</u>	<u>14,176</u>
Total current assets	<u>905,397</u>	<u>896,033</u>
Investments	457,867	442,925
Goodwill, net	420,365	421,291
Property, plant and equipment	474,063	467,583
Long-term assets:		
Intangible, net	33,537	34,306
Deferred income tax	68,120	72,625
Recoverable VAT	98,159	96,819
Trade accounts receivable	7,724	8,042
Other debtors	<u>36,812</u>	<u>25,518</u>
Total long-term assets	<u>244,352</u>	<u>237,310</u>
Assets	<u>2,502,044</u>	<u>2,465,142</u>

<u>Liabilities and shareholders' equity</u>	<u>03/31/2007</u>	<u>12/31/2006</u>
Current liabilities:		
Trade accounts payable	122,268	127,641
Payroll and related charges	11,656	16,054
Taxes payable other than income	19,957	10,858
Short-term debt	169,298	185,380
Interest payable on short-term debt	27,521	34,397
Dividends proposed and payable	173	173
Deferred income taxes	3,097	2,676
Other accounts payable	<u>34,148</u>	<u>37,450</u>
Total current liabilities	<u>388,118</u>	<u>414,629</u>
Noncurrent liabilities:		
Loans and financings	1,074,844	1,076,925
Fair market value of derivative financial instruments	-	-
Provision for contingencies	7,153	9,585
Interest payable on long-term debt	-	-
Deferred income taxes	48,321	46,551
Other accounts payable	<u>11,697</u>	<u>11,833</u>
Total noncurrent liabilities	<u>1,142,015</u>	<u>1,144,894</u>
Shareholders' equity:		
Share capital	826,283	826,283
Other comprehensive income	806	511
Profit reserves	<u>144,822</u>	<u>78,825</u>
	<u>971,911</u>	<u>905,619</u>
Liabilities and shareholders' equity	<u>2,502,044</u>	<u>2,465,142</u>

(ii) Condensed statements of operations under U.S. GAAP

	<u>03/31/2007</u>	<u>03/31/2006</u>
Net sales	441,385	412,648
Cost of sales	(348,399)	(372,608)
Gross profit	<u>92,986</u>	<u>40,040</u>
Operating expenses:		
Selling and marketing	(35,102)	(31,316)
General and administrative	(11,004)	(15,657)
Other operating income, net	(9,229)	498
Operating expenses	<u>(55,335)</u>	<u>(6,435)</u>
Nonoperating income (expenses):		
Financial income, net	14,468	20,053
Other	15,677	(153)
Income before income tax, equity in affiliates and minority interest	<u>67,796</u>	<u>13,465</u>
Income tax benefit (expense):		
Current	(11,660)	-
Deferred	<u>(5,565)</u>	<u>(12,145)</u>
Income before equity in earnings of affiliates and minority interest	50,571	1,320
Equity in earnings of affiliates	15,426	10,520
Income before minority interest	<u>65,997</u>	<u>11,840</u>
Minority interest	-	(2,239)
Net income for the year	<u><u>65,997</u></u>	<u><u>9,601</u></u>
Earnings per share - common	0.29	0.04
Earnings per share - preferred	0.29	0.04

(iii) Statement of comprehensive income

Under Brazilian accounting practices, the concept of comprehensive income is not recognized. Under U.S. GAAP, SFAS No. 130, "Reporting Comprehensive Income", requires the disclosure of comprehensive income. Comprehensive income is comprised of net income and other comprehensive income that include charges or credits directly to equity which are not the result of transactions with owners. Since the Company has no transactions that result in other comprehensive income, net income (loss) is equal to comprehensive income (loss) for all periods presented.

(iv) Condensed statements of changes in shareholders' equity under U.S. GAAP

	<u>03/31/2007</u>
At beginning of the quarter	905,619
Net income	65,997
Other comprehensive income	<u>295</u>
At end of the quarter	<u>971,911</u>

Quarter Highlights

Strong cash generation and the highest Ebitda Margin since 4Q04, of 15.5%

Our operating cash generation of Suzano Petroquímica (Ebitda) reached R\$ 68.5 million in the 1Q07, an increase of 439.6% as regards the 1Q06 and also 5.0% above the level reached in the 4Q06, when we had already presented a strong recovery in our results, especially in comparison with the performance in the 1H06.

The Ebitda Margin of the Parent Company was of 15.5% in the 1Q07, best result since the 4Q04, with an increase of 12.4 p.p. when compared to the 1Q06. It's now the third consecutive quarter of expansion of margins, confirming the Company's adjustment to a new sustainable profitability level.

This performance was primarily a result of lower raw materials cost accounted for in the period together with good levels of sales prices obtained with the maintenance of our policy of prioritizing profitability, focusing on the sale of higher value-added and greater performance resins. The Company's effort to control its expenses also contributed to this result.

Leverage remains in a strong decreasing curve

The deleveraging process continued strongly. Due to the significant recovery of the Ebitda started in the 3Q06, the Parent Company's Net Indebtedness/(Ebitda + Dividends) Ratio, which in June 2006 reached its maximum of 7.1x, was drastically and continuously reduced to 4.0x in March 2007.

Accordingly, the consolidated leverage presented also a strong decreasing curve, since there was also a strong cash generation recovery of Riopol and also Petroflex. The consolidated Net Indebtedness/Ebitda Ratio retreated consistently to 5.5 times in March 2007, comparing to the 13.2x peak reached in June. If we consider that Riopol's contribution in its two first operating quarters in 2006 still strongly reflected the beginning of its learning curve, the tendency is that the Consolidated deleveraging will continue in a steady pace.

R\$ 54.6 million Net Profit in 1Q07, 464% higher than in 4Q06

Suzano Petroquímica's 1Q07 Net Profit reached R\$ 54.6 million, substantially higher than the historical levels registered by the Company, a result of the good performance of our businesses, the important evolution of Riopol's performance, the positive financial result which took advantage of the Real appreciation, and still the positive accounting result of Politenó's sale earn-out formula. Further details in this respect can be found in the discussion throughout this release.

Riopol completes 1 year of operation with strong increasing results

Since April 2006, when Riopol took charge of the operations in its industrial unit, it has presented a consistent positive evolution of its results.

In the first quarter 2007, the company generated an Ebitda of R\$ 73.9 million with a 19.1% margin, as a result of the continued progress in its learning curve, with increased rates of operating efficiency and greater operating stability, factors allied to a positive scenario of polyethylene prices and reduction in the levels of raw material costs.

See more details at the Suzano Petroquímica Consolidated section.

Petroflex also presents an important recovery in its 1Q07 results

1Q07 Petroflex's Ebitda of R\$ 32.6 million was 149.6% higher than in 1Q06 and 31.8% higher than in 4Q06, with an Ebitda margin of 9.3% in the quarter, 5.1 p.p. e 2.5 p.p. above the margins recorded in 1Q06 and 4Q06, respectively. See more details at the Suzano Petroquímica Consolidated section.

Update of Politenó's Sale Earn-Out Formula

After 11 months out of the 18 months in which polyethylene spreads in the domestic market should be taken into account to determine Politenó's final value (according to the formula established when the company was sold last year against a initial payment), we have broadened our visibility of the effective average spread of the period and consequently our greater certainty of a second installment higher than initially expected. So being, we have adjusted the provision accounted for in our books at the time of the sale, which generated an additional R\$ 15.7 million positive impact in the Parent Company's result, through equity.

Special Characteristics of this Result Disclosure:

With the taking over of Polibrasil's full control on September 1st, 2005 and its further incorporation by Suzano Petroquímica on November 30th of that same year, the Company had decided to discuss its results in *pro forma* basis, aiming to allow a better analysis of the business now held by Suzano Petroquímica and thus ensuring a better

comparison with previous periods, and estimates of future results. However, since the 1Q06 all information from the Parent Company already fully reflects the effective activities of the Company. Since this document is prepared based on comparisons with periods after the 1Q06, including this one. As regards the Parent Company there is no need to discuss the results on *pro forma* basis.

The analysis of the Consolidated Suzano Petroquímica considers the Parent Company result, proportionally consolidating the participation that the Company holds in its jointly controlled companies, Riopol (33.33%) and Petroflex (20.12%). In view of the sale of the 33.9% share in the total capital of Politeno on April 4, 2006, the Consolidated results shall be discussed on *pro forma* basis, that is to say, disregarding the result related to the consolidation of Politeno in the 1Q06, aiming a better comparison. The performance of the companies of which Suzano Petroquímica has shared control is described in the analysis of the Consolidated Suzano Petroquímica.

All comparisons made regard the same periods of 2006 (1Q06), except when otherwise indicated.

SUZANO PETROQUÍMICA PARENT COMPANY

Sector Scenario and Economic Context

Continuing the more positive scenario for the petrochemical industry which started to be drawn in the 3Q06, the 1Q07 was characterized by good levels of local demand, making possible to keep reasonable sales prices, and lower costs of raw material, which contributed to increase the margins of the Company.

The favorable situation that prevailed for the international petrochemical industry allowed raises in resin prices during 1Q07, which were already in high levels, contributing to the building of good business opportunities both in the domestic and international markets.

Preliminary data by Coplast indicate an 8.3% high in the Brazilian domestic demand of polypropylene in the 1Q07 comparing to 4Q06. However, part of this increase was met by imports, motivated by a greater availability of resins for exports, a movement which is many times observed in the end of the fiscal year, aiming at inventories reduction, and yet by the Real appreciation, which increases the competitiveness of such transactions. In the 1Q07, the polypropylene imports represented 13.4% of the domestic demand, presenting a 20.0% growth as regards the volume imported in the 4Q06.

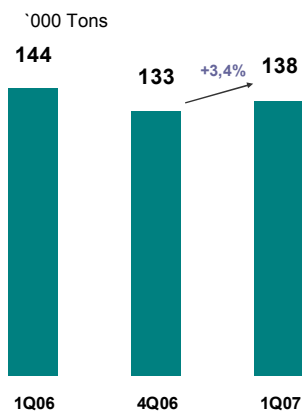
We continue to keep our profitability and competitiveness of our products, despite the greatest pressure caused by imports in the Brazilian polypropylene market, by offering to our clients technical assistance services, development of products and solutions jointly with clients, as well as logistics differentiated and adequate to the needs of each client.

Our main raw material, propylene, contributed positively to the result of the 1Q07 because in this quarter the average prices practiced at the end of 2006 were booked, and in that period the petrochemical inputs prices presented a retreat. During the 1Q07, the propylene prices were kept reasonably stable comparing to the closing of 2006, and only at the end of the quarter we started to note a light high in the prices of inputs to the petrochemical industry, aligned to the observed oil prices trend.

When comparing the average prices of the 1Q07 with those of the 4Q06, Europe naphtha presented a high of about 5%, while U.S. Gulf propylene and Europe ethylene fell, respectively, about 4% and 2%, following the falling path of oil prices, commodity which average prices declined about 4% in the same period.

Considering the petrochemical raw materials derived from natural gas, the Mont Belvieu ethane average price, USA basis, retreated 4.4% in the 1Q07 as regards the 4Q06, while both the propane using the same reference, and the natural gas raised 1.8% and 8.7%, respectively, when we compare the same periods. Considering Riopol's raw-material pricing criteria, average ethane and propane prices presented a fall in 1Q07 as regards 4Q06. Although, if we compare the 1Q07 closing to the 4Q06 closing price, Mont Belvieu ethane and propane raised 10.0% and 19.8%, respectively, as there was an increasing price behavior of such raw materials during the quarter.

PRODUCTION



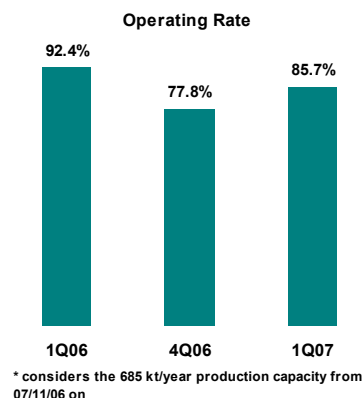
In the 1Q07, the polypropylene production of Suzano Petroquímica was of 137.8 thousand tons, increasing 3.4% as regards the production of the 4Q06, against a 4.6% reduction in the volume produced when compared to the 1Q06.

The available installed capacity in 1Q07 was of 160.8 thousand tons, 6.1 below the normal availability due to a 30-day programmed maintenance stoppage at the Camaçari Unit. Taking this into account, 1Q07 operating rate was of 85.7%, 7.9% above 4Q06, when it was affected by tests to improve the plants efficiency and the quality of the products, also adjusting production to the lower demand, positively impacting the inventories level.

Besides the lower capacity availability of the quarter, 1Q07 production was also affected by operating problems at the Maua Unit as a result

of energy interruption at the beginning of the year, which affected all the industries of the region, besides some punctual problems in raw material supply to the unit, which resulted in a total production loss equivalent to 6 days.

Excluding the effect of the 6-day stoppage loss of Mauá, the average occupation rate of the production capacity of our units in the 1Q07 would be equal to 89.0%.



SALES



The Company's total polypropylene sales in the 1Q07 were of 131.1 thousand tons, representing a light 0.9% fall as regards the volume sold in the 1Q06 and a retreat of 2.9% as regards the 4Q06.

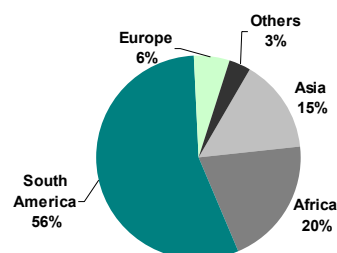
In the domestic market, the sales totalized 99.8 thousand tons in the 1Q07, volume 2.3% lower than the one sold in the 4Q06, as part of 1Q07 volume was dislocated to the 2Q07. If this hadn't occurred, the domestic market volume would have been higher than in 4Q06 and total 1Q07 sales would be very similar to the one of 4Q06. Despite the greater competition from imported products in 1Q07. Compared to the 1Q06, the domestic sales had a 6.6% fall, since the demand at that period was higher, partly due to the movements of recomposition of inventories of transformers, which at the time faced a weak period of purchases. However, comparing to the 1Q06, the smaller volume of domestic sales in the 1Q07 was largely compensated by the better domestic prices and the greater level of exports in attractive commercial conditions.

The sector distribution of our sales continued, in the 1Q07, to show a special performance for the sectors of packages for the food, consumer goods, automobile,

cosmetics / pharmaceutical and electro-electronic industries. It is worthy to mention also the good performance of the agribusiness and civil construction industries, already reflecting positive impacts resulting from the government incentive programs, such as the expansion of agriculture credit and IPI tax reduction for some products.

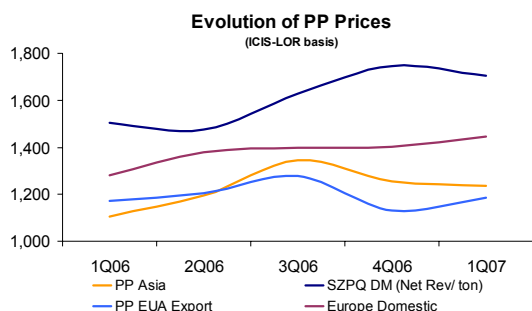
The international sales of the Company were of 31.3 thousand tons in the quarter, representing 23.9% of the total sales in the period. This volume was 23.0% higher than the one sold in the 1Q06 as a result of the better commercial conditions currently in force in the international market. As regards the 4Q06, despite the 4.8% volume reduction, we improved our export sales mix, increasing exports to South America thanks to business opportunities resulting from the temporary restrictions on the operation of some local producers. As a result thereof, our exports were concentrated to this region, one of our focuses in terms of international sales, because of the better levels of profitability it shows, representing 56% of the volume exported in this quarter.

Exports Destination 1Q07



SALE PRICES

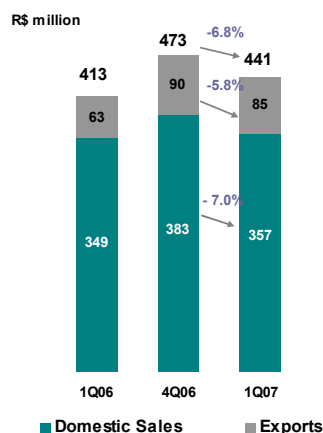
The maintenance of good levels of local and international demand contributed to keep the prices levels observed during 2H06. This scenario contributed, in average, to improve the industry profitability, since the international price levels of raw material were lower than the ones in the 4Q06, following the behavior of the oil prices.



Our average unitary net revenue in Reais assessed in the domestic market in the 1Q07 was 4.8% lower than the one of 4Q06, but 9.3% higher as regards the 1Q06. When measured in Dollars, the unitary net revenue registered in the domestic market in the 1Q07 was only 2.5% lower than the one in the 4Q06, confirming the continuity of our strategy to keep the prices reasonably aligned to the last quarter despite the pressure of the imported products in the period. Further more, prices were 13.3% higher than in 1Q06, confirming the strong recovery starting from the 2H06.

comparing to the 4Q06, but was 8.7% higher than the unitary net revenue registered in the 1Q06. When expressed in Dollars, we verify an 1.4% increase in the unitary net revenue of exports comparing to the 4Q06, with an important contribution from greater sales to South America countries, where better sales prices are obtained, and further 12.7% above when compared to the unitary net revenue from exports in the 1Q06, as a result of a better sector outlook in the international market.

NET OPERATING REVENUE

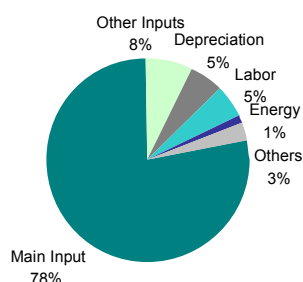


The net operating revenue totaled R\$ 441.4 million, 7.0% higher than the one assessed in the 1Q06, resulting chiefly from the 7.9% increase of the unitary net revenue, following the much more positive scenario for the sector in the 1Q07 when compared to the 1Q06, despite the 0.9% fall in the total sales volume of the 1Q07. As regards the 4Q06, the net operating revenue expressed in Reais presented a 6.8% reduction, due to the effect related to the 2.9% decrease in the sales volume with a 4.0% fall of the unitary net revenue in Reais.

When expressed in Dollars, the net revenue of the 1Q07 presented a significant high of 10.9% as regards the 1Q06, resulting from the strong recovery of 11.9% of the prices in Dollar between the quarters, neutralizing the results of a slightly lower sales volume. Further in Dollars, the net revenue of the 1Q07 compared to the 4Q06 recorded a retreat of 4.5%, resulting both from the sales volume 2.9% lower and the price in Dollars 1.6% lower than the prior quarter.

The net operating revenue resulting from the volume sold in the domestic market in the 1Q07 was of R\$ 356.6 million, 2.1% higher than in the 1Q06, since the 9.3% increase of the unitary net revenue overwhelmingly compensated the 6.6% reduction in the domestic sales volume. Analogically, when expressed in Dollars, the net revenue in the domestic market was 5.8% higher than in 1Q06, as a result of the 13.3% higher prices in Dollars in the period. When compared to the 4Q06, the net operating revenue assessed in the domestic market in the 1Q07 and in Reais was 7.0% lower, because between these periods we note a light retreat of 2.3% in the sales and further a unitary net revenue 4.8% lower in the domestic market. Considering the exchange variation between the periods, the net revenue in the domestic market, verified in the 1Q07 and expressed in Dollars, was only 4.7% lower than the 4Q06.

The net revenue resulting from the sales to the international market was of R\$ 84.7 million, 33.7% higher than the same period of 2006. This increase was a result of the strong increase of 23.0% in the volume sold associated to the 8.7% high in the unitary net revenue, according to the substantial improvement of the resin market scenario, both as regards the demand and, as a consequence, international prices. In Dollars, the increase of the net revenue from exports is even more expressive, of 38.6%. As regards the 4Q06, the revenues from exports in Reais was 5.8% lower, resulting from the light reduction of 1.1% in the unitary net revenue from exports in Reais associated to the retraction of 4.8% in the volume sold. When expressed in Dollars, the unitary net revenue from exports is only 3.5% lower than the 4Q06, with a 1.4% high in the exports prices in Dollars partially neutralizing the fall in sales volume between the periods.



COST OF GOODS SOLD

The cost of goods sold (COGS) in the 1Q07 was of R\$ 349.8 million, with a 8.6% reduction as regards the 4Q06, despite the reduction in the volume sold was of only 2.9% between the periods. The same behavior was noted as regards the 1Q06, recording a 5.8% fall in the COGS comparing to a retreat of only 0.9% in sales between the periods.

For both cases, the explanation, besides the reduction in the volume sold, was chiefly the lower petrochemical raw material quotations at the end of last year.

The unitary COGS of the 1Q07 was of R\$ 2,669/t, a 5.9% and 5.0% fall as regards, respectively, the 4Q06 and the 1Q06. The unitary COGS measured in Dollars in the quarter was of US\$ 1,272/t, 3.6% lower than the 4Q06 and 1.5% lower than the one in the 1Q06.

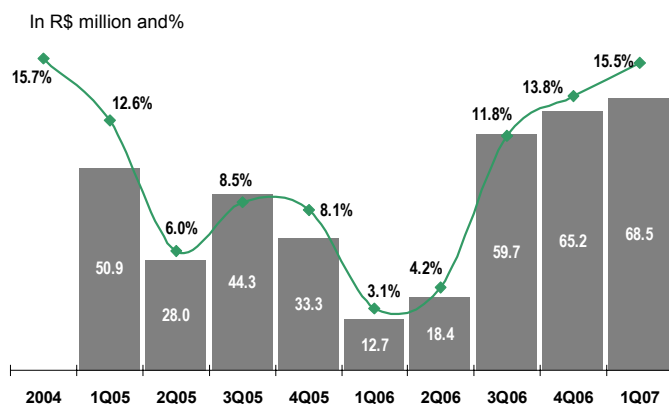
SALES, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A)

The total sales, general, and administrative expenses (SG&A) were of R\$ 45.8 million in the 1Q07, 4.6% lower than the ones verified in the 4Q06, as a result, mainly, of the 41.7% decrease of the general and administrative expenses, neutralizing the 18.5% increase in the sales expenses verified in the periods.

Excluding the nonrecurring effects verified in the 1Q07 and 4Q06, being worth highlighting the organizational restructure in 4Q06 and the reversion of the provision of bonus payment in 1Q07, there was a 5.4% reduction in the general and administrative expenses between the periods, confirming the gains resulting from the strong discipline of the Company in the management of expenses. Considering the inflation measured by IPCA in 1Q07, of 1.26%, there was a productivity gain of roughly 6.7%. The 18.5% increase of the sales expenses from 4Q06 to 1Q07 was due mainly to the adjustment in the provision for doubtful accounts with the purpose of better reflecting the actual situation of our clients' receivables. If we exclude such effect, 1Q07 selling expenses were just 4.5% higher than in 4Q06.

Concerning the 1Q06, it was also verified an 1.9% decrease in the SG&A, as a result of a 30.4% fall in general and administrative expenses, which annulled the impact of the 12.1% increase of sales expenses. Excluding the nonrecurring effects in 1Q07, the reduction in general and administrative expenses was of 11.6%, also an effect of such higher discipline in the expenses management. On the other hand, sales expenses showed a 12.1% increase as regards 1Q06, resulting chiefly from the increase of expenses with freight for the external market, associated to a 23.0% increase in the Company's exports, and also connected to the increase of the provision for doubtful accounts already mentioned.

EBITDA

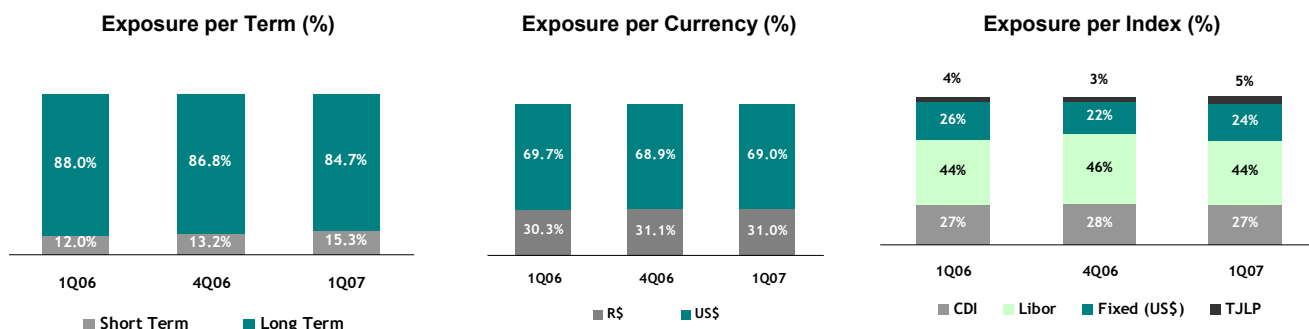


The operating cash generation of the Company as measured by the Ebitda reached R\$ 68.5 million in the 1Q07, thanks to the strong managerial adjustment promoted by the Company as from 2H06, supported by the favorable outlook in the petrochemical industry. Such result rendered possible to keep the course of recovering the profitability started in the 3Q06 and was the highest figure since the 4Q04, both in absolute terms and of Ebitda margin, that reached 15.5% in the period. The Ebitda in the 1Q07 was 439.6% higher than the one verified in the 1Q06, when the industry experienced repressed selling price conditions, but those of input were high, and 5.0% higher than in the 4Q06. The Parent Company's Ebitda margin of 15.5% in the 1Q07 was 12.4 p.p. higher than that verified in the 1Q06, and 1.7 p.p. above that verified in the 4Q06.

Ebitda per ton reached R\$ 522, also the highest since the 4Q04, besides having been 444.4% and 8.2% higher than the levels observed in the 1Q06 and in the 4Q06, confirming the strong and consistent recovery of the Company's profitability. Measured in Dollars, 1Q07 Ebitda per ton reached US\$ 249, 464.3% and 1.8% higher than 1Q06 and 4Q06, respectively.

FINANCIAL RESULT AND DEBT

On March 31, 2007, the total gross indebtedness (considering both principal and interests) of Suzano Petroquímica was of R\$ 1,270.0 million, 2.4% higher than the R\$ 1,240.4 million on December 31, 2006. The debt keeps concentrated in the long term, with a total of 84.7% of their due dates. The Company's net indebtedness had a 1.4% decrease, reaching R\$ 887.5 million on March 31, 2007, due mainly to the company's increase in cash generation.



In the 1Q07, the Parent Company's net financial result was positive in R\$ 9.4 million – good part of which was benefited by the 4.3% increase showed by the Brazilian Real currency between December 2006 and March 2007, which generated a positive exchange variation on the contracted debt of R\$ 35.8 million, besides a financial revenue of R\$ 4.4 million resulting from financial investments, classified below the item "others". The financial expenses concerning the payment of interests on the debt was of R\$ 27.9 million, making up the financial result according to the chart below:

Financial Result (R\$ million)	1Q07	4Q06	1Q06
Financial Expenses	5.1	(23.8)	6.9
Interests (ACC/ Loans)	(27.9)	(26.9)	(31.0)
Adjustment for Inflation	-	(0.1)	(0.5)
Exchange Rate Variation	35.8	10.8	49.2
Banks/ CPMF tax/ IOF tax	(1.3)	(4.9)	(6.6)
Others	(1.5)	(2.7)	(4.2)
Financial Revenues	4.3	6.1	11.0
Interests from Temporary Cash Investments	4.4	6.0	11.0
Adjustment for Inflation	-	0.1	-
Exchange Rate	(0.1)	-	-
Net Financial Result	9.4	(17.7)	17.9

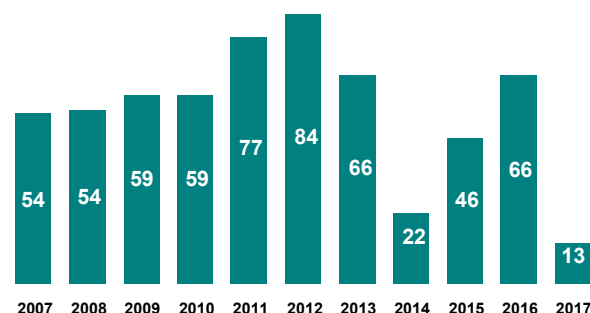
Additionally, the Company obtained revenues from temporary cash investments in the amount of R\$ 2.9 million in 1Q07, derived from its subsidiary SPQ Investimentos e Participações, registered in the Parent Company's result through equity.

According to the debt amortization schedule aside, on March 31, 2007 the average term of due date was of 4.81 years. The average cost of debt in the 1Q07 was of US\$ + 6.82%, stable if compared to the 4Q06.

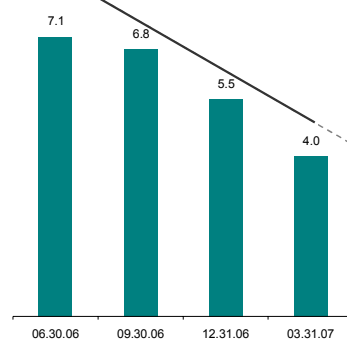
Net Indebtness / (Ebitda+Dividends)

The *pro forma* Parent Company's Net Indebtedness/(EBITDA + dividends) ratio, already considering the cash received as first installment for the sale of Politeño and the share positions, held by the Company and controlled companies and assigned for future sale, presented a drastic reduction, decreasing from 7.1x in mid 2006 to 4.0 already at the end of 1Q07. The Company's financial deleveraging shall continue along 2007, counting for such purpose with the expectation of keeping good levels of Ebitda generation, replacing weaker previous quarters in the analysis of the last 12 months, and a potential second payment for Politeño's sale in 4Q07.

Debt Amortization Schedule (US\$ Million)



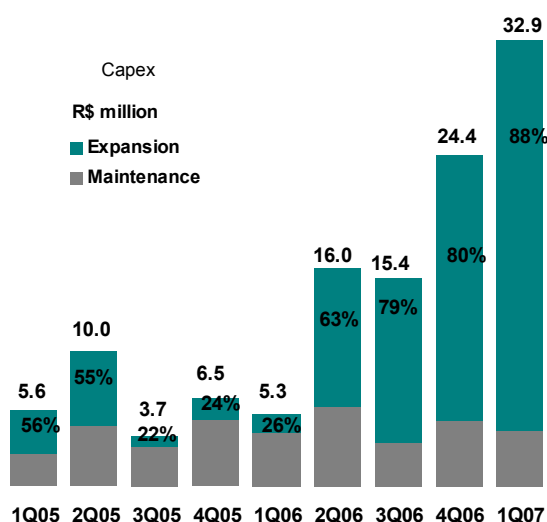
Net Indebtness / (Ebitda + Dividends) Parent Company



NET PROFIT

The continuity of our result recovery movement contributed to the achievement, in the 1Q07, of a net profit of R\$ 54.6 million, the highest quarterly result of the last 4 years, and 463.6% higher than verified in the 4Q06, even considering the recurring accounting of the R\$ 13.0 million goodwill amortization in the quarter. Such result was possible due to the Company's good level of operating result, associated to the positive contribution of R\$ 9.4 million of financial result, which had a strong impact by the Real appreciation, and also because an equity accounting in the amount of R\$ 28.7 million was registered, due to the result recovery mainly by Riopol and also by Petroflex. It is worth noticing that the Politeno's sale earn-out formula accounting contribution amount had a R\$ 15.7 million positive impact on the equity.

INVESTMENTS



The Company's investments were of R\$ 32.9 million in the 1Q07, of which 87.5% were assigned to expand the polypropylene production capacity, and the remaining to perform maintenance on production equipment and other investments, according to the accrual basis criteria.

The Company is carrying out a plan to increase the production capacity of its Mauá and Duque de Caxias units, and is also investing in the construction of a sea terminal to receive propylene in Duque de Caxias.

The start-up schedule of the new capacities was not changed since it was disclosed in the 4Q06, with the following steps: (1) construction of a sea terminal in Duque de Caxias to receive propylene for the Duque's unit, which shall be completed in the 3rd quarter 2007; (2) expansion of the polypropylene production capacity of the Duque de Caxias (RJ) unit in 100 thousand tons/year in the 4Q07; (3) second stage of the increase in the polypropylene production capacity of the Mauá (SP) unit, which will add 90 thousand tons/year, foreseen for the 2Q08. The disbursement schedule updated until 1Q07 is shown below.

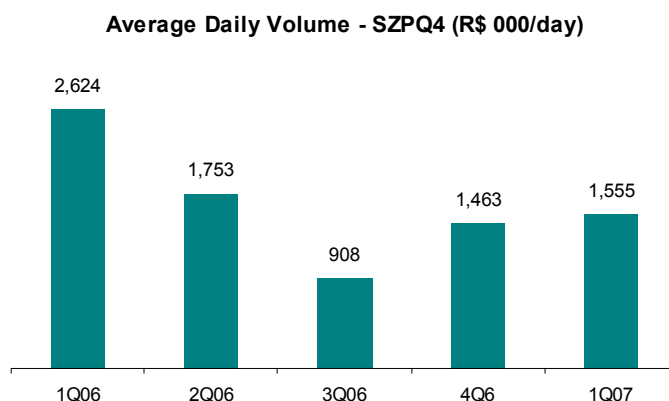
The total amount estimated for the projects of expanding the capacity and the construction of the sea terminal, including the expansion of the Mauá unit already carried out, is of US\$ 126.9 million, and the projects mentioned above count on defined fund sources, financed by the International Finance Corporation-IFC and also by BNDES.

US\$ million	Until 1T07	2007	2008	Total
Capex Projects	45.8	56.1	25.0	126.9
SeaTerminal	7.8	9.8	0.0	17.6
Expansions	38.0	46.3	25.0	109.3

CAPITAL MARKETS

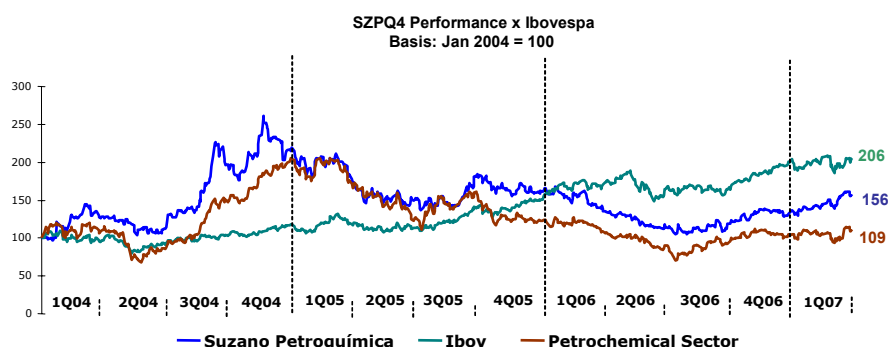
The average daily financial volume of Suzano Petroquímica's (SZPQ4) preferred share negotiated at Bovespa in the 1Q07 reached R\$ 1.6 million, showing a 6.3% increase as regards the 4Q06, which is also the effect of the market perception of the Company's recovery path. The Bovespa index showed in the 1Q07 an average daily financial volume 30.8% higher than the one verified in the 4Q06, impacted chiefly by the amount of primary offers that took place in the beginning of the year.

The Suzano Petroquímica's preferred share negotiated at Bovespa closed the quarter quoted in R\$ 4.57/share, showing a 16.6% valorization compared to the end of 2006, while the weighted index of the petrochemical industry increased 5.6% and the Bovespa Index showed a positive variation of 3% in the same period, confirming the consistent recovery of the Company's shares appreciation.



Information on the Share		mar/31/07
Total Shares		226,695,380
Common Shares		97,375,446 (43.0%)
Preferred Shares		129,319,934 (57.0%)
Market Value		
R\$ million		1,036.0
US\$ million		505.3

* Sources: Suzano Petroquímica / Economática



EXPECTATIONS FOR THE POLYPROPYLENE BUSINESS

The 1Q07 was benefited by a very stable demand in the international market, condition that greatly contributed to keep good levels of resin prices. Associated with such more stable scenario, lower prices in petrochemical raw materials were observed, which helped to increase the operating margins.

As to the business performance in the following months, we can say that it will strongly depend on the demand behavior, a variable that has been reasonably consistent both in the international market and locally. The demand in the global market has shown important signs of recovery, already reflected in increases in international quotations of polypropylene. There is a quite tight polypropylene supply perspective for the following months, also driven by the European crackers maintenance season, which may contribute to the consolidation of high levels of resin prices, due to the probable tighter supply/demand scenario.

Following the business seasonality in Brazil, the next months shall also present a stronger demand, what, together favorable international market, leads to good business perspectives locally as well. However, it will be necessary to follow the evolution of polypropylene imports, which may remain in higher levels due to the over-appreciated Real. Yet, our sales competitiveness will be based on the services offered to our clients, such as technical assistance, development of products in partnership with them, adequate and differentiated logistics.

Today there is a trend of increase in the quotation of petrochemical raw materials such as naphta and propylene, impacted by the proximity of the American driving season, as increase of gasoline demand reduces the availability of such inputs. On the other hand, a stronger market scenario may help the continuity of good margins for the business, even with the potentially higher raw material prices.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY FOR SUSTAINABLE DEVELOPMENT

On March, 12 was launched, at Fiesp (the São Paulo Industries Federation), the Plastics Program of Local Productive Arrangements (APL) of the Great ABC, an articulation of Suzano Petroquímica together with other actors of the region – City Halls, other Companies of the Capuava Petrochemical Pole, Educational Entities, Unions, in an alliance with SEBRAE-SP, FIESP, IFC-World Bank and the Agency for Economic Development of the Great ABC. The project aims at enhancing the competitiveness and the growth of the micro, small and medium industry of transformation of the region, seeking the economic and social development of the great ABC. There are some 500 transforming industries in the region, which employ about 15 thousand workers, number that might double if these same companies become able to absorb the additional resin offer from de ongoing or foreseen capacity increases of the Capuava Pole, as the one of our Mauá Unit.

Besides that, on April 24 the AGIR-Mauá program of separate collection was launched, satellite of the Plastic APL, different from the other regional initiatives because of the source splitting model and the constant environmental education of the related audiences. The program will also work in the modernization and enabling process of the Working Cooperative of the Recycling Professionals of Mauá – Cooperma, with which we maintain a strong partnership.

The Camaçari Unit has done in November and repeated on April an operating test with a new catalyst. The test has been successful and will render improvements in the production process, which will considerably reduce the catalytic residue and liquid effluent generation.

SUZANO PETROQUÍMICA CONSOLIDATED

SUMMARY OF THE PRO FORMA CONSOLIDATED RESULT

Indexes Summary (R\$ million)	1Q07	1Q06	Δ% 1Q07/1Q06	4Q06	Δ% 1Q07/4Q06
Net revenue	630.5	474.7	32.8%	622.6	1.3%
Gross Profit	126.2	47.4	166.4%	120.6	4.7%
Gross Margin	20.0%	10.0%	+ 10 p.p.	19.4%	+ 0.6 p.p.
Ebitda	99.4	14.6	580.9%	90.1	10.4%
Ebitda Margin	15.8%	3.1%	+ 12.7 p.p.	14.5%	+ 1.3 p.p.

Production (000 t)	1Q07	1Q06	Δ% 1Q07/1Q06	4Q06	Δ% 1Q07/4Q06
Riopol ¹	105,9	52,5	-	109,9	-3,6%
Petroflex	76,7	75,8	1,2%	86,2	-11,0%

1- The 52.5 thousand tons production of 1Q06 referred to the pre-operating phase, which started on November, 2005 and finished on March 31, 2006

Sales (000 t)	1Q07	1Q06	Δ% 1Q07/1Q06	4Q06	Δ% 1Q07/4Q06
Riopol ¹	115.0	40.5	-	94.7	21.4%
MI	63.2	31.7	-	47.5	33.1%
ME	51.8	8.8	-	47.3	9.7%
Petroflex	82.3	79.2	3.9%	83.9	-1.9%
MI	58.9	50.2	17.2%	56.2	4.7%
ME	23.5	29.0	-19.0%	27.7	-15.2%

1 – From January to March 2006 40.5 thousand tons of polyethylene were sold referring to the pre-operating stage of Riopol, which were not recorded in the results. The sales performed from April 2006 were totally of resins produced by Riopol, during its operating stage.

Riopol

A The domestic demand of polyethylene in the 1Q07 was aligned with the one in the 1Q06, but with a 3.5% increase of the domestic sales by local producers to the detriment of the imports, which presented a 11.2% retreat between these periods. As regards the 4Q06, the domestic demand of polyethylene grew 9.1% and was basically supplied by the 12.0% increase of sales by local producers, which still dislocated 3.8% of imports. Taking advantage of the good commercial conditions in force in the external market, the volume exported by local producers of polyethylene grew 9.2% as regards the 4Q06.

Riopol presented a production of 105.9 thousand tons of polyethylene, 3.6% lower than the one verified in the previous quarter due mainly to non-planned stoppages occurred during this period, resulting in an average rate of occupation of the installed capacity of 78.5% in the quarter. However, Riopol continued advancing in its learning curve in the period and have already reached an average capacity usage rate of 94% in the month of March.

The total sales of polyethylene of Riopol reached 115.0 thousand tons in the quarter, which represented a 21.4% increase as regards the 4Q06, contributing to adjust the company's level of inventories. 55.0% of the total sales were sold in the internal market and the remaining was exported. The sales to the domestic market presented a growth of 33.1% as regards the 4Q06, confirming the progressive accommodation of the products of Riopol in the Brazilian market.

The result of Riopol in the 1Q06 was registered in the deferred assets of the company, since the company was still at the pre-operating stage and, therefore, the results verified in the 1Q07 are not comparable to that one. Only starting from the 2Q06, the results are being registered in the company's income statement and in our consolidated result, proportionally to our participation.

Petroflex

We verified in the period a resume of the demand in the domestic market of elastomers, resulting mainly from the good moment of the Brazilian automotive and agriculture industries.

Aiming to take advantage of this favorable scenario, Petroflex oriented the greatest part of its sales to the internal market, which increased 4.7% and 17.2% as regards the 4Q06 and the 1Q06, respectively. As a result thereof, the exports presented a 15.2% fall as regards the 4Q06 and a 19.0% fall when compared to the 1Q06.

As a result of the planned stoppages for maintenance of the Cabo and Duque plants, the production in the 1Q07 was of 76.7 thousand tons of elastomers, 1.2% above compared to 1Q06 and 11.0% lower than the one obtained in the 4Q06. These stoppages, together with the capacity increase of Cabo in 20 thousand tons in January 2007, were responsible for the operating rate of 69.1% in the quarter, lower than the levels recorded in the 4Q06 and 1Q06, of 82.2% and 73.6%, respectively.

The company continued its strategy of focusing the sales of products with greater added value, having as a result that the special elastomers and performance elastomers answered for 28% of the total sales in this quarter.

NET OPERATING REVENUE

In the 1Q07, the consolidated net operating revenue was of R\$ 630.5 million, 1.3% above the one verified in the 4Q06, mainly as a function of the 17.2% increase of the net revenue of Riopol, compensating the lower revenues obtained by the Parent Company and Petroflex. The consolidated net turnover presented a growth of 32.8% as regards the 1Q06, due chiefly to the non-accounting of the Riopol's result in that quarter for its pre-operating stage.

Net Revenues					
R\$ million	1Q07	1Q06	Δ% 1Q07/1Q06	4Q06	Δ% 1Q07/4Q06
Suzano Petroquímica Parent Company	441.4	412.6	7.0%	473.5	- 6.8%
Riopol ¹	129.0	-	-	110.1	17.2%
Petroflex ¹	70.1	62.1	13.0%	73.4	- 4.5%
Offsets ³	(10.1)	-	-	(34.4)	-
Suzano Petroquímica Consolidated²	630.5	474.7	32.8%	622.6	1.3%

1 - Participation of Suzano Petroquímica of 33.33% in Riopol and 20.12% in Petroflex

2 - Pro forma consolidation considering the participations in Petroflex and Riopol. It does not consider the participation held in Politeño in the periods previous to its sale which took place on Apr 04, 2006.

3 - In the process of balance consolidation, the revenues and costs among Companies must be offset. In the 4Q06 the total adjustment of transactions between Suzano Petroquímica and Riopol occurred during 2006 and related to the propylene supply were recorded. Starting from the 1Q07, the offset of transactions among companies started to be done on a quarterly basis.

Riopol: in the quarter the net revenue was of R\$ 387.1 million, representing an 17.2% increase comparing to the net revenue of the 4Q06, due to the sold volume 21.4% higher, which overwhelmingly compensated the reduction of 1.5% in the unitary net revenue of polyethylene, in Reais, between the periods. From the total net revenue, 89.6% were originated from the sale of polyethylene and the remaining from the sale of by-products (propylene, hydrogen and pyrolysis gasoline).

Riopol answered for 18.9% of the consolidated net revenue in the 1Q07.

Petroflex: the net operating revenue of Petroflex in the 1Q07 was of R\$ 348.6 million, presenting a 4.5% reduction comparing to the revenue of the 4Q06, as a result from both the reduction of 1.9% of total sales and an unitary net revenue 2.7% lower. As regards the 1Q06, the net revenue grew 13.0%, a result from the 3.9% increase in the

volume sold together with the recovery in the sales prices, fostered by greater sales to the domestic market, which made possible a growth of 8.8% in the unitary net revenue in Reais.

Petroflex answered by 11.1% of the consolidated net revenue in the 1Q07.

COST OF GOODS SOLD (COGS)

The consolidated cost of goods sold (COGS), of R\$ 504.2 million in the 1Q07, remained the same as the one in the 4Q06, since the impact of increase of sales costs of Riopol and the adequate allocation of the transactions between companies since the 1Q07, specially the sale of propylene by Riopol to the Company, was diminished by the reduction of the Parent Company's COGS. As regards the 1Q06, the consolidated COGS was 18.0% higher, since in that quarter the cost of products sold by Riopol was still being deferred, in view of this pre-operating stage.

Cost of Goods Sold (COGS)					
R\$ million	1Q07	1Q06	Δ%	4Q06	Δ%
Suzano Petroquímica Parent Company	349.8	371.2	- 5.8%	382.8	-8.6%
Riopol ¹	104.2	-	-	89.1	16.9%
Petroflex ^{1,4}	60.3	56.1	7.6%	64.5	-6.5%
Offsets ³	(10.1)	-	-	(34.4)	-
Suzano Petroquímica Consolidated²	504.2	427.3	18.0%	502.0	0.4%

1 - 1 - Participation of Suzano Petroquímica of 33.33% in Riopol and 20.12% in Petroflex

2 - Pro forma consolidation considering the participations in Petroflex and Riopol. It does not consider the participation held in Politeño in the periods previous to its sale which took place on Apr 04, 2006.

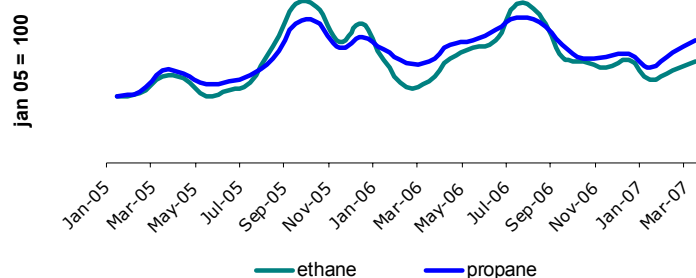
3 - In the process of balance consolidation, the revenues and costs among Companies must be offset. In the 4Q06 the total adjustment of transactions between Suzano Petroquímica and Riopol occurred during 2006 and related to the propylene supply were recorded. Starting from the 1Q07, the offset of transactions among companies started to be done on a quarterly basis.

4 - At the end of 2006 Petroflex performed a reevaluation of assets, which increased the depreciation accounted in the COGS. As Suzano Petroquímica does not use this accounting system, the Company made an adjustment to eliminate its effect, and for that reason the values of COGS disclosed by Petroflex are different from ours. See more details at the Note in the Company's ITR.

Riopol: the COGS verified in the 1Q07 was of R\$ 312.7 million, 16.9% above the one verified in the 4Q06 basically as a result of the 21.4% increase in the volume sold, since the variable part of the COGS presented a reduction of 2.7% between the quarters, resulting mainly from the retreat in the raw materials costs registered by Riopol. 80% of the COGS of the 1Q07 results from variable costs of production (raw material, catalysts, utilities and others), 13% refer to depreciation and amortization and 7% fixed costs. The operating improvement of Riopol, reaching more efficiency in the transformation of its raw materials in polyethylene, together with the accounting of a lower cost of raw materials, reflected in a COGS per ton of polyethylene produced 3.7% lower as regards the 4Q06. The average prices of Mont Belvieu* ethane, presented a reduction of 4.4% as regards the 4Q06, while propane registered a 1.8% raise, using the same reference, as shown in the chart.

Petroflex: the COGS⁴ of Petroflex in the 1Q07 was of R\$ 299.9 million, 7.6% above the one verified in the 1Q06 due chiefly to the sales volume 3.9% higher and variable cost 9.0% higher, resulting from higher prices in Reais of the main raw materials used by the company. As regards the 4Q06, COGS presented a reduction of 6.5%, as a result of a 1.9% reduction in the sales volume between the periods and lower costs, in Reais, of the raw materials used by Petroflex, reflecting in a unitary COGS 4.7% lower.

Evolution of Mont Belvieu Ethane and Propane prices



SALES, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A)

The consolidated sales, general and administrative expenses were of R\$ 64.3 million in the 1Q07, 2.4% lower than in 4Q06, and 22.5% higher when compared to the 1Q06, chiefly as a result of the accounting of expenses of Riopol, since they started to be accounted starting from April 2006.

Riopol: in the 1Q07 the SG&A of Riopol reached R\$ 41.3 million, an increase of 8.2% as regards the ones verified in the 4Q06, due chiefly to sales expenses 10.8% higher due to the greater volume sold in the period. The administrative expenses of the 1Q07 remained the same as in 4Q06.

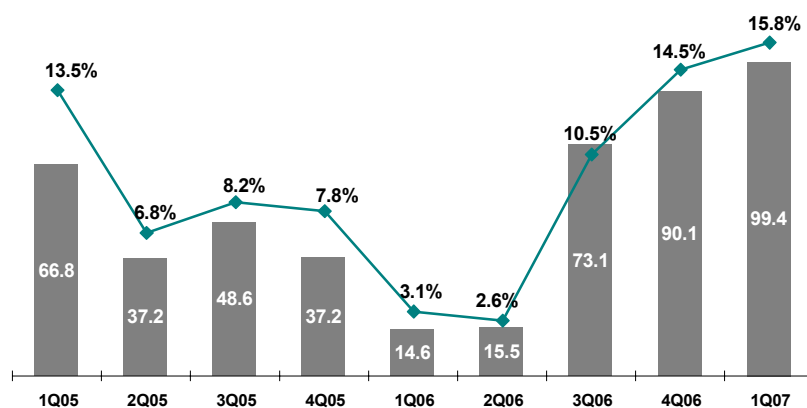
76% of the SG&A recorded in the 1Q07 were expenses with sales and 24% general and administrative expenses

Petroflex: the SG&A of the company reached R\$ 22.0 million in the 1Q07, 11.8% lower than the one verified in the 1Q06, due basically to the 9.2% fall in the sales expenses resulting from lower expenses with freight and a 15.3% fall in general and administrative expenses, resulting from an expenses reduction program applied by Petroflex during the year 2006. When compared to the 4Q06, the SG&A presented a reduction of 26.5% in 1Q07, chiefly due to the payment of indemnifications in 4Q06.

EBITDA

The consolidated Ebitda in the 1Q07 reached R\$ 99.4 million, 580.9% above the one verified in the 1Q06, influenced by the strong high of both the cash generation of the Parent Company and of Riopol, which still was not accounted at that quarter.

The consolidated Ebitda in the 1Q07 was 10.4% higher than the one verified in the 4Q06, reinforcing the consistent and consecutive recovery path of the Parent Company's and Riopol's cash generation which, since the last has presented significant improvement in its operating efficiency, obtained through the advance of its learning curve. In the 1Q07, 24.8% of the consolidated Ebitda of Suzano Petroquímica arose from the Riopol's contribution.



Considering the last four quarters, the consolidated Ebitda of Suzano Petroquímica presented an average growth of about 85% per quarter, reinforcing the strong recovery curve of the Company's results.

The consolidated Ebitda margin in the 1Q07 reached 15.8%, representing a growth of 12.7 p.p. as compared to the 1Q06, influenced chiefly by the better results of the Parent Company and Riopol. When compared to the 4Q06, we verified a high of 1.3 p.p..

EBITDA					
R\$ million	1Q07	1Q06	Δ% 1Q07/1Q06	4Q06	Δ% 1Q07/4Q06
Suzano Petroquímica Parent Company	68.5	12.7	439.6%	65.2	5.0%
Riopol ¹	24.6	-	-	19.0	29.8%
Petroflex ¹	6.6	2.6	149.6%	5.0	31.8%
Other consolidated revenue/expenses ³	(0.3)	(0.7)	-	0.9	-
Suzano Petroquímica Consolidated²	99.4	14.6	580.9%	90.1	10.4%

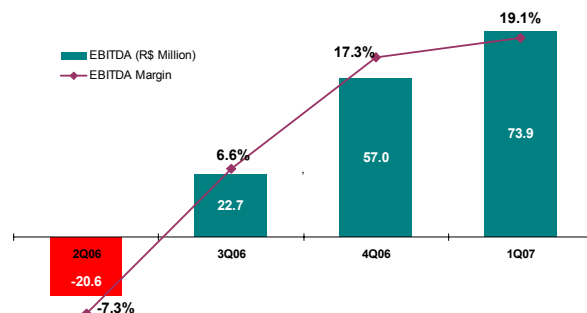
1 - Participation of Suzano Petroquímica of 33.33% in Riopol and 20.12% in Petroflex

2 - Pro forma consolidation considering for all the periods mentioned, the 100% participation in Polibrasil, consolidated with the participations in Petroflex and Riopol. It does not consider the participation held in Politenio in the periods previous to its sale which took place on Apr 04, 2006.

3 - These reflect the consolidated operating revenues/expenses of SPQ Investimentos e Participações Ltda., of Suzanopar Petroquímica Ltd. and of Polipropileno Participações up to September 30, 2006.

Riopol: the company's Ebitda in the 1Q07 was of R\$ 73.9 million, presenting an increase of 29.8% as regards the 4Q06, as a result, basically, from greater gross income. The Ebitda margin presented a growth of 1.8 p.p. as regards the 4Q06, reflecting the continuous increase of the company's operating efficiency. Since the 3Q06 Riopol presented an average quarterly growth of Ebitda of 180%, as shown in the chart aside.

Petroflex: the Ebitda reached by the company in the 1Q07 was of R\$ 32.6 million, 149.6% above the one verified in the 1Q06 due basically to the increase of 61.8% in the gross income. As regards the 4Q06, the Ebitda increased 31.8%, as a result of the gross income 8.0% higher, together with a reduction of 12.0% in the operating expenses. As a result thereof, Petroflex also presented a recovery in its Ebitda margin, reaching 9.3% in the 1Q07, compared to a 6.8% margin verified in the 4Q06 and a 4.2% margin in the 1Q06.



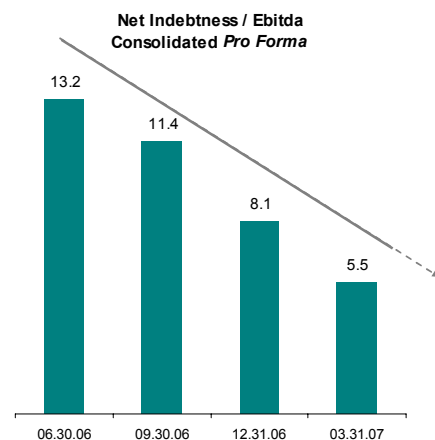
FINANCIAL RESULT AND INDEBTNESS

In the 1Q07, Suzano Petroquímica presented a positive consolidated net financial result of R\$ 12.0 million, as a result from the positive contribution of the Real appreciation of 4.3% in the period, generating a positive net financial result in the Parent Company, since 69% of the Company's indebtedness was recorded in dollars. Besides that, the Real appreciation made the interests expenses of Riopol be compensated by the revenues resulting from the exchange variation in the period.

The Company's consolidated gross indebtedness (considering principal and interests) on Mar 31, 2007 was of R\$ 1.956.8 million, 1.2% higher than in Dec 12, 2006. On the other hand, the net indebtedness was 2.0% lower, totaling R\$ 1.597.6 million at the end of the 1Q07, a result of the 18.1% increase in cash and cash equivalents, arising from the consolidation of the greater levels of cash generation in the Parent Company and Riopol.

Net Indebtedness / EBITDA

Starting from the *pro forma* Consolidated Financial Statements, we verify a continuous and consistent movement of leverage reduction, with allowed the Net Indebtedness / EBITDA ratio to present a 7.7 p.p. fall since June 2006, coming from 13.2x to 5.5x at the end of the 1Q07. Such reduction results from the combination of the effect of the increase of the *pro forma* consolidated Ebitda accumulated in the last 12 months, a result chiefly from the greater contributions of the Ebitda consolidation by the Parent Company and Riopol. This leverage reduction process shall be kept in the next periods, with the expectation of maintenance of the good levels of cash generation of the Parent Company, with the consistent progress of the Riopol's operation and the probable payment of the second installment for Politeno's sale. It is worthy to stress that both the indebtedness of the Parent Company and Riopol are concentrated in the long-term, and there is no pressure to roll-over or compliance with the financial commitments, which are comfortably scheduled to the next years.



NET PROFIT

In the 1Q07, Suzano Petroquímica presented a consolidated net profit 463.3% higher than the one verified in the 4Q06, reaching R\$ 54.6 million, even with acknowledgement of the recurring goodwill amortization of R\$ 13.0 million in the quarter. This result was possible thanks to the good level of the operating result of the Company and its controlled companies Riopol and Petroflex, associated to the positive contribution of R\$ 12.0 million of financial result, impacted by the Real appreciation, both in the Parent Company and in Riopol.