UNIPAR - União de Indústrias Petroquímicas S.A.

Consolidated Financial Statements
At December 31, 2007 and 2006
and Report of Independent Auditors

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PATRICIO ROCHE

Report of Independent Auditors

To the Board of Directors and Shareholders
UNIPAR - União de Indústrias Petroquímicas S.A.

We have audited the accompanying consolidated balance sheet of UNIPAR - União de Indústrias Petroquímicas S.A. and its subsidiaries as of December 31, 2007, and the related consolidated statements of income and comprehensive income, of shareholders' equity and of cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Company as of December 31, 2006 and for the year then ended were audited by other auditors whose report dated March 2, 2007 expressed an unqualified opinion on those statements.

Except as described in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of the affiliate Petroflex Indústria e Comércio S.A. as of December 31, 2007, the investment in which is recorded based on the equity method of accounting by the Company, were not audited by independent auditors. The amount of the investment at December 31, 2007 and the related equity in the income for the year then ended amount to R$ 44,490 thousand and R$ 4,016 thousand, respectively.

UNIPAR - União de Indústrias Petroquímicas S.A.

In our opinion, except for the effects of possible adjustments to the December 31, 2007 consolidated financial statements, if any, that might have been required had the financial statements of the equity investee referred to in the preceding paragraph been audited by independent auditors, the December 31, 2007 consolidated financial statements referred to above present fairly, in all material respects, the financial position of UNIPAR - União de Indústrias Petroquímicas S.A. and its subsidiaries at December 31, 2007, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Rio de Janeiro, August 13, 2008

PricewaterhouseCoopers
Auditores Independentes

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UNIPAR - União de Indústrias petroquímicas S.A

Consolidated balance sheets as of December 31,
(Thousands of U.S. dollars, except shares and per share amounts)

Assets	2007	2006
Current assets		
Cash and cash equivalents	272,705	81,486
Trade accounts receivable		
Related parties	2,107	1,028
Third parties	95,558	42,630
Inventories	60,780	26,007
Recoverable taxes	22,713	15,605
Deferred income and social contribution taxes	12,530	1,631
Investments held for sale	44,490	
Interest on own capital from affiliated companies	12,322	5,804
Other	4,407	4,448
	527,612	178,639
Property, plant and equipment	372,881	146,853
Non-current assets		
Investments in affiliates and joint ventures	590,328	348,746
Goodwill	60,388	50,030
Recoverable taxes	50,865	27,912
Judicial deposits	2,977	2,283
Inventories	3,468	2,600
Deferred income and social contribution taxes	3,117	12,138
Other	77	784
	711,220	444,493
Total assets	1,611,713	769,985

Liabilities and shareholders' equity	2007	2006
Current liabilities		
Suppliers		
Related parties	62,170	13,434
Third parties	12,211	5,971
Short-term debt	48,369	10,530
Current portion of long-term debt	19,747	11,207
Nonconvertible debentures	104,437	2,777
Contributions and social charges	11,398	5,594
Interest on own capital and dividends payable	1,826	9,530
Deferred income and social contribution taxes	13,366	
Employees profit sharing plan	2,977	1,130
Accrual for contingencies	1,019	844
Other	11,314	7,141
	288,834	68,158
Long-term liabilities		
Long-term debt	588,370	82,251
Nonconvertible debentures		84,191
Accrual for contingencies	1,842	1,217
Tax payable	207	22,837
Deferred income and social contribution taxes	2,330	9,136
	592,749	199,632
Commitments and contingencies (Note 13 and 18))		
Shareholders' equity		
Capital		
Preferred Class A - 2007 - 23,552 and 2006 - 19,626 shares authorized and issued (2007 and 2006 - R$ 1.00 par value)	11,995	10,065
Preferred Class B - 2007 - 489,781 and 2006 - 407,040 authorized and 2007 - 482,811 and 2006 - 402,343 shares issued (2007 and 2006 - R$ 1.00 par value)	245,883	206,321
Common shares - 2007 - 256,667 and 2006 - 213,333 authorized and 2007 - 253,181 and 2006 - 210,984 shares issued (2007 and 2006 - R$ 1.00 par value)	128,939	108,193
Appropriated retained earnings	266,752	232,208
Unappropriated retained earnings	(5,748)	(3,802)
Accumulated other comprehensive income (loss)	82,309	(50,790)
	730,130	502,195
Total liabilities and shareholders' equity	1,611,713	769,985

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

UNIPAR - União de Indústrias Petroquímicas S.A.

Consolidated statements of income and comprehensive income for the years ended December 31,
(Thousands of U.S. dollars)

	2007	2006
Revenues		
Sales of products and services		
Local market - Products and services	934,926	690,314
Foreign market - Products	11,520	27,750
Total revenues	946,446	718,064
Taxes on revenues	(270,971)	(197,583)
Net revenues	675,475	520,481
Cost of products and services	(577,171)	(433,327)
Gross profit	98,304	87,154
Operating income (expenses)		
Selling expenses	(17,946)	(16,259)
General and administrative expenses	(46,435)	(34,207)
Employees profit sharing plan	(11,117)	(3,905)
Other income (expenses), net	675	(8,345)
	(74,823)	(62,716)
Operating income	23,481	24,438
Financial expenses	(42,363)	(27,591)
Financial income	4,269	9,425
Foreign exchange and monetary variation, net	(43)	110
Others	(683)	575
	(38,820)	(17,481)
Income (loss) before income and social contribution taxes and equity in results of affiliates and joint ventures	(15,339)	6,957
Income and social contribution taxes benefits (expenses)		
Current	(6,247)	(6,395)
Deferred	(5,445)	1,035
	(11,692)	(5,360)
Equity in results of affiliates and joint ventures	131,272	45,620
Net income	104,241	47,217

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

UNIPAR - União de Indústrias Petroquímicas S.A.

Consolidated statements of changes in shareholders equity
for the year ended December 31, 2007 and 2006
(Thousands of. U.S. dollars, unless otherwise stated)

	Preferred Class A		Preferred Class B		Common Shares		Appropriated retained earnings			Accumulated other comprehensive income (loss)		
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Legal reserve	Special dividends reserve	Unappropriated Retained earnings	Pension fund	Cumulative translation adjustment	Total
Balances at December 31, 2005	17,842	9,221	365,766	189,016	191,804	99,118	47,226	164,998	14,013		(102,366)	421,226
Capitalization of reserves	1,784	844	36,577	17,305	19,180	9,075		(27,224)				
Net income									47,217			47,217
Appropriation of income to reserves							2,118	45,090	(47,208)			
Dividends									(3,129)			(3,129)
Interest on own capital									(14,695)			(14,695)
Cumulative translation adjustment											41,127	41,127
Effect of recognition of funded status of postretirement benefits in accordance with SFAS 158, net of taxes										10,449		10,449
Balances at December 31, 2006	19,626	10,065	402,343	206,321	210,984	108,193	49,344	182,864	(3,802)	10,449	(61,239)	502,195
Capitalization of reserves	3,926	1,930	80,468	39,562	42,197	20,746		(62,238)				
Net income									104,241			104,241
Appropriation of income to reserves								96,782	(96,782)			
Dividends									(9,405)			(9,405)
Cumulative translation adjustment											117,658	117,658
Effect of recognition of funded status of postretirement benefits in accordance with SFAS 158, net of taxes										15,441		15,441
Balances at December 31, 2007	23,552	11,995	482,811	245,883	253,181	128,939	49,344	217,408	(5,748)	25,890	56,419	730,130

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

UNIPAR - União de Indústrias Petroquímicas S.A.

Consolidated statements of cash flows
for the years ended December 31,
(Thousands of U.S. dollars, unless otherwise stated)

	2007	2006
Cash flows from operating activities		
Net income	104,241	47,217
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	13,474	9,080
Deferred income and social contribution taxes	5,445	(1,035)
Accrual for contingencies	339	(73)
Foreign exchange and monetary variation, net	(1,037)	1,838
Equity in results of affiliates and joint ventures, net of dividends and interest on own capital received	(80,455)	(7,668)
Decrease (increase) in operating assets		
Trade accounts receivable - related and third parties	(45,787)	17,870
Inventories	(27,060)	1,923
Recoverable taxes	(19,168)	(9,373)
Other assets	1,744	971
Increase (decrease) in operating liabilities		
Suppliers - related and third parties	46,400	(9,715)
Contributions and social charges	(21,140)	(5,006)
Other liabilities	4,381	699
Net cash (used in) provided by operating activities	(18,623)	46,728
Cash flows from investing activities		
Additions to property, plant and equipment	(192,099)	(54,281)
Additions to investments	(93,051)	(1,491)
Net cash used in investing activities	(285,150)	(55,772)
Cash flows from financing activities		
Short and long-term debt		
Issuance	492,680	62,125
Repayments	(8,653)	(23,518)
Dividends paid and interest on own capital	(18,216)	(21,335)
Net cash provided by financing activities	465,811	17,272
Effects of changes in exchange rates on cash and cash equivalents	29,181	6,906
Increase in cash and cash equivalents	191,219	15,134
Cash and cash equivalents at the beginning of year	81,486	66,352
Cash and cash equivalents at the end of year	272,705	81,486
Supplemental cash flow information		
Interest paid	28,607	19,880
Income and social contribution taxes paid	5,002	7,001

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

1 Nature of Operations

UNIPAR - União de Indústrias Petroquímicas S.A. ("UNIPAR or "the Company") was incorporated on May 28, 1969, as a publicly held company.

The operations are carried out through UNIPAR and its subsidiaries, affiliates and joint ventures, and mainly consist of production and sale of petrochemical products (cumene, olefins and isoparaffins) and the development of industrial enterprises and investments in other companies that develop, construct, install and manage industrial projects, especially in the petrochemical sector. The Company's main subsidiaries, affiliates and joint ventures are as follows:

Companies	Main products/activities
Wholly-owned subsidiaries:	
• Unipar Comercial e Distribuidora S.A.	Chemicals distribution company
• União Terminais e Armazéns Gerais S.A.	Liquid storage facilities
• Polietilenos União S.A.	LDPE (low density polyethylene) and EVA (ethylene - vinyl acetate copolymer)
Affiliates and joint ventures:	
• Petroquímica União S.A. - PQU	Ethylene, propylene and benzene
• Carbocloro S.A. Indústrias Químicas	Chlorine, caustic soda and EDC (ethylene dichloride)
• Polibutenos S.A. Indústrias Químicas	Polyisobutenes
• Petroflex Indústria e Comércio S.A.	Synthetic rubber
• Rio Polímeros S.A.	Polyethylenes (linear and high density)
• União/Vopak Armazéns Gerais Ltda	Liquid storage facilities

2 Presentation of Financial Statements

The Company's statutory accounting records are maintained in Brazilian reais (R$), which is its functional currency and also the currency of the country in which it is organized and carries out its business. Its statutory accounts are prepared based on accounting practices prescribed by the Brazilian corporate law, which are valid for all legal purposes. As a result, financial statements based on such accounting records continue to serve as the basis for determining income and other taxes and shareholders' rights, such as determination and distribution of dividends.

The preparation of the financial statements in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates are used for but not limited to, selection of useful lives of property, plant and equipment, allowances necessary for probable losses on accounts receivable and on contingent liabilities, fair values assigned to assets and liabilities acquired in business combination, income tax valuation allowances and other similar evaluations. Actual results could differ from those estimates.

(a) Basis of presentation

The consolidated financial statements have been prepared in accordance with U.S. GAAP, which differ in certain respects from accounting practices adopted in Brazil applied by the Company in its statutory financial statements. The U.S. dollar amounts for the years presented have been translated from the Brazilian currency amounts in accordance with the criteria set forth in the Statement of Financial Accounting Standards - SFAS No. 52, "Foreign Currency Translation".

The Company has translated all assets and liabilities, except shareholders' equity, from Brazilian reais, its functional currency, into U.S. dollars at the current exchange rate (R$1.7713 and R$2.1380 to US$1.00 at December 31, 2007 and 2006, respectively), and all accounts in the statements of income and cash flows (including local currency indexation and exchange gains and losses) at the average rates prevailing during the period.

Transactions affecting shareholders' equity accounts, excluding those in retained earnings, are converted at historical rates. The translated balance of retained earnings consists of the beginning balance of retained earnings in U.S. dollars and the result of the monthly average rates applied to revenues and expenses during the period, and the specific rate in effect when the dividends were declared.

The translation adjustment is included as a component of accumulated other comprehensive income in shareholders' equity. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the Brazilian real are included in the results of operations as incurred.

As a result, shareholders' equity included in the consolidated financial statements presented herein differs from that included in the Company's statutory accounting records, and also because of the adjustments made to reflect the requirements of U.S. GAAP.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of UNIPAR and its wholly-owned subsidiaries. Joint ventures are defined as businesses in which the Company and a small group of other partners each participate actively in the overall entity management, based on a shareholders agreement. Affiliates are defined as businesses in which the Company participates as a minority stockholder but with significant influence over the operating and financial policies of the investee. Investments in unconsolidated affiliates and joint-ventures are accounted for by the equity method. Intercompany accounts and transactions have been eliminated including the unrealized intercompany profits and losses. The financial statements of all subsidiaries, affiliates and joint ventures were prepared in accordance with U.S. GAAP.

The Company evaluates the carrying value of its listed investments, carried at the equity method, in relation to publicly available quoted market prices. If the quoted market price is below carrying amount and such decline is considered other than temporary, management writes-down the Company's equity investments to quoted market value.

3 Summary of Significant Accounting Practices

(a) Cash and cash equivalents

Cash includes amounts on hand and in banks. Short-term investments that have a ready market and original maturities of 90 days or less, are considered as cash equivalents.

(b) Accounts receivable

Accounts receivable are valued at historical cost, less provision for doubtful accounts, when applicable. The provision for doubtful accounts is established when objective evidence exists that the Company will not be able to collect all the amounts due in accordance with the original terms. The value of the provision is the difference between the carrying amount and the estimated recoverable amount.

(c) Inventories

Inventories are recorded at lower of the average cost of acquisition and/or production and its estimated net realizable value. Cost is determined using the weighted average method. The cost of the finished products and production in process includes raw materials, direct labor,

other direct costs and related overheads of production (on the basis of the normal operational capacity). Net realizable value is the estimated price of sales in the normal course of the businesses, less selling costs. Imports in transit are recorded at its accumulated cost.

(d) Income and social contribution taxes

Tax expense is calculated based on the following rates: income tax - 15%, surtax for income tax purposes - 10%, and social contribution - 9% as established in current legislation. The Company recognizes deferred tax asset on tax loss carryforwards and deductible temporary differences, net of a valuation allowance, if necessary, to reflect the amount expected to be (more likely than not) recoverable in the future. Net deferred tax liabilities are fully recognized.

The Company applies SFAS No. 109, "Accounting for Income Taxes". Temporary differences between the tax bases of assets and liabilities and the amounts included in these financial statements have been considered for the purpose of recording deferred income taxes. Deferred taxes are determined based on enacted rates.

(e) Judicial deposits

In certain circumstances the Company questions the legality of certain liabilities or actions initiated against it. As a result of such proceedings, following either judicial order or determination of the proper administrative authority, the amounts being questioned are fully or partially deposited in escrow accounts under the company's name. In these situations, the amounts deposited are withdrawn, upon the receipt of a final favorable outcome of the question to the Company.

(f) Property, plant and equipment

Property, plant and equipment are recorded at cost including interest costs incurred during the construction of major new facilities. Depreciation is computed on the straight-line basis that takes into consideration to useful lives of the assets.

Major renewals and improvements are capitalized. Expenditures for maintenance and repairs are charged to costs of products and services sold and operating expenses as incurred.

(g) Loans and financings

Loans and financings are recorded at cost plus monetary restatement, exchange rate variation and interests incurred, as applicable, until the balance sheet date.

(h) Provisions

Provisions are recognized when the Company (i) has a legal obligation as result of past events, (ii) it is probable that an outcome of resources will take place, and (iii) it can be reliably estimated. When the Company expects reimbursement, for example through insurance, the right to reimbursement is recognized as a separate asset only when reimbursement is virtually certain.

(i) Recoverability of long-lived assets

In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets", management reviews long-lived assets, primarily property, plant and equipment to be used in the business, for the purpose of determining and measuring impairment whenever events or changes in circumstances indicate that the carrying value of an asset or group of assets may not be recoverable. An impairment loss is recognized when the estimate of undiscounted cash flows expected to be generated by the asset, including disposition thereof, is less than its carrying value. No impairment losses have been recorded for any of the periods presented.

(j) Business combination

The Company adopted the procedures determined by SFAS 141 - "Business Combinations" to recognize acquisitions of interests in other companies. The method of accounting used in its business combination transactions is the "purchase method", which requires that acquirers reasonably determine the fair value of the identifiable assets and liabilities of acquired companies, individually, in order to determine, as the residual amount, the goodwill to be recognized as an intangible asset. As required by SFAS 142 - "Goodwill and Other Intangible Assets", goodwill resulting from the acquisitions is no longer amortized since January 2002, but is tested for impairment at least annually and reduced to fair value to the extent that any such impairment is identified. No impairment losses have been recorded for any of the periods presented.

(k) Revenue and expenses

Sales revenues are recognized when title has transferred to the customer or services are rendered. Title is considered transferred when products have been delivered to the customers or shipped, as appropriate, and the risk of ownership has passed to the customer, persuasive evidence of the sale price exists, the price is fixed or determinable, and collectability is reasonably assured. Expenses and costs are recognized on the accrual basis.

(l) Comprehensive income

Comprehensive income consists of net income and other gains and losses affecting the shareholders' equity that, under U.S. GAAP, are excluded from net income. In the case of the Company, such items consist primarily of foreign currency translation gains and losses, and actuarial adjustments recognized directly in shareholders equity in accordance with SFAS 158 (presented net of taxes).

(m) Interest on own capital

As from January 1, 1996, Brazilian corporations are allowed to pay interest on shareholders' equity to its shareholders. The calculation is based on the shareholders' equity amounts as stated in the statutory accounting records and adjusted as required by applicable rules, on which it is applied on interest rate which may not exceed the long-term interest rate (TJLP) determined by the Brazilian Central Bank (BACEN).

Also, such amount cannot not exceed the greatest of 50% of net income for the year or 50% of retained earnings plus profit. The amount of interest on shareholders equity is deductible for income tax purposes.

The Company recognized the amount paid as an expense for income tax purposes. However, for accounting purposes such payments are recognized as dividends. Furthermore, income tax is withheld from the shareholders with respect to such payments at the rate of 15%.

(n) Recently issued accounting pronouncements

In September 2006, the FASB issued SFAS 157 - "Fair value measurements", which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years.

In February 2007, the FASB issued SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities". SFAS No. 159 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 reported earnings

caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments. The fair value option established by this Statement permits all entities to choose to measure eligible items at fair value at specified election dates. This standard is effective for fiscal years that begin after November 15, 2007.

In December 2007, the FASB issued SFAS 141(R), "Statement of Financial Accounting Standards No. 141 (revised 2007)". SFAS 141(R) retains the fundamental requirements in SFAS 141 that the acquisition method of accounting (which SFAS 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. SFAS 141(R) defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control. SFAS 141 did not define the acquirer, although it included guidance on identifying the acquirer. SFAS 141(R)'s scope is broader than that of SFAS 141, which applied only to business combinations in which control was obtained by transferring consideration. The result of applying SFAS 141's guidance on recognizing and measuring assets and liabilities in a step acquisition was to measure them at a blend of historical costs and fair values. In addition, SFAS 141(R) requires measuring the noncontrolling interest in the acquiree at fair value which results in recognizing the goodwill attributable to the noncontrolling interest in addition to that attributable to the acquirer. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. The effective date of this Statement is the same as that of the related SFAS 160, "Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51" (described below).

The Company is currently evaluating the impact of the abovementioned pronouncements in its consolidated financial statements but believes that they will not generate material impact on the Company's consolidated results of operations or financial position.

4 Cash and Cash Equivalents

	2007	2006
Cash on hand and bank deposits:		
Local currency	239,972	5,659
U.S. dollars	3	
Investment funds		
Local currency	32,730	75,827
Total	272,705	81,486

5 Trade Accounts Receivable

	2007	2006
Clients - Domestic	97,923	44,045
Clients - Overseas	640	1,272
Allowance for doubtful accounts	(898)	(1,659)
Total	97,665	43,658

No single costumer accounted for more than 10% of total revenues.

6 Inventories

	2007	2006
Finished products and production in process	52,551	22,198
Raw materials	3,710	1,597
Other materials for maintenance and consumption	7,987	4,812
Total	64,248	28,607
Total - current assets	(60,780)	(26,007)
Total - non-current assets	3,468	2,600

7 Recoverable Taxes

	2007	2006
Withholding income tax	3,773	1,329
Prepayment of income and social contribution taxes	8,554	6,188
ICMS (State VAT)	50,106	28,526
Recoverable taxes	11,008	6,429
Other	137	1,045
	73,578	43,517
Total - current assets	(22,713)	(15,605)
Total - non-current assets	50,865	27,912

8 Property, Plant and Equipment

	Annual depreciation rates (%)	2007	2006
Land		16,510	8,922
Buildings and improvements	2 to 5,45	33,792	23,082
Equipment and machinery	3,53 to 10	173,633	118,210
Other	9,85 to 20	18,340	13,235
		242,275	163,449
Accumulated depreciation		(103,246)	(74,195)
Construction in progress		233,852	57,599
Total		372,881	146,853

During 2007 and 2006, interest incurred during the construction period of major new facilities was capitalized in accordance with SFAS No. 34 in the amounts of US$8,563 and US$3,105, respectively.

9 Investment in Affiliates and Joint Ventures

					Investments as of December 31,		Equity in result for the years ended December 31,	
	Capital Stock	Shareholders' Equity	Net income	Ownership interest (%)	2007	2006	2007	2006
Petroquímica União S.A. (*)	193,412	454,829	95,459	51.3488	257,051	114,401	38,048	28,222
Carbocloro S.A. Indústrias Químicas	133,822	161,957	60,266	50.0000	80,972	56,024	30,131	27,399
Polibutenos S.A. Indústrias Químicas:	9,226	8,275	3,671	33.3333	2,757	2,171	1,224	563
Petroflex Indústria e Comércio S.A. (**)	52,932	271,414	40,114	16.7659		17,516	4,016	1,364
Rio Polímeros S.A.	540,429	741,735	173,236	33.3333	247,031	155,545	57,604	(12,328)
União Vopak Armazéns Gerais Ltda.	2,263	4,655	535	50.0000	2,422	3,016	249	400
Other					95	73		
					590,328	348,746	131,272	45,620

(*) Although the company holds a majority of the voting interest of this investee accounted for equity method, existing veto rights held by minority shareholders agreement preclude consolidation.
(**) Investment held for sale reclassified to current asset.

In 2007, the Company received US$ 50,817 (US$ 37,952 in 2006) of dividends and interest on stockholders' on shareholders equity from the affiliates and joint ventures.

Information with respect to major affiliates and joint ventures financial position and results of operations is as follows:

	Petroquímica União as of December 31,		Carbocloro as of December 31,		Rio Polímeros as of December 31,	
Balance sheet	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Current assets	379,168	236,937	75,019	59,772	256,242	196,289
Non-current assets	853,438	473,746	317,298	158,767	1,594,140	1,359,507
Current liabilities	306,803	195,271	91,934	58,012	205,233	172,901
Long term liabilities	470,974	205,844	138,426	48,470	903,414	916,042
Capital Stock	193,412	180,054	133,822	133,822	540,429	540,429
Shareholders' equity	454,829	309,568	161,957	112,057	741,735	466,853
Quoted market price						
Preferred	197,734	95,142				
Common	232,694	100,755				

	Petroquímica União		Carbocloro		Rio Polímeros	
	Year ended December 31,		Year ended December 31,		Year ended December 31,	
Statement of income	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Net sales	1,648,721	1,367,241	398,533	361,188	725,844	501,952
Costs and expenses	(1,459,845)	(1,215,448)	(99,081)	(89,877)	(548,186)	(455,238)
Income (loss) before income tax	135,070	105,326	87,715	83,273	127,599	(35,394)
Income tax	(39,611)	(25,352)	(27,449)	(28,504)	45,637	(1,372)
Net income (loss)	95,459	79,974	60,266	54,769	173,236	(36,766)

10 Short-term Debt

Our short term borrowings are mainly from commercial banks and relate to supply financing denominated in Brazilian reais. Annual interest rates were from 10.2 % to 14.9 % at December 31, 2007.

11 Long-term Debt

Index and currency	Annual interest rate per year (%)	Issuance	Maturity	2007	2006
CDI (Reais)	105.93	21.09.04	27.08.09	11,627	8,950
	100.00 + 1.20	16.01.06	05.12.13	24,910	6,217
	104.20	22.05.07	22.05.12	20,350	
	106.00	27.12.07	26.12.14	192,120	
	106.50	25.06.07	25.06.14	65,797	
	106.50	25.06.07	19.05.14	65,859	
	107.00	19.12.07	12.11.14	28,316	
	107.00	21.12.07	17.12.14	28,291	
	108.00	16.01.06	16.01.14	7,282	6,211
	108.00	16.01.06	05.12.13	7,294	6,211
	108.00	28.08.07	01.08.12	12,892	
				464,738	27,589

Index and currency	Annual interest rate per year (%)	Issuance	Maturity	2007	2006
TJLP (Reais)	from 3.00 to 4.50	24.02.03	16.06.08	51	245
	from 1.00 to 3.00	03.07.06	15.07.14	116,754	44,079
	4.50	06.11.03	15.01.09	799	1,541
	4.50	19.07.02	16.04.07		153
	4.50	24.05.04	15.05.09	1,061	1,495
	4.50	18.01.07	15.12.14	9,226	
	9.00	01.01.95	31.01.10	14,563	16,829
				142,454	64,342
Libor or Eurolibor (US$)	2.90	25.11.05	04.11.09	458	457
	4.60	28.02.02	20.03.07		857
	4.60	08.07.03	11.06.08	79	213
				537	1,527

Index and currency	Annual interest rate per year (%)	Issuance	Maturity	2007	2006
Leasing (Reais) (*)	13.00	25.06.07	25.06.10	151	
	13.00	25.06.07	01.08.10	195	
	13.00	23.11.07	23.11.10	42	
				388	
Total				608,117	93,458
Current portion of long-term debt				(19,747)	(11,207)
Long-term debt				588,370	82,251

(*) It refers to financial leasing regarding computers.

The long-term portion as of December 31, 2007 falls due as follows:

2009	35,302
2010	39,268
2011	122,483
2012	160,400
2013	122,484
2014	108,433
Total	588,370

The Company pledged shares of the affiliated companies Petroquímica União S.A., Carbocloro S.A. Indústrias Químicas and União Terminais e Armazéns Gerais Ltda, as guarantee for the loans and financing obtained. Some of the long-term debt instruments contain financial covenants. The principal covenants require the company to maintain certain annual financial ratios. The company is in full compliance with its financial covenants at December 31, 2007, except for the covenant described at Note 12.

12 Nonconvertible Debentures

On April 1, 2005, 18,000 nonconvertible debentures denominated in Reais were issued at the price of R$10 (ten thousand reais) each.

These debentures are subject to interest calculated based on 105.5% of the CDI rate (inter bank deposit rate), payable semiannually from the October, 2005, the principal will be paid in five consecutive installments, on a semiannual basis, starting on the 48th month.

Through December 31, 2006, the Company accrued interest on debentures in the amount of US$2,817 (US$2,777 in 2006), recorded in current liabilities.

The debenture indenture requires the maintenance of certain annual financial ratios. On September 29, 2006 the debenture holders decided to exclude Rio Polímeros S.A. from the consolidated financial statements for the purpose of calculation of these ratios through March 31, 2009.

At December 31 2007, the company reclassified the balance of its outstanding debentures to current liabilities due to noncompliance of the debentures covenants.

13 Provision for Contingencies

Company's management recognized, considering advices from legal counsel, provisions for contingencies to cover probable losses on labor and tax lawsuits in progress, as follows:

	2007	2006
Tax litigation:		
PIS/COFINS * (taxes on revenue)	1,422	1,092
Other	1,439	969
	2,861	2,061
Current liability	(1,019)	(844)
Long-term liability	1,842	1,217

(*) PIS/COFINS Social Integration Program (Programa de Integração Social) or PIS, and Contribution for Social Security Financing (Contribuição para o Financiamento da Seguridade Social) or COFINS.

Due to the revocation of the previously granted injunction that suspended the payment of these taxes due, as per Law No. 9718/98, guaranteeing the right to pay the taxes in accordance with the previous legislation (Supplementary Law No.70/91), the Company made an escrow deposit equivalent to the reserve of US$1,541. In 2006, the Federal Supreme Court determined the unconstitutionality of the increase in the tax basis of PIS/COFINS and the Company recognized the credit related to part of this amount. The amount of US$1,422 related to the increase in the tax basis of COFINS from 2% to 3% is still accrued.

There are also certain claims for which management's opinion, based on the advice of its legal counsel, estimated that the likelihood of loss is possible in the total amount of US$ 4,659 at December 31, 2007 and for which no provisions have been made.

14 Employee Profit Sharing Plan

The employees' participation in the result of the Company is determined in conformity with the agreements between the Company and its employees, based on the legal requirements, as established by the Company's bylaws.

The Company's management proposed a total distribution of US$11,117, which will be ratified by the Stockholders' General Meeting together with the financial statements (US$3,905 as of December 31, 2006).

The amount recognized as liability is limited to the established legal rules.

15 Income and Social Contribution Taxes

The amounts reported as income and social contribution tax expenses in these financial statements are reconciled to the statutory rates as follows:

	2007	2006
Income before income and social contribution taxes and equity in results of affiliated companies	(15,339)	6,957
Federal income and social contribution taxes at statutory rates	5,215	(2,365)
Adjustments to effective tax rates		
Tax benefit on interest on own capital, net of tax expense on own capital received from affiliated and joint ventures	(4,862)	1,260
Permanent differences (nontaxable penalties, donations, equity in affiliates, tax incentives and other)	(3,898)	(204)
Constitution of valuation allowance on tax loss carryforward and temporary of differences	(4,853)	(2,832)
Other	(3,294)	(1,219)
Tax expense as per the statement of income	(11,692)	(5,360)

The major components of deferred income and social contribution tax accounts in the balance sheet are as follows:

	2007	2006
Current assets (liabilities)		
Tax loss carry forwards	11,471	961
Effect on taxes related to U.S. GAAP adjustments	(13,366)	170
Deductible temporary differences	1,059	500
Total	(836)	1,631
Long-term liabilities		
Tax loss carry forwards	24,455	24,148
Effect on taxes related to U.S. GAAP adjustments	(2,120)	(8,710)
Deductible temporary differences	2,443	2,575
Total	23,942	19,644
Valuation allowance:		
Beginning balance	(15,011)	(15,115)
Translation adjustments	(4,127)	2,936
Change in allowance	(4,853)	(2,832)
Ending balance	(23,991)	(15,011)
Total	(49)	4,633

	2007	2006
Current assets	12,530	1,631
Current liabilities	(13,366)	
Current liabilities, net	(836)	1,631
Non current assets	3,117	12,138
Long term liabilities	(2,330)	(9,136)
Non current assets, net	787	3,002
	(49)	4,633

16 Shareholders' Equity

(a) Capital stock

Authorized capital is represented by 770 million shares, R$ 1.00 par value, of which up to two thirds may be preferred shares. As of December 31, 2007 and 2006, shares issued and outstanding are comprised of 253,181 thousands of common shares and 23,552 thousands and 482,811 thousands of class A and class B nonvoting preferred shares, respectively. Class A and B preferred shares have the right to an additional profit distribution of 10% with respect to the one attributable to the common shares, and have priority for redemption of capital in the event of the Company's liquidation:

(b) Appropriated retained earnings

Brazilian law and the Company's bylaws require that certain appropriations be made from retained earnings to reserve accounts on an annual basis. The purpose and basis of appropriation to such reserves are described below:

Legal reserve

This reserve is set up by the appropriation of 5% of the statutory net income determined for each year, up to the limits established by corporate legislation.

Special dividends reserve

Five per cent of net income is appropriated annually to this reserve, in addition to the reversal of the prepaid dividend. The balance of this reserve may not exceed 20% of capital.

The purpose of this reserve is to ensure a regular flow of dividends and to permit prepayment of the statutory dividend each year, prior to the Shareholders' General Meeting, which approves the financial statements.

(c) Dividends Proposed and Interest on own capital

The Company's by-laws assure all stockholders an annual minimum dividend of 25% on net income, adjusted in accordance with corporate legislation (article 202 of Law No. 6404/76).

The Board of Directors has proposed to distribute dividends to the financial year 2007 in the total amount of US$ 23,424 (R$ 42,353), representing:

		Dividends per share		
Date	**Amount**	**Common**	**Preferred A**	**Preferred B**
August 23,2007	4,063	0.0050	0.0055	0.0055
December 10,2007	4,598	0.0057	0.0062	0.0062
December 31,2007	4,574	0.0056	0.0062	0.0062
December 31,2007	10,189	0.0119	0.0378	0.0130

The amounts paid were: R$ 1,590 (US$ 744) on April 24, 2007; R$ 8,102 (US$ 4,063) on August 31, 2007 and R$ 8,102 (US$ 4,598) on December 19, 2007.

The dividends proposed are computed as follows (amounts in thousand of R$):

Net income in accordance with BR GAAP	144,981
Capitalization of reserves	
Legal	(7,249)
Goodwill in the affiliated company Polietilenos União S.A.	16,774
Base amount for computation of dividends	154,506
Proposed amounts to be distributed as Dividends (equivalent to US$ 23,424)	42,353

The amounts of dividends and interest on own capital that exceed the mandatory minimum dividend in the amount of US$ 14,763 will be recorded upon approval by the shareholders.

17 Pension Plan

The Company is a sponsor of Itaú Previdência e Seguros S.A., a defined contribution plan. Benefits available as from the retirement age are calculated at the time of granting the retirement, in accordance with the accumulated fund existing at that time.

The Company's contribution for the year ended December 31, 2007 aggregated US$423 (US$554 in 2006).

The pension fund balance on cumulative other comprehensive income reflects the Company's proportional share of a superavit accrued defined benefit pension plan, net of tax effects, of certain equity investees.

18 Commitments and Guarantees

The Company guarantees debt obligations under agreements with Petroflex Indústria e Comércio S.A., União Terminais e Armazéns Gerais Ltda., Unipar Comercial e Distribuidora S.A., Polietilenos União S.A. and Rio Polímeros S.A., certain affiliated company. At December 31, 2007, these guarantees totaled approximately R$380.865, equivalent to US$215,020. The balance of the amount is principally comprised of loan guarantees. These guarantees would require payment of Unipar - União de Indústrias Petroquímicas S.A. only in the event of default on payment by Petroflex Indústria e Comércio S.A. Management believes to be remote that material payments will be required under these guarantees.

19 Other Cumulative Comprehensive Income (Loss)

Comprehensive income is comprised as follows:

	2007	2006
Net income	104,241	47,217
Cumulative translation adjustments	117,658	41,127
Pension fund	15,441	10,449
Total comprehensive income	237,340	98,793

Tax effects on other comprehensive income allocated to pension fund are as follows:

	2007	2006
Gross amount	34,693	14,002
Tax expenses	(8,803)	(3,553)
Net balance as of the end of the year	25,890	10,449

20 Balances and Transaction with Related Parties

Related parties transactions resulted in the following balances:

						2007	2006
	Petroquímica União S.A.	Carbocloro S.A. Ind. Quim.	Polibutenos S.A. Ind. Quim.	Rio Polímeros S.A.	Other	Total	Total
Current assets:							
Trade accounts receivable	692	78		34	1,303	2,107	1,028
Interest on own capital	7,879		23		4,420	12,322	5,804
	8,571	78	23	34	5,723	14,429	6,832
Current liabilities:							
Trade accounts payable	60,603	176		1,376	15	62,170	13,434
Sales revenues	12,828	2,729	1			15,558	10,444
Cost of sales	628,566	5,829		19,254		653,649	470,040

21 Financial Instruments

The following criteria and assumptions were used in determining the fair value of financial instruments:

- Investments funds - such funds are recognized at quoted prices that represent the fair value of those investments.

- Loans and financing and other financial assets and liabilities - fair values of long-term loans and financing, including short-term portions, were calculated in accordance with the present value of these agreements at current market interest rates. The book values of other financial assets and liabilities approximate their fair values due to the short-term maturity if these items.

The Company and its subsidiaries did not operate with derivatives in the years ended December 31, 2007 and 2006.

22 Subsequent Events

(a) Changes in Brazilian Corporation Law for 2008

Law No. 11.638 was enacted on December 28, 2007, amending the Brazilian Corporation Law in relation to certain accounting practices, bookkeeping records and the preparation of financial statements, as from the year ending December 31, 2008.

In view of the extent and complexity of the alterations introduced by the new Law, management is analyzing its effects on the Company, while monitoring the discussions and debates on the matter, especially between the accounting profession and the regulators, which may provide guidance as to various aspects of the application of the Law.

(b) Disposal of Investment

On June 6, 2008, UNIPAR signed the "Quotas Purchase Agreement" with the company Terminal Químico de Aratu S.A. ("Tequimar"), for the disposal of the totality of quotas of its wholly-owned subsidiary União Terminais e Armazéns Gerais Ltda., by the amount of R$ 482,769. The conclusion of this operation is subject to the approval of the applicable regulatory body.

(c) Petrochemical Company

The company increased the capital of its subsidiary Fasciatus Participações S.A. in R$ 1,179,296, upon the transfer of the following assets:

(i) 27,478,451 common shares and 23,972,650 issued by Petroquímica União S.A., representing 54.96% of its voting capital and 51.35% of its total capital, amounting to R$ 389,041;

(ii) 48,224,494 common shares issued by POLIETILENOS UNIÃO S.A., representing 99.99% of its voting and total capital, amounting to R$ 319,334;

(iii) all the assets, rights and obligations relating to the operations of the Branch - Chemical Division of UNIPAR, amounting to R$ 90,921;

(iv) promissory note for R$ 380,000, falling due on December 31, 2008.

As a result of the transactions described above, on January 31, 2008, the capital of Fasciatus was increased to R$ 1,179,297 and the Company's ownership in the company increased, to 99.99%.

(d) Constitution of Quattor Participações S.A.

On June 11, 2008, the incorporation of Sociedade Petroquímica named Quattor Participações S.A. (Quattor), disclosed to the market through a Press Release the following operations:

(i) transfer by UNIPAR of its shares in the capital of Riopol to Fasciatus, emphasizing that the shares in the capital of PQU and Polietilenos União had already been transferred, in addition to the assets of the Chemical Division;

(ii) capital contribution by UNIPAR in Fasciatus amounting to R$ 380 million destined for the purchase of an additional share holding in Riopol;

(iii) acquisition by BNDESPar of additional share holding in Riopol;

(iv) transfer by Petroquisa of its share holding in PQU for Dapean Holding controlled by PETROBRAS and Petroquisa, which already held the control of Nova Petroquímica (previous Suzano Petroquímica);

(v) incorporation of Fasciatus by Dapean, constituting Quattor Participações, controlled by UNIPAR, with 60% of the voting capital, and by PETROBRAS/Petroquisa, holding the remaining 40% of the common capital;

(vi) realization of a meeting of the Board of Directors of Nova Petroquímica for the approval of the new Board of Directors and the change of the name of the company to Quattor Petroquímica S.A.

Also in June, 2008, soon after the incorporation of Quattor, a Public Offering of Shares (OPS) of Quattor Petroquímica was carried out. This operation was widely publicized in the market and it was liquidated on June 25, 2008. Therefore, Quattor Participações now holds 98.7% of the capital stock of Quattor Petroquímica.

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