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OFFERING MEMORANDUM

Braskem

US$275,000,000

Braskem S.A.

(Incorporated in the Federative Republic of Brazil)

8.00% Notes due 2017

The notes will bear interest at the rate of 8.00% per year. Interest on the notes is payable on January 26 and July 26 of each year, beginning on January 26, 2007. The notes will mature on January 26, 2017.

The notes may, at the option of Braskem, be redeemed, in whole but not in part, at 100% of their principal amount plus accrued interest and additional amounts, if any, upon the occurrence of specified events relating to Brazilian tax law, as set forth in this offering memorandum. See "Description of the Notes—Redemption."

The notes will be senior unsecured obligations of Braskem, ranking equal in right of payment with all of its other existing and future senior unsecured debt.

Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF Market of that Exchange. The notes are expected to be designated as eligible for trading in The PORTAL Market.

Investing in the notes involves risks. See "Risk Factors" beginning on page 13.

The notes have not been registered under the U.S. Securities Act of 1933, as amended, or the Securities Act, or any state securities laws. Accordingly, the notes are being offered and sold only to qualified institutional buyers in accordance with Rule 144A and outside the United States in accordance with Regulation S. Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfer of the notes, see "Notice to Investors."

The notes are not being offered to the public within the meaning of Directive 2003/71/EC of the European Union, and this offering is not subject to the obligation to publish a prospectus under that Directive.

Price 99.154% plus accrued interest, if any from September 26, 2006

The initial purchasers expect to deliver the notes to purchasers on or about September 26, 2006.

ABN AMRO **Citigroup**

September 19, 2006

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You should rely only on the information contained in this offering memorandum. We have not authorized anyone to provide you with different information. None of Braskem and the initial purchasers is making an offer of the notes in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front of this offering memorandum.

Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum to "Braskem," "our company," "we," "our," "ours," "us" or similar terms refer to Braskem S.A. and its consolidated subsidiaries and jointly controlled companies.

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the notes described in this offering memorandum. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire notes. Distribution of this offering memorandum to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any disclosure or any of its contents, without our prior written consent is prohibited. Each prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing and to make no photocopies of this offering memorandum or any documents referred to in this offering memorandum.

The initial purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers as to the past or future. We have furnished the information contained in this offering memorandum.

Neither the U.S. Securities and Exchange Commission, or the SEC, any state securities commission nor any other regulatory authority, has approved or disapproved the notes nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

The notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. See “Plan of Distribution” and “Notice to Investors.”

The notes have not been, and will not be, registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or CVM. The notes may not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or distribution under Brazilian laws and regulations.

The notes may not be offered or sold in or into the United Kingdom except in circumstances that do not constitute an offer to the public within the meaning of the Public Offers of Securities Regulations 1995. All applicable provisions of the Financial Services and Markets Act 2000 must be complied with in respect of anything done in relation to the notes in, from or otherwise involving the United Kingdom.

The Luxembourg Stock Exchange takes no responsibility for the contents of this offering memorandum, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering memorandum.

In making an investment decision, prospective investors must rely on their own examination of the company and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this offering memorandum, as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the notes under applicable legal investment or similar laws or regulations.

This offering memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to us or the initial purchasers.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATION OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

INCORPORATION BY REFERENCE

We are incorporating by reference into this offering memorandum the following information contained in our annual report on Form 20-F for the year ended December 31, 2005, or our 2005 Form 20-F, which we filed with the SEC on June 23, 2006:

- the information under the caption "Introduction" on pages 3 through 5 of our 2005 Form 20-F;
- the information contained in "Item 3: Key Information" on pages 7 through 21 of our 2005 Form 20-F;
- the information contained in "Item 4: Information on the Company" on pages 22 through 71 of our 2005 Form 20-F;
- the information contained in "Item 5: Operating and Financial Review and Prospects" on pages 72 through 116 of our 2005 Form 20-F;
- the information contained in "Item 6: Directors, Senior Management and Employees" on pages 116 through 128 of our 2005 Form 20-F;
- the information contained in "Item 7: Major Shareholders and Related Party Transactions" on pages 129 through 137 of our 2005 Form 20-F;
- the information contained in "Item 8: Financial Information—Legal Proceedings" on pages 137 through 143 of our 2005 Form 20-F;
- the information contained in "Item 11: Quantitative and Qualitative Disclosures About Market Risk" on pages 172 through 176 of our 2005 Form 20-F; and
- the consolidated financial statements of our company and Copesul—Companhia Petroquímica do Sul, or Copesul, including the reports thereon, contained on pages F-2 through F-128 in our 2005 Form 20-F.

Incorporation by reference of those portions of our 2005 Form 20-F means that (1) those portions of our 2005 Form 20-F that we incorporate by reference are considered part of this offering memorandum, and (2) we can disclose important information to you by referring to those portions of our 2005 Form 20-F that we incorporate by reference.

The information in those portions of our 2005 Form 20-F is an important part of this offering memorandum. Our 2005 Form 20-F contains important information about our company and our results of operations and financial condition.

Any statement contained in the portions of our 2005 Form 20-F that are incorporated by reference herein will be deemed to be modified or superseded for purposes of this offering memorandum to the extent that a statement contained herein modifies or supersedes that statement.

You should read "Available Information" for information on how to obtain our 2005 Form 20-F or other information relating to our company.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references herein to the *"real," "reais"* or "R$" are to the Brazilian *real,* the official currency of Brazil. All references to "U.S. dollars," "dollars" or "US$" are to U.S. dollars.

On September 18, 2006, the exchange rate for *reais* into U.S. dollars was R$2.145 to US$1.00, based on the selling rate as reported by the Central Bank of Brazil (*Banco Central do Brasil*), or the Central Bank. The selling rate was R$2.164 to US$1.00 at June 30, 2006, R$2.341 to US$1.00 at December 31, 2005, and R$2.350 to US$1.00 at June 30, 2005, and the commercial selling rate was R$2.654 to US$1.00 at December 31, 2004 and R$2.889 to US$1.00 at December 31, 2003, in each case, as reported by the Central Bank. The *real*/U.S. dollar exchange rate fluctuates widely, and the selling rate at September 18, 2006 may not be indicative of future exchange rates. See "Exchange Rates" for information regarding exchange rates for the Brazilian currency since January 1, 2000.

Solely for the convenience of the reader, we have translated some amounts included in "Summary—Summary Financial and Other Information," "Capitalization" and elsewhere in this offering memorandum from *reais* into U.S. dollars using the selling rate as reported by the Central Bank at June 30, 2006 of R$2.164 to US$1.00. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate. Such translations should not be construed as representations that the *real* amounts represent or have been or could be converted into U.S. dollars as of that or any other date.

Financial Statements

We maintain our books and records in *reais*.

Our unaudited condensed consolidated interim financial information at June 30, 2006 and for the six months ended June 30, 2006 and 2005 are included in this offering memorandum.

We prepare our consolidated financial statements in accordance with accounting practices adopted in Brazil, or Brazilian GAAP, which are based on:

- Brazilian Law No. 6,404/76, as amended by Brazilian Law No. 9,457/97 and Brazilian Law No. 10,303/01, which we refer to collectively as the Brazilian Corporation Law;
- the rules and regulations of the CVM; and
- the accounting standards issued by the Brazilian Institute of Independent Accountants (*Instituto dos Auditores Independentes do Brasil—IBRACON*).

Brazilian GAAP differs in certain respects from accounting principles generally accepted in the United States, or U.S. GAAP. For a discussion of certain differences relating to these financial statements, see note 31 to our audited consolidated financial statements included in our 2005 Form 20-F and note 27 to our unaudited condensed consolidated interim financial information included in this offering memorandum.

Consistent with Brazilian GAAP, our unaudited condensed consolidated interim financial information at June 30, 2006 and for the six months ended June 30, 2006 and 2005 have been prepared in accordance with CVM Instruction No. 247/96, as amended by CVM Instruction Nos. 269/97, 285/98 and 319/99, which we refer to collectively as Instruction 247. Instruction 247 requires our company to proportionally consolidate jointly controlled companies that are not our subsidiaries, but which we jointly control with one or more other shareholders.

Prior to April 6, 2006 (the date of the Politeno acquisition described under "Recent Developments"), we proportionally consolidated the results of Politeno Indústria e Comércio S.A., or Politeno, in our consolidated financial statements. As a result of the Politeno acquisition, we have fully consolidated Politeno's results of operations and cash flows in our consolidated statement of operations and cash flow accounts for the period beginning on April 6, 2006 and have fully consolidated Politeno's assets and liabilities in our consolidated balance sheet at June 30, 2006.

Market Share and Other Information

We make statements in this offering memorandum about our market share in the petrochemical industry in Brazil and our production capacity relative to that of other petrochemical producers in Brazil and Latin America. We have made these statements on the basis of information obtained from third-party sources that we believe are reliable. We have calculated our Brazilian market shares with respect to specific products by dividing our domestic net sales volumes of these products by the total Brazilian domestic consumption of these products as estimated by the Brazilian Association of Chemical Industry and Derivative Products (*Associação Brasileira de Indústrias Químicas e de Produtos Derivados*). We derive information regarding the production capacity of other companies in the Brazilian petrochemical industry and the estimated total Brazilian domestic consumption of petrochemical products principally from reports published by the Brazilian Association of Chemical Industry and Derivative Products. Although we have no reason to believe that any of this information is inaccurate in any material respect, neither we nor the initial purchasers have independently verified the production capacity, market share, market size or similar data provided by third parties or derived from industry or general publications.

Production Capacity and Sales Volume

As used in this offering memorandum:

- "production capacity" means the annual projected capacity for a particular facility, calculated based upon operations for 24 hours each day of a year and deducting scheduled downtime for regular maintenance; and
- "ton" means a metric ton, which is equal to 1,000 kilograms or 2,204.62 pounds.

Rounding

We have made rounding adjustments to reach some of the figures included in this offering memorandum. As a result, numerical figures shown as totals in some tables may not be arithmetic aggregations of the figures that precede them.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements. Some of the matters discussed concerning our business operations and financial performance include forward-looking statements within the meaning of the Securities Act or the U.S. Securities Exchange Act of 1934, or the Exchange Act.

Statements that are predictive in nature, that depend upon or refer to future events or conditions or that include words such as "expects," "anticipates," "intends," "plans," "believes," "estimates" and similar expressions are forward-looking statements. Although we believe that these forward-looking statements are based upon reasonable assumptions, these statements are subject to several risks and uncertainties and are made in light of information currently available to us.

Our forward-looking statements may be influenced by factors, including the following:

- general economic, political and business conditions in our company's markets, both in Brazil and abroad, including demand and prices for petrochemical products;
- interest rate fluctuations, inflation and exchange rate movements of the *real* in relation to the U.S. dollar;
- the cyclical nature of the Brazilian and global petrochemical industries;
- competition;
- prices of naphtha and other raw materials;
- actions taken by our major shareholders and other shareholders with options or convertible securities entitling them to acquire significant numbers of our shares;
- our ability to obtain financing on satisfactory terms;
- changes in laws and regulations, including, among others, those affecting tax and environmental matters;
- decisions rendered in pending major tax, labor and other legal proceedings; and
- other factors identified or discussed under "Risk Factors."

Our forward-looking statements are not guarantees of future performance, and our actual results or other developments may differ materially from the expectations expressed in the forward-looking statements. As for forward-looking statements that relate to future financial results and other projections, actual results will be different due to the inherent uncertainty of estimates, forecasts and projections. Because of these uncertainties, potential investors should not rely on these forward-looking statements.

We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

SUMMARY

This summary highlights information presented in greater detail elsewhere in this offering memorandum. This summary is not complete and does not contain all the information you should consider before investing in the notes. You should carefully read this entire offering memorandum before investing, including "Risk Factors" and our condensed consolidated interim financial information, and our consolidated financial statements included in our 2005 Form 20-F. See "Introduction" included in our 2005 Form 20-F and "Presentation of Financial and Other Information" for information regarding our consolidated financial statements, exchange rates, definitions of technical terms and other introductory matters.

Braskem

We are the leading petrochemical company in Latin America, based on average annual production capacity in 2005. We are also the second largest Brazilian-owned private sector industrial company, based on net sales revenue in 2005. We recorded net income of R$625.8 million in 2005 on net sales revenue of R$13,075.1 million. We produce a diversified portfolio of petrochemical products in our 14 plants in Brazil and have a strategic focus on polyethylene, polypropylene and polyvinylchloride, or PVC. We were the first Brazilian company with integrated first and second generation petrochemical production facilities.

We have grown over the past five years primarily as the result of the integration of the operations of six Brazilian petrochemical companies: our company, which was formerly named Copene Petroquímica do Nordeste S.A.; OPP Química S.A., or OPP Química; Polialden Petroquímica S.A., or Polialden; Trikem S.A., or Trikem; Proppet S.A., or Proppet; and Nitrocarbono S.A., or Nitrocarbono. We have merged with all of these companies.

Our business operations are organized into four business units, which correspond to our principal production processes and products:

- Basic Petrochemicals, which accounted for R$7,226.7 million, or 53.5%, of the net sales revenue of all segments, including net sales to our other business units, and had an operating margin of 12.4% in 2005;
- Polyolefins, which accounted for R$3,919.0 million, or 29.0%, of the net sales revenue of all segments and had an operating margin of 14.1% in 2005;
- Vinyls, which accounted for R$1,794.1 million, or 13.3%, of the net sales revenue of all segments and had an operating margin of 24.5% in 2005; and
- Business Development, which accounted for R$569.0 million, or 4.2%, of the net sales revenue of all segments and had an operating margin of 1.2% in 2005.

We believe the integration of the operations of the companies that formed our company has produced, and will continue to produce, significant synergies and cost savings from reductions in taxes, procurement and logistics expenses, general and administrative expenses and other operating expenses.

Basic Petrochemicals Unit

At December 31, 2005, our Basic Petrochemicals facilities had one of the largest average annual production capacities of all first generation producers in Latin America. Our Basic Petrochemicals Unit produces a broad range of basic petrochemicals, including:

- olefins, such as ethylene, polymer and chemical grade propylene, butadiene, isoprene and butene-1; and
- aromatics, such as benzene, toluene, para-xylene and ortho-xylene.

The products of our Basic Petrochemicals Unit are used primarily in the manufacture of second generation petrochemical products, including those manufactured by our other business units.

The operations of our Basic Petrochemicals Unit are conducted at facilities located in the petrochemical complex located in Camaçari in the State of Bahia, which we refer to as the Northeastern Complex.

Polyolefins Unit

At December 31, 2005, our polyolefins production facilities had the largest average annual production capacity of all second generation producers of polyolefins products in Brazil and elsewhere in Latin America. Our Polyolefins Unit produces:

- polyethylene, including low density polyethylene, or LDPE; linear low density polyethylene, or LLDPE; high density polyethylene, or HDPE; and ultra high molecular weight polyethylene, or UHMWP; and
- polypropylene.

Approximately three-fifths of our Polyolefins Unit's sales volume in 2005 was derived from the sale of polyethylene products, and the remainder was derived from the sale of polypropylene products.

In 2005, we had an approximate 30% share of the Brazilian polyethylene market and an approximate 42% share of the Brazilian polypropylene market, based on sales volumes.

We manufacture a broad range of polyolefins products for use in consumer and industrial applications, including plastic films for food and industrial packaging; bottles, shopping bags and other consumer goods containers; automotive parts; and household appliances.

Our polyolefins products are manufactured in facilities located in the Northeastern Complex and in the petrochemical complex located in Triunfo in the State of Rio Grande do Sul, which we refer to as the Southern Complex.

Vinyls Unit

We are the leading producer of PVC in Brazil, based on sales volumes in 2005. At December 31, 2005, our PVC production facilities had the largest average annual production capacity of all second generation producers of PVC in Latin America.

Our Vinyls Unit is the only vertically integrated producer of PVC in Brazil. Our PVC production is integrated through our production of chlorine and other raw materials. Our Vinyls Unit also manufactures caustic soda, which is used by producers of aluminum and paper; ethylene dichloride, or EDC; and chlorine, which we use to manufacture EDC. Approximately two-thirds of our Vinyls Unit's net sales revenue in 2005 was derived from the sale of PVC products.

In 2005, we had an approximate 55% share of the Brazilian PVC market, based on sales volumes.

PVC is a versatile polymer, and global production volume of PVC is the second highest among all commercial plastics. We manufacture a broad range of PVC resins used in the manufacture of pipes and fittings, laminated products, shoes, sheeting, flooring, cable insulation, electrical conduit, packaging and medical applications.

Our vinyls products are manufactured in facilities located in the States of Bahia, Alagoas and São Paulo.

Business Development Unit

The principal products of our Business Development Unit are polyethylene teraphthalate, or PET, and caprolactam. PET is used in manufacturing packaging for soft drinks, medications, cleaning products, mineral water and food products, while caprolactam is used in manufacturing Nylon-6 textile thread, which, in turn, is used in manufacturing carpets, engineering plastics, automotive parts, sporting goods, films and packaging. Our Business Development Unit also manages certain of our equity investments.

In 2005, 37.1% of our Business Development Unit's net sales revenue was derived from the sale of PET, and 48.2% was derived from the sale of caprolactam. Our Business Development Unit conducts its manufacturing operations in two plants located in the Northeastern Complex.

Jointly Controlled Companies

We own 29.5% of the voting and total share capital of Copesul, a first generation producer based in the Southern Complex. Copesul is the second largest first generation producer in Brazil, with an annual ethylene production capacity of 1,135,000 tons and an annual propylene production capacity of 581,000 tons. In 2005, Copesul's net income on a consolidated basis was R$566.0 million and net sales revenue was R$5,552.6 million, as adjusted to conform to our accounting policies. We are required, under Brazilian GAAP, to account for our interests in Copesul in our consolidated financial statements using the proportional consolidation method.

We own 20.1% of the total and voting share capital of Petroflex—Petroflex Indústria e Comércio S.A., or Petroflex. Petroflex is a second generation petrochemical producer operating three plants in Brazil located in Duque de Caxias, the State of Rio de Janeiro; Cabo, the State of Pernambuco; and Triunfo, the State of Rio Grande do Sul. Petroflex has an annual production capacity of 410,000 tons of elastomers. In 2005, Petroflex's net income was R$88.3 million and net sales revenue was R$1,373.2 million, as adjusted to conform to our accounting policies. We are required, under Brazilian GAAP, to account for our interests in Petroflex in our consolidated financial statements using the proportional consolidation method.

Strategy and Challenges

Our vision is to strengthen our position as a world-class petrochemical company. We seek to reinforce our leading position in the Latin American petrochemical market, with a strategic focus on polyethylene, polypropylene and PVC and integration with our production of ethylene and propylene. Our business model focuses on enhancing shareholder value, with strategic drivers consisting of market leadership, cost competitiveness and technological autonomy.

We were the first Brazilian company to integrate first and second generation petrochemical production facilities. Our competitive advantages are derived from our leadership position in the Latin American market and our favorable cost structure, resulting from our production scale and synergies realized from the integration process that formed our company.

The key elements of our strategy include:

- *Focus on customer relationships*—we seek to establish close, long-term relationships with our customers, which foster customer loyalty during periods of lower demand.
- *Pursuit of selected business opportunities*—we are pursuing business opportunities by developing new and specialized products.

- *Expansion of our production capacity*—we plan to expand our production capacity through efficiency enhancements, by modernizing our production technology and through the construction of new facilities alone or in conjunction with third parties.
- *Continued reductions in operating costs and increases in operating efficiencies*—we have ongoing programs to increase operating efficiencies and to reduce operating costs.
- *Commitment to our employees and communities*—we are focused on our human resources, which are vital to our competitiveness and growth, and we are also committed to the environment and to improving the quality of life in the communities in which our facilities are located.

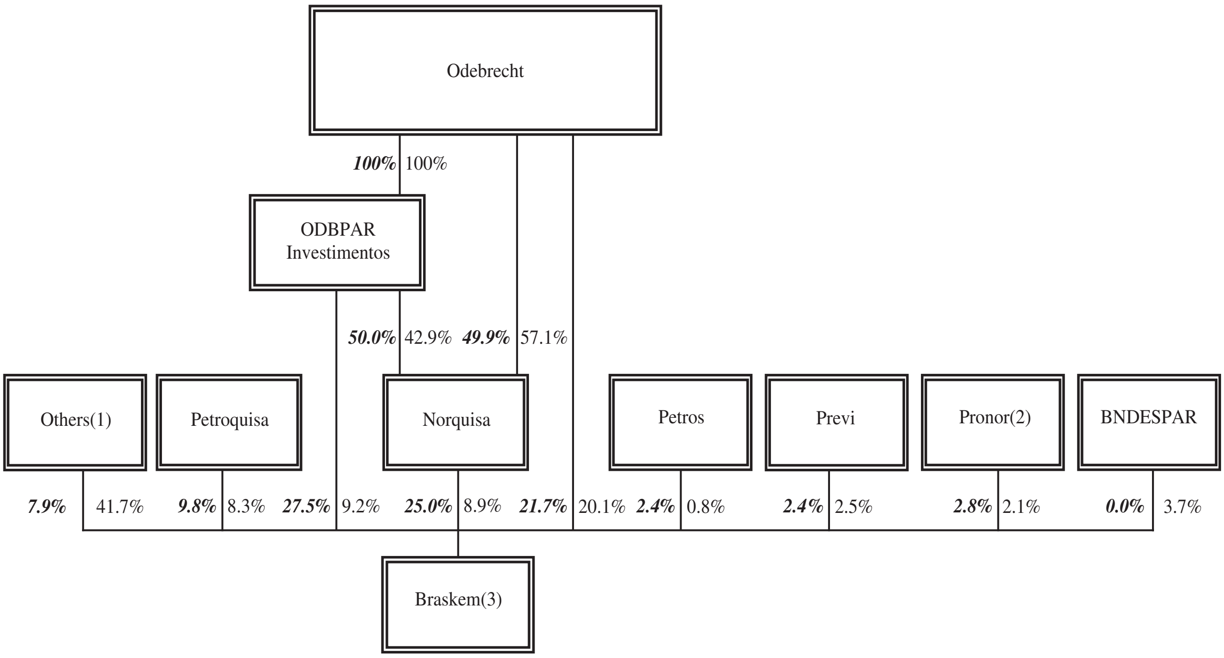
We face numerous challenges and risks in operating our business and executing our strategy, many of which are outside our control. Because approximately 70% of our consolidated cost of sales and services rendered is related to purchases of naphtha, increases in the Amsterdam-Rotterdam-Antwerp market price of naphtha result in increases in the costs of our products, and we may not be able to recover all of these higher costs through increases in our prices. In addition, our business is subject to risks that may arise from, among other factors, the cyclical nature of our industry, currency fluctuations, debt service requirements on our existing indebtedness, and decisions rendered in pending legal proceedings against us. For a more complete description of these risks and other risks relating to Brazil, our industry, our company, the notes and this offering, see "Risk Factors."

Principal Shareholders

Our controlling shareholder is the Odebrecht Group, which is one of the 10 largest Brazilian-owned private sector conglomerates based on gross sales revenue in 2004 (the most recent year for which comparative information is currently available). The Odebrecht Group also controls Construtora Norberto Odebrecht S.A., one of the largest heavy construction and engineering companies in Latin America. The Odebrecht Group, through Odebrecht S.A., or Odebrecht, its wholly-owned subsidiary, ODBPAR Investimentos S.A., or ODBPAR Investments, their subsidiary, Nordeste Química S.A.—Norquisa, or Norquisa, and our subsidiaries, Politeno and Braskem Participações S.A., own 39.0% of our total share capital, including 74.6% of our voting share capital.

The Odebrecht Group is a party to memoranda of understanding relating to, among other things, the voting and transfer of our shares, with (1) Petrobras Química S.A., or Petroquisa, a subsidiary of Petróleo Brasileiro S.A.—Petrobras, or Petrobras, which is Brazil's national oil company, (2) the pension fund of Banco do Brasil (*Caixa de Previdência dos Funcionários do Banco do Brasil*), or Previ, and the pension fund of Petrobras (*Fundação Petrobras de Seguridade Social Petros*), or Petros, and (3) Petroquímica da Bahia S.A., or Petroquímica da Bahia, the controlling shareholder of Pronor Petroquímica S.A., or Pronor, which together with their affiliates form a group of companies controlled by the Mariani family, or the Mariani Group.

The following chart presents our current ownership structure, identifying the ownership interests of our principal shareholders as of September 18, 2006. The percentages in bold italics represent the percentage of the voting share capital owned directly by each principal shareholder, and the percentages not in bold italics represent the percentage of the total share capital owned by each principal shareholder.



(1) Includes common shares listed on the São Paulo Stock Exchange, class A preferred shares listed on the São Paulo Stock Exchange, class A preferred shares listed on the New York Stock Exchange in the form of American Depositary Shares, class A preferred shares listed on LATIBEX, and class B preferred shares listed on the São Paulo Stock Exchange.

(2) Pronor is controlled by Petroquímica da Bahia.

(3) Our subsidiary Braskem Participações S.A. owns 0.2% of our total share capital, including 0.5% of our voting share capital, and our subsidiary Politeno owns 0.6% of our total share capital. In addition, we hold 1.9% of our total share capital in treasury.

Our registered office is at Rua Eteno, 1561, Camaçari, Bahia, CEP 42810-000, Brazil, and our telephone number at this address is 55-71-632-5102. Our principal executive office is at Avenida das Nações Unidas, 4777, São Paulo, SP, CEP 05477-000, Brazil, and our telephone number at this address is 55-11-3443-9999.

Summary of Terms and Conditions

This summary highlights information presented in greater detail elsewhere in this offering memorandum. This summary is not complete and does not contain all the information you should consider before investing in the notes. You should carefully read this entire offering memorandum before investing in the notes, including "Risk Factors" and our consolidated financial statements.

Issuer	Braskem S.A.
Notes offered	US$275,000,000 aggregate principal amount of 8.00% Notes due 2017.
Issue price	99.154%
Maturity date	January 26, 2017.
Interest payment dates	January 26 and July 26, commencing on January 26, 2007.
Interest	The notes will bear interest from September 26, 2006 at the annual rate of 8.00%, payable semi-annually in arrears on each interest payment date.
Ranking	The notes will be senior unsecured obligations of Braskem ranking: • equal in right of payment to other existing and future senior unsecured debt of Braskem; • senior in right of payment to Braskem's subordinated debt; and • effectively subordinated to debt and other liabilities (including subordinated debt and trade payables) of Braskem's subsidiaries and to secured debt of Braskem to the extent of such security.
Tax redemption	We may redeem the notes, in whole but not in part, at 100% of their principal amount plus accrued interest and additional amounts, if any, upon the occurrence of specified events relating to Brazilian tax law. See "Description of the Notes—Redemption."
Additional amounts	Payments of interest on the notes will be made after withholding and deduction for any Brazilian taxes as set forth under "Taxation." Braskem will pay such additional amounts as will result in receipt by the holders of notes of such amounts as would have been received by them had no such withholding or deduction for Brazilian taxes been required, subject to certain exceptions set forth under "Description of the Notes—Additional Amounts."
Covenants	The indenture will limit the creation of liens by Braskem and its subsidiaries, will impose certain requirements with respect to transactions with affiliates and will permit Braskem to consolidate or merge with, or transfer all or substantially all of its assets to, another person only if it complies with certain requirements. However, these covenants are subject to a number of important exceptions. See "Description of the Notes—Covenants."

Events of default	The indenture will set forth the events of default applicable to the notes, including an event of default triggered by cross-acceleration of other debt in an amount of US$30 million or more.
Further issuances	We may from time to time without notice to or consent of the holders of the notes create and issue an unlimited principal amount of additional notes of the same series as the notes initially issued in this offering.
Use of proceeds	We expect the net proceeds to our company from the sale of the notes to be approximately US$270.7 million after deducting the fees and expenses of the offering. We intend to use the net proceeds of this offering to purchase any and all of our outstanding 12.50% Notes due 2008 that are validly tendered in a cash tender offer that we are conducting concurrently with this offering, to pay the expenses of the tender offer and this offering, and for general corporate purposes.
Form and denomination	The notes will be issued in the form of global notes in fully registered form without interest coupons, as described under "Form of the Notes." The global notes will be exchangeable or transferable, as the case may be, for definitive certificated notes in fully registered form without interest coupons only in limited circumstances. The notes will be issued in registered form in denominations of US$100,000 and integral multiples of US$1,000 in excess thereof. See "Description of the Notes—Form, Denomination and Title" and "Form of the Notes."
Settlement	The notes will be delivered in book-entry form through the facilities of The Depository Trust Company, or DTC, for the accounts of its participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, or Euroclear, and Clearstream Banking, S.A. Luxembourg, or Clearstream Luxembourg, and will trade in DTC's Same-Day Funds Settlement System.
Notice to investors	The notes have not been registered under the Securities Act and are subject to limitations on transfers, as described under "Notice to Investors."
Listing of the notes	Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF Market of that Exchange. We cannot assure you, however, that this application will be accepted. If the listing of the notes on the Luxembourg Stock Exchange would, in the future, require us to publish financial information either more regularly than we otherwise would be required to, or according to accounting principles which are materially different from the accounting principles which we would otherwise use to prepare our published financial information, we may seek an alternative admission to listing, trading and/or quotation for the notes by another listing authority, stock exchange and/or quotation system.

	We expect that the notes will be designated as eligible for trading in The PORTAL Market.
Governing law	The indenture and the notes will be governed by, and construed in accordance with, the laws of the State of New York.
Trustee, registrar and transfer agent	JPMorgan Chase Bank, N.A.
Principal paying agent	J.P. Morgan Trust Bank Ltd.
Luxembourg paying agent and transfer agent	J.P. Morgan Bank Luxembourg S.A.
Luxembourg listing agent	J.P. Morgan Bank Luxembourg S.A.

Summary Financial and Other Information

The following summary financial data have been derived from our consolidated and combined financial statements.

The summary financial data at December 31, 2005 and 2004 and for the three years ended December 31, 2005 have been derived from our consolidated financial statements included in our 2005 Form 20-F. The summary financial data at December 31, 2003, 2002 and 2001 and for the years ended December 31, 2002 and 2001 has been derived from our audited consolidated and combined financial statements that are not included, or incorporated by reference, in this offering memorandum.

The summary financial data at June 30, 2006 and for the six months ended June 30, 2006 and 2005 have been derived from our unaudited condensed consolidated interim financial information included in this offering memorandum, which include, in the opinion of our management, all adjustments necessary to present fairly our results of operations and financial condition at the dates and for the periods presented. The results for the six months ended June 30, 2006 are not necessarily indicative of the results to be expected for the entire year ending December 31, 2006.

Our consolidated and combined financial statements are prepared in accordance with Brazilian GAAP, which differs in certain respects from U.S. GAAP. For a discussion of certain differences relating to these financial statements, see note 31 to our audited consolidated financial statements included in our 2005 Form 20-F and note 27 to our unaudited condensed consolidated interim financial information included in this offering memorandum.

This financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," our unaudited condensed consolidated interim financial information in this offering memorandum, our audited consolidated financial statements at December 31, 2005 and 2004 and for the three years ended December 31, 2005 included in our 2005 Form 20-F, and "Item 5: Operating and Financial Review and Prospects" and "Item 11: Quantitative and Qualitative Disclosures about Market Risk" included in our 2005 Form 20-F.

	At and for the Six Months Ended June 30,			At and for the Year Ended December 31,			
	2006[1]	2006	2005	2005[1]	2005	2004	2003[2]
	(in millions of US$, except financial ratios)	(in millions of *reais*, except financial ratios)		(in millions of US$, except financial ratios)	(in millions of *reais*, except financial ratios)		
Statement of Operations Data:							
Net sales revenue	US$ 2,858.5	R$ 6,185.7	R$ 6,722.3	US$ 6,042.1	R$ 13,075.1	R$12,389.5	R$10,300.2
Cost of sales and services rendered	(2,468.3)	(5,341.4)	(5,075.0)	(4,788.2)	(10,361.7)	(9,223.0)	(8,224.6)
Gross profit	390.2	844.3	1,647.3	1,253.9	2,713.4	3,166.5	2,075.6
Selling, general and administrative expenses	(195.5)	(423.0)	(407.4)	(363.7)	(787.1)	(677.0)	(488.4)
Investment in associated companies, net[3]	5.6	12.2	(43.5)	(50.7)	(109.8)	(107.6)	(170.5)
Depreciation and amortization	(85.6)	(185.3)	(198.2)	(164.3)	(355.6)	(359.7)	(193.5)
Financial expenses	(183.7)	(397.6)	0.6	(312.3)	(675.8)	(1,307.2)	(720.8)
Financial income	22.0	47.6	(125.0)	(15.5)	(33.6)	68.6	9.2
Zero-rated IPI credit	—	—	—	—	—	—	—
Other operating income, net	55.0	119.1	17.6	10.5	22.8	43.0	55.5
Operating income	8.0	17.3	891.4	357.9	774.3	826.6	567.1
Non-operating expenses, net	0.7	1.5	(16.4)	(11.6)	(25.2)	(29.8)	(4.5)
Income before income tax and social contribution (current and deferred) and minority interest	8.7	18.8	875.0	346.3	749.1	796.8	562.6
Income tax and social contribution (current and deferred)	23.2	50.1	(240.6)	(82.0)	(177.4)	(85.1)	(121.3)
Income before minority interest	31.9	68.9	634.4	264.3	571.7	711.7	441.3
Minority interest	(0.3)	(0.7)	(0.6)	25.0	54.1	(24.6)	(226.2)
Net income	US$ 31.6	R$ 68.2	R$ 633.8	US$ 289.3	R$ 625.8	R$ 687.1	R$ 215.1

(footnotes on following pages)

	At and for the Six Months Ended June 30,			At and for the Year Ended December 31,			
	2006[1]	2006	2005	2005[1]	2005	2004	2003[2]
	(in millions of US$, except financial ratios)	(in millions of *reais*, except financial ratios)		(in millions of US$, except financial ratios)	(in millions of *reais*, except financial ratios)		
Balance Sheet Data:							
Cash, cash equivalents and other investments	US$ 675.4	R$ 1,461.5		US$1,054.3	R$ 2,281.5	R$ 1,815.6	R$ 1,221.2
Short-term trade accounts receivable	810.2	1,753.3		690.1	1,493.3	1,630.6	1,241.0
Short-term inventories	799.5	1,730.2		724.4	1,567.5	1,562.4	1,092.3
Property, plant and equipment, net	2,987.3	6,464.5		2,941.6	6,365.6	5,457.6	5,090.9
Total assets	7,190.9	15,561.2		7,204.6	15,590.8	15,050.4	14,005.6
Short-term loans and financing (including current portion of long-term debt)[4]	547.0	1,183.7		517.7	1,120.4	1,808.3	2,764.1
Short-term debentures	3.6	7.8		4.3	9.3	5.0	353.4
Short-term related party debt	0.8	1.7		1.4	3.1	—	5.5
Long-term loans and financing[4]	1,593.9	3,449.1		1,507.2	3,261.6	3,261.4	3,628.2
Long-term debentures	784.8	1,698.2		739.0	1,599.3	1,167.9	1,143.0
Long-term related party debt	2.0	4.4		1.4	3.0	115.8	177.6
Minority interest	9.9	21.4		56.0	121.2	203.1	554.4
Share capital	1,621.2	3,508.3		1,572.6	3,403.0	3,403.0	1,887.4
Shareholders' equity	2,081.4	4,504.2		2,096.0	4,535.8	4,183.7	2,112.6
Other Financial Information:							
Cash Flow Data:							
Net cash provided by (used in):							
Operating activities	US$ (119.0)	R$ (257.6)	R$ 905.3	US$ 794.5	R$ 1,719.4	R$ 1,916.0	R$ 596.9
Investing activities	(300.8)	(650.9)	(349.8)	(484.3)	(1,048.0)	(1,014.4)	(469.4)
Financing activities	(7.4)	(16.0)	(20.6)	(152.4)	(329.7)	166.0	379.1
Other Information:							
Capital expenditures:							
Property, plant and equipment	US$ 177.6	R$ 384.3	R$ 248.4	US$ 360.8	R$ 780.7	R$ 442.2	R$ 223.7
Investments in other companies	109.3	236.6	15.8	15.7	34.0	23.6	71.7
Net debt[5]	2,128.5	4,606.1	2,893.9	1,573.2	3,404.4	4,155.2	6,289.7
EBITDA[5]	758.8	1,642.0	2,870.4	1,049.9	2,271.9	2,691.3	1,808.4
Net debt to EBITDA ratio[5]	2.8x	2.8x	1.0x	1.5x	1.5x	1.5x	3.5x

(footnotes on following pages)

	At and for the Six Months Ended June 30,		At and for the Year Ended December 31,		
	2006	2005	2005	2004	2003
Operating Data(6):					
Ethylene:					
Domestic sales volume (in thousands of tons)	555.5	588.0	1,169.8	1,098.9	1,047.3
Average domestic price per ton (in R$)	2,171	2,360	2,204	2,095	1,655
Propylene:					
Domestic sales volume (in thousands of tons)	209.1	229.8	497.5	446.8	403.4
Average domestic price per ton (in R$)	2,000	2,201	2,132	1,833	1,477
Polyethylene:					
Domestic sales volume (in thousands of tons)	286.2	236.5	502.3	498.7	446.1
Average domestic price per ton (in R$)	3,006	3,230	3,072	2,987	2,567
Polypropylene:					
Domestic sales volume (in thousands of tons)	228.2	206.2	419.9	418.5	374.9
Average domestic price per ton (in R$)	3,156	3,534	3,344	3,155	2,689
PVC:					
Domestic sales volume (in thousands of tons)	194.3	175.2	378.9	394.4	342.4
Average domestic price per ton (in R$)	2,434	3,120	2,747	3,042	2,390
Number of employees (at period end)	3,252	3,146	3,262	2,996	2,868

(1) Translated for convenience only using the selling rate as reported by the Central Bank at June 30, 2006 for *reais* into U.S. dollars of R$2.164=US$1.00.

(2) Does not give effect to reclassification of Codeverde. See "Introduction—Financial Statements" included in our 2005 Form 20-F.

(3) Investment in associated companies, net comprises equity in the results, amortization of goodwill, net, foreign exchange variation and tax incentives and other.

(4) Includes quotas (i.e., shares) subject to mandatory redemption. Prior to January 1, 2006, we recorded quotas subject to mandatory redemption as a separate line item of our balance sheet and not as part of loans and financing. Pursuant to CVM Release 01/2006, we now present liabilities related to quotas subject to mandatory redemption as part of loans and financing. Accordingly, short-term loans and financing (including current portion of long-term debt) at December 31, 2005 and 2004 reflect the reclassification of quotas subject to mandatory redemption in the amount of R$225.4 million and R$22.4 million, respectively, and long-term loans and financing at December 31, 2005 and 2004 reflect the reclassification of quotas subject to mandatory redemption in the amount of R$404.1 million and R$201.8 million, respectively.

(5) The indenture governing the notes will not have any financial covenants. See "Description of the Notes—Covenants." However, notes issued under our MTN program are subject to a covenant that prohibits us and our subsidiaries from issuing debt (subject to certain exceptions) directly or indirectly unless our pro forma net debt to EBITDA ratio is less than 4.5 to 1.0. For more information on the definitions of terms used to calculate this ratio and a reconciliation of EBITDA to our statement of cash flows (for purposes of our medium-term notes, or MTN, program), see footnote (7) to the table presented in "Selected Financial and Other Information."

(6) Including intra-company sales within Braskem. Intra-company sales of ethylene totaled approximately 357,000 tons in the six months ended June 30, 2006, 295,000 tons in the six months ended June 30, 2005, 588,700 tons in 2005, 537,100 tons in 2004 and 488,300 tons in 2003. Intracompany sales of propylene totaled approximately 42,000 tons in the six months ended June 30, 2006, 37,000 tons in the six months ended June 30, 2005, 89,300 tons in 2005, 31,300 tons in 2004 and 4,300 tons in 2003.

RISK FACTORS

Prospective purchasers of notes should carefully consider the risks described below, as well as the other information in this offering memorandum, before deciding to purchase any notes. Our business, results of operations, financial condition or prospects could be negatively affected if any of these risks occurs, and as a result, the trading price of the notes could decline and you could lose all or part of your investment.

Risks Relating to Brazil

Brazilian political and economic conditions, and the Brazilian government's economic and other policies, may negatively affect demand for our products as well as our net sales revenue and overall financial performance.

The Brazilian economy has been characterized by frequent and occasionally extensive intervention by the Brazilian government and unstable economic cycles. The Brazilian government has often changed monetary, taxation, credit, tariff and other policies to influence the course of Brazil's economy. The Brazilian government's actions to control inflation and implement other policies have at times involved wage and price controls, blocking access to bank accounts, imposing capital controls and limiting imports into Brazil.

Our results of operations and financial condition may be adversely affected by factors such as:

- fluctuations in exchange rates;
- exchange control policies;
- interest rates;
- inflation;
- tax policies;
- expansion or contraction of the Brazilian economy, as measured by rates of growth in gross domestic product, or GDP;
- liquidity of domestic capital and lending markets; and
- other political, diplomatic, social and economic developments in or affecting Brazil.

A presidential election will be held in Brazil in October 2006. The President of Brazil has considerable power to determine governmental policies and actions that relate to the Brazilian economy and, consequently, affect the operations and financial performance of businesses, such as our company. The run-up to the presidential election may result in changes in existing governmental policies, and the post-election administration—even if President Luiz Inácio Lula da Silva is reelected—may seek to implement new policies. We cannot predict what policies will be adopted by the Brazilian government and whether these policies will negatively affect the economy or our business or financial performance.

The Brazilian government's actions to combat inflation may contribute significantly to economic uncertainty in Brazil and reduce demand for our products.

Historically, Brazil has experienced high rates of inflation. Inflation, as well as government efforts to combat inflation, had significant negative effects on the Brazilian economy, particularly prior to 1995. The inflation rate, as measured by the General Price Index—Internal Availability (*Índice Geral de Preços—Disponibilidade Interna*), reached 2,708% in 1993. Although inflation rates have been substantially lower since 1994 than in previous periods, inflationary pressures persist. Inflation rates were 10.4% in 2001, 26.4% in 2002, 7.7% in 2003, 12.1% in 2004, 1.2% in 2005 and 1.3% during the six months ended June 30, 2006, as measured by the General Price Index—Internal Availability. The Brazilian government's measures to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting availability of credit and reducing economic growth. Inflation, actions to combat inflation and public speculation about possible additional actions also contributed materially to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets.

Brazil may experience high levels of inflation in future periods. Increasing prices for petroleum, the depreciation of the *real* and future governmental measures seeking to maintain the value of the *real* in relation to the U.S. dollar may trigger increases in inflation in Brazil. Periods of higher inflation may slow the rate of growth of the Brazilian economy, which would lead to reduced demand for our products in Brazil and decreased net sales revenue. Inflation is also likely to increase some of our costs and expenses, which we may not be able to pass on to our customers and, as a result, may reduce our profit margins and net income. In addition, high inflation generally leads to higher domestic interest rates, and, as a result, the costs of servicing our *real* denominated debt may increase, causing our net income to be reduced. Inflation and its effect on domestic interest rates can, in addition, lead to reduced liquidity in the domestic capital and lending markets, which could adversely affect our ability to refinance our indebtedness in those markets. Any decline in our net sales revenue or net income and any deterioration in our financial condition would also likely lead to a decline in the market price of the notes.

Fluctuations in interest rates could raise the cost of servicing our debt and negatively affect our overall financial performance.

Our financial expenses are affected by changes in the interest rates that apply to our floating rate debt. At June 30, 2006, we had, among other debt obligations, R$1,420.1 million of loans and financing and debentures that were subject to the TJLP (*Taxa de Juros de Longo Prazo*), a long-term interest rate, R$1,492.3 million of loans and financing and debentures that were subject to the CDI (*Certificado Depositário Interbancário*), an interbank rate and R$467.5 million of loans and financing that were subject to LIBOR. The TJLP includes an inflation factor and is determined quarterly by the Central Bank. In particular, the TJLP and the CDI rate have fluctuated significantly in the past in response to the expansion or contraction of the Brazilian economy, inflation, Brazilian government policies and other factors. For example, in 2005 the CDI rate increased from 17.75% per annum at December 31, 2004 to 19.75% per annum at its peak in July 2005, followed by a decline to 18.00% at December 31, 2005. See "Item 11: Quantitative and Qualitative Disclosures about Market Risk" included in our 2005 Form 20-F. During the six months ended June 30, 2006, the CDI rate declined further to 15.18% at June 30, 2006. A significant increase in any of these interest rates could adversely affect our financial expenses and negatively affect our overall financial performance.

Fluctuations in the real/U.S. dollar exchange rate could increase inflation in Brazil, raise the cost of servicing our foreign currency-denominated debt and negatively affect our overall financial performance.

The exchange rate between the *real* and the U.S. dollar and the relative rates of depreciation and appreciation of the *real* have affected our results of operations and may continue to do so.

The Brazilian currency has devalued often during the last four decades. Throughout this period, the Brazilian government has implemented various economic plans and various exchange rate policies, including sudden devaluations, periodic mini-devaluations (during which the frequency of adjustments has ranged from daily to monthly), exchange controls, dual exchange rate markets and a floating exchange rate system. From time to time, there have been significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies. For example, the *real* appreciated in value against the U.S. dollar by 22.3% in 2003, 8.9% in 2004 and 13.4% in 2005. The real appreciated against the U.S. dollar by 8.2% during the six months ended June 30, 2006 as compared to appreciation of 12.9% during the same period in 2005.

Devaluation of the *real* relative to the U.S. dollar also could result in additional inflationary pressures in Brazil by generally increasing the price of imported products and services and requiring recessionary government policies to curb demand. In addition, a devaluation of the *real* could weaken investor confidence in Brazil and reduce the market price of the notes. On the other hand, further appreciation of the *real* against the U.S. dollar may lead to a deterioration of the country's current account and the balance of payments and may dampen export-driven growth.

We had total foreign currency-denominated debt obligations in an aggregate principal amount of R$2,990.9 million (US$1,382.1 million) at June 30, 2006, representing 47.2% of our indebtedness, excluding related party debt, on a consolidated basis. At June 30, 2006, we had US$521.1 million in U.S. dollar-denominated cash equivalents and other investments. At June 30, 2006, we did not have any foreign currency derivative instruments. A significant devaluation of the *real* in relation to the U.S. dollar or other currencies could reduce our ability to meet debt service requirements of our foreign currency-denominated obligations, particularly as our net sales revenue is primarily denominated in *reais*.

In addition, any significant devaluation of the *real* will increase our financial expenses as a result of foreign exchange losses that we must record. For example, the 34.3% devaluation of the *real* in 2002 substantially increased our financial expenses and was a significant factor in our net loss for that year.

The prices of naphtha, our most important raw material, and of some of our other raw materials are denominated in or linked to the U.S. dollar. Naphtha accounted, directly and indirectly, for approximately 71.7% of our consolidated cost of sales and services rendered in 2005 and 73.2% during the six months ended June 30, 2006. When the *real* depreciates against the U.S. dollar, the cost in *reais* of our U.S. dollar-linked raw materials increases, and our operating income in *reais* decreases to the extent that we are unable to pass on these cost increases to our customers.

Brazilian government exchange control policies could increase the cost of servicing our foreign currency-denominated debt and impair our liquidity.

The purchase and sale of foreign currency in Brazil is subject to governmental control. In 1990, the Central Bank centralized certain payments of principal on external obligations. Many factors could cause the Brazilian government to institute more restrictive exchange control policies, including the extent of Brazil's foreign currency reserves, the availability of sufficient foreign exchange on the date a payment is due, the size of Brazil's debt service burden relative to the economy as a whole, Brazil's policy towards the International Monetary Fund and political constraints to which Brazil may be subject. A more restrictive policy could increase the cost of servicing (and thereby reduce our ability to pay) our foreign currency-denominated debt obligations and other liabilities. Our foreign-currency denominated debt represented 47.2% of our indebtedness on a consolidated basis at June 30, 2006. If we fail to make payments under any of these obligations, we will be in default under those obligations, which could reduce our liquidity as well as the market price of the notes.

Changes in tax laws may result in increases in certain direct and indirect taxes, which could reduce our gross margin and negatively affect our overall financial performance.

The Brazilian government implements from time to time changes to tax regimes that may increase our and our customers' tax burdens. These changes include modifications in the rate of assessments and, on occasion, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. In April 2003, the Brazilian government presented a tax reform proposal, which was mainly designed to simplify tax assessments, to avoid internal disputes within and between the Brazilian states, and to redistribute tax revenues. Certain elements of this proposal were adopted, while other elements have been stalled and are unlikely to be enacted. We cannot predict the changes to Brazilian tax law that may be proposed and enacted in the future. However, future changes in Brazilian tax law may result in increases in our overall tax burden, which could reduce our gross margin and negatively affect our overall financial performance.

Risks Relating to Our Company and the Petrochemical Industry

The cyclical nature of the petrochemical industry may reduce our net sales revenue and gross margin.

The Brazilian petrochemical industry, including the markets in which we compete, is cyclical and sensitive to changes in supply and demand that are, in turn, affected by political and economic conditions in Brazil and elsewhere. This cyclicality may reduce our net sales revenue and gross margin. In particular:

- downturns in general business and economic activity may cause demand for our products to decline;
- when demand falls, we may face competitive pressures to lower our prices; and
- if we decide to expand our plants or construct new plants, we may do so based on an estimate of future demand that never materializes or materializes at levels lower than we predicted.

The global petrochemical industry is also cyclical. Historically, the international petrochemical markets have experienced alternating periods of limited supply, which have caused prices and profit margins to increase, followed by expansion of production capacity, which has resulted in oversupply and reduced prices and profit margins. The Brazilian petrochemical industry has become increasingly integrated with the global petrochemical industry for a number of reasons, including increased demand for, and consumption of, petrochemical products in Brazil and the ongoing integration of regional and world markets for commodities. We establish the prices for the products we sell in Brazil with reference to international market prices. Our net sales revenue and gross margin are increasingly linked to global industry conditions that we cannot control.

We face competition from producers of polyolefins, vinyls and other petrochemical products.

We face competition in Brazil from Brazilian and international producers of polyethylene, polypropylene, vinyls and other petrochemical products. In addition, we generally set the prices for our second generation products with reference to the prices charged for these products by foreign producers in international markets. We anticipate that we may experience increasingly intense competition from other producers of polyolefins and vinyls products, both in Brazil and in selected foreign markets in which we sell these products. Many of our foreign competitors are substantially larger and have substantially greater financial, manufacturing, technological and marketing resources than our company.

We face significant competition in the polyethylene market. Rio Polímeros S.A., or Rio Polímeros, a Brazilian petrochemical company, commenced operations of a major petrochemical plant in Brazil in 2005. The maximum annual capacity of this plant is 520,000 tons of ethylene, 75,000 tons of propylene and 540,000 tons of polyethylene. This plant is in the process of ramping up its production towards its annual capacity. In addition, Solvay Indupa do Brasil S.A., or Solvay, expanded its annual PVC production capacity in Brazil by 35,000 tons in December 2005. Actions by our competitors, including any future increases in their capacity, may make it increasingly difficult for us to maintain our domestic market share in the thermoplastic products we produce (polyethylene, polypropylene and PVC).

Higher naphtha costs would increase our cost of sales and services rendered and may reduce our gross margin and negatively affect our overall financial performance.

Naphtha, a crude oil derivative, is the principal raw material of our Basic Petrochemicals Unit and, indirectly, of our other business units. Naphtha accounted, directly and indirectly, for approximately 71.7% of our consolidated cost of sales and services rendered in 2005 and 73.2% during the six months ended June 30, 2006. The price of naphtha supplied by Petrobras is linked to the Amsterdam-Rotterdam-Antwerp market price of naphtha and to the *real*/U.S. dollar exchange rate. The price of naphtha that we purchase from other international suppliers is also linked to the Amsterdam-Rotterdam-Antwerp market price. The Amsterdam-Rotterdam-Antwerp market price of naphtha fluctuates primarily based on changes in the U.S. dollar-based price of crude oil in the international markets.

During 2005, the price of naphtha in U.S. dollars increased by 28.8%, from US$387.05 per ton in December 2004 to US$498.35 per ton in December 2005. The U.S. dollar price of naphtha was volatile during 2005, increasing substantially through March, declining in April and May, increasing through September, declining through November and increasing again in December. During the six months ended June 30, 2006, the price of naphtha in U.S. dollars increased by 30.6%, from US$498.35 per ton at December 31, 2005 to US$651.00 per ton at June 30, 2006. Since the end of the first half of 2006, the price of naphtha in U.S. dollars has decreased to US$626.00 per ton at July 31, 2006 and US$584.00 per ton at August 31, 2006. The price of naphtha could, however, increase or the *real* may devalue significantly in the future, either of which would increase our cost of naphtha in *reais*. Any increase in naphtha costs would reduce our gross margin and negatively affect our overall financial performance to the extent that we are unable to pass on these increased costs to our customers and could result in reduced sales volumes of our products.

We do not hedge against changes in naphtha prices, so that we are exposed to fluctuations in the price of our primary raw material.

We currently do not hedge our exposure to fluctuations in naphtha prices, which are linked to the *real*/U.S. dollar exchange rate. Although we attempt to pass on increases in naphtha prices through higher prices for our products, in periods of high volatility in the U.S. dollar price of naphtha or the *real*/U.S. dollar exchange rate, there is usually a lag between the time that the U.S. dollar price of naphtha increases or the U.S. dollar appreciates and the time that we may effectively pass on those increased costs in *reais* to our customers in Brazil. As a result, if the U.S. dollar price of naphtha increases precipitously or the *real* depreciates precipitously against the U.S. dollar in the future, we may not immediately be able to pass on all of the corresponding increases in our naphtha costs to our customers in Brazil, which would likely reduce our gross margin and net income.

We depend on Petrobras to supply us with the substantial portion of our naphtha requirements.

Petrobras currently is the only Brazilian supplier of naphtha and supplied 69.2% and 75.8% of the naphtha consumed by our company in 2005 and during the six months ended June 30, 2006, respectively. Petrobras produces most of the naphtha it sells to us and imports the balance. Our production volume and net sales revenue would likely decrease and our overall financial performance would likely be negatively affected in the event of:

- significant damage to Petrobras' refineries or to the port facilities through which Petrobras imports naphtha, or to any of the pipelines connecting our plants to Petrobras' facilities, whether as a consequence of an accident, natural disaster, fire or otherwise; or
- any termination by Petrobras of the naphtha supply contract with our company, which provides that Petrobras may terminate the contract for a number of reasons, including as a result of a national emergency affecting the supply of petroleum derivatives in Brazil.

In addition, although regulatory changes have ended Petrobras' monopoly in the Brazilian naphtha market and have allowed us to import naphtha, any reversal in the continuing deregulation of the oil and gas industry in Brazil could increase our production costs.

Our Polyolefins and Vinyls Units depend on our Basic Petrochemicals Unit and Copesul to supply them with their ethylene and propylene requirements.

Our Basic Petrochemicals Unit is the only supplier of ethylene to our Vinyls Unit, and our Basic Petrochemicals Unit and Copesul are the only suppliers of ethylene and propylene to our Polyolefins Unit. Because the cost of storing ethylene and propylene is substantial and there is inadequate infrastructure in Brazil to permit the importation of large quantities of these products, our production volumes of, and net sales revenue from, vinyls and polyolefins products would decrease, and our overall financial performance would be negatively affected, in the event of:

- significant damage to our Basic Petrochemicals Unit's or to Copesul's facilities through which ethylene or propylene is produced, or to the pipeline or other facilities that connect these units to our Basic

Petrochemicals Unit or Copesul, whether as a consequence of an accident, natural disaster, fire or otherwise;

- any termination by Copesul of the ethylene and propylene supply contracts with our company; or
- any significant reduction in the supply of naphtha to our Basic Petrochemicals Unit or to Copesul, as naphtha is the principal raw material used in the production of ethylene and propylene.

In addition, any significant expansion of the production capacity of our Polyolefins Unit in the Southern Complex will depend on our ability to obtain additional ethylene and propylene from Copesul.

Any downgrade in the ratings of our company or our debt securities would likely result in increased interest and other financial expenses related to our borrowings and debt securities and could reduce our liquidity.

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or Standard and Poor's, and Fitch, Inc., or Fitch, maintain ratings of our company and our debt securities. Currently, Standard and Poor's and Fitch maintain ratings of our company on a local and a global basis. Standard and Poor's maintains a rating of our company on a local basis of "br AA/Stable Outlook" and Fitch maintains a national rating for our company of "AA (bra)/Stable Outlook." On a global basis, Standard and Poor's maintains a local currency rating for our company of "BB" and a foreign currency rating for our company of "BB," while Fitch maintains a local currency rating for our company of "BB+/Stable Outlook" and a foreign currency rating for our company of "BB+/Stable Outlook." Any decision by these or other rating agencies to downgrade the ratings of our company or of our debt securities in the future would likely result in increased interest and other financial expenses relating to our borrowings and debt securities and could significantly reduce our ability to obtain such financing on satisfactory terms or in amounts required by us and our liquidity.

Some of our shareholders may have the ability to determine the outcome of corporate actions or decisions, which could affect the holders of the notes.

The Odebrecht Group holds, directly and indirectly, 74.6% of our voting share capital, and its designees currently constitute a majority of the members of our board of directors. Petroquisa, a subsidiary of Petrobras, has veto and other rights under a shareholders agreement as described under "Item 7: Major Shareholders and Related Party Transactions—Major Shareholders—Shareholders Agreements" in our 2005 Form 20-F. As a result, the Odebrecht Group and Petroquisa may have the ability to determine the outcome of major corporate actions or decisions requiring the approval of our shareholders or our board of directors, which could affect the holders of the notes.

We may face conflicts of interest in transactions with related parties.

We maintain trade accounts receivable and current and long-term payables with some of our affiliates and other related parties, including Petrobras (which is our sole domestic supplier of naphtha), and Copesul in the Southern Complex (which supplies us with ethylene and propylene). Through Petroquisa, Petrobras is the indirect holder of 9.8% of our voting share capital and 8.3% of our total share capital. These accounts receivable and accounts payable balances result mainly from purchases and sales of goods, which are at prices and on terms equivalent to the average terms and prices of transactions that we enter into with third parties. We also engage in financial and other transactions with some of our shareholders. These and other commercial and financial transactions between us and our affiliates could result in conflicting interests.

We may make significant acquisitions which, if not successfully integrated with our company, may adversely affect our operating results.

We may make significant acquisitions in the future to continue our growth. Acquisitions involve risks, including the following:

- failure of acquired businesses to achieve expected results;

- possible inability to retain or hire key personnel of acquired businesses;
- possible inability to achieve expected synergies and/or economies of scale;
- unanticipated liabilities; and
- antitrust considerations.

If we are unable to integrate or manage acquired businesses successfully, we may not realize anticipated cost savings, revenue growth and levels of integration, which may result in reduced profitability or operating losses.

Future adjustments in tariffs on imports that compete with our products could cause us to lower our prices.

We take into account, when setting the domestic prices for our products, tariff rates imposed by the Brazilian government on imports of similar products and the products of our customers. We currently benefit from tariffs that allow us to charge domestic prices for our polyolefins and vinyls products that include a factor based on the tariffs levied on comparable imports of those products. However, the Brazilian government has in the past used import and export tariffs to effect economic policies, with the consequence that tariffs can vary considerably, especially tariffs on petrochemical products. For example, in 2004 the Brazilian government lowered the tariffs applicable to most of the thermoplastic products that we produce by 1.5%. Future adjustments of tariffs could cause us to lower our domestic prices, which would likely result in lower net sales revenue and could negatively affect our overall financial performance.

Our business is subject to stringent environmental regulations, and imposition of new regulations could require significant capital expenditures and increase our operating costs.

Our company, like other Brazilian petrochemical producers, is subject to stringent Brazilian federal, state and local environmental laws and regulations concerning human health, the handling and disposal of solid and hazardous wastes and discharges of pollutants into the air and water. Petrochemical producers are sometimes subject to unfavorable market perceptions as a result of the environmental impact of their business, which can have an adverse effect on their results of operations. As environmental laws become more stringent in Brazil and worldwide, the amount and timing of future expenditures required for us to remain compliant could increase substantially and could decrease the availability of funds for other capital expenditures and other purposes.

We manufacture products that are subject to the risk of fire, explosions and other hazards.

Our operations are subject to hazards, such as fires, explosions and other accidents, associated with the manufacture of petrochemicals and the storage and transportation of feedstocks and petrochemical products. These hazards can cause personal injury and loss of life, severe damage to or destruction of property and equipment and environmental damage. A sufficiently large accident at one of our plants or storage facilities could force us to suspend our operations temporarily and result in significant remediation costs and lost net sales revenue. Although we maintain insurance coverage for losses due to fire damage and for losses of income resulting from shutdowns due to fire, explosion or electrical damage, those insurance proceeds may not be available on a timely basis and may be insufficient to cover all losses.

Unfavorable outcomes in pending litigation may reduce our liquidity and negatively affect our financial performance and financial condition.

We are involved in numerous tax, civil and labor disputes involving significant monetary claims. If unfavorable decisions are rendered in one or more of these lawsuits, we could be required to pay substantial amounts, which could materially adversely affect our financial condition and results of operations. For some of these lawsuits, we have not established any provision on our balance sheet or have established provisions only for part of the amounts in question, based on our judgments or opinions of our legal counsel as to the likelihood of winning these lawsuits.

The principal lawsuits for which we have not established provisions or have established only partial provisions include the following:

- ***Social contribution on net income***. We and some of our subsidiaries have challenged the constitutionality of the Brazilian federal Social Contribution on Net Income (*Contribuição Social Sobre o Lucro Líquido*). A decision of the Brazilian Regional Court of the First Circuit in our favor was overruled in a subsequent rescission action filed by the Brazilian tax authorities, and our appeal of that suit is pending. We believe that it is reasonably possible that we will lose our appeal. If we lose our appeal, we believe that we would be required to pay Social Contribution on Net Income only from the date that a final decision is published. However, as Brazilian law allows rescission actions to relate back to, and to take effect from, the date of the initial decision, we believe that it is reasonably possible that we will be required to pay this tax from the date of the original decision, in which case our total estimated exposure at June 30, 2006, including interest, would be R$679.0 million. This amount does not include approximately R$173.1 million in penalties at June 30, 2006 that we believe we would not be required to pay because we relied upon a judicial decision in not paying the Social Contribution on Net Income. We believe that there is a possibility that we will be required to pay related interest and a remote possibility that we will be required to pay fines as a result of this tax litigation. We have not established a provision for these lawsuits.
- ***Cost of living adjustments on workers' wages.*** The unions that represent employers and workers in the Northeastern Complex are involved in a lawsuit over the indices we and other companies have used for cost of living adjustments on workers' wages since early 1990. For a description of the legal bases of this suit, see "Item 8: Financial Information—Legal Proceedings—Labor Proceedings" in our 2005 Form 20-F. The Brazilian Federal Supreme Court (*Supremo Tribunal Federal*) has held in favor of the employers' union, but has accepted a divergence appeal requesting the resolution of conflict between the decisions given by the Brazilian Federal Supreme Court under this proceeding and prior decisions given by another panel of the Brazilian Federal Supreme Court. Accordingly, the decision of the Brazilian Federal Supreme Court in our favor is not yet final and does not address damages. We believe it is reasonably possible that the employers' union will lose the divergence appeal, which could adversely affect us. While we believe that it is possible, although unlikely, that an adverse judgment against the employers' union could impact wages that we paid from April 1990 to the present, we believe that any judgment would most likely impact wages that we paid from April 1990 to September 1990 (the effective date of the next collective bargaining agreement). As we believe that it is not probable that the employers' union will lose this suit, we have not recorded a provision in respect of this suit. If the employers' union loses this suit and we are required to pay damages from April 1990 to September 1990, we estimate that we could be subject to liability of up to R$35.0 million, although additional claims would have to be brought by the workers' union or individual employees to quantify the amount of damages that we would be required to pay.

In addition, we and some of our subsidiaries believe that our chances of success are remote in a series of lawsuits in which we challenged the constitutionality of an increase in the rate of the federal Contribution for Social Security Financing (*Contribuição para Financiamento da Seguridade Social—COFINS*), or COFINS. For a description of the legal bases of these suits, see "Item 8: Financial Information—Legal Proceedings—Tax Proceedings" in our 2005 Form 20-F. We had established total provisions of R$268.7 million at June 30, 2006 for all of our lawsuits relating to the Social Integration Program (*Programa de Integração Social*), or PIS, and COFINS, including separate lawsuits challenging the basis of calculation of PIS and COFINS. Because we have deposited only R$65.6 million of this amount with the courts, we would be required, in the event we and our subsidiaries receive final, unfavorable decisions, to pay the remaining amounts for which we have not made deposits.

We are also parties to a number of lawsuits seeking tax credits that we believe the Brazilian tax authorities have disallowed or limited in violation of the Brazilian Constitution and/or applicable law. In some cases in which we have received favorable lower court decisions, we have used these credits to offset other tax obligations and have established provisions in an equivalent amount until a final decision is rendered (adjusting these provisions based on the *Sistema Especial de Liquidação e de Custódia*, or SELIC, interest rate). These provisions totaled R$1,377.4 million at June 30, 2006. If we ultimately lose any of these lawsuits, we would be required to pay the tax obligations we had previously offset with those credits, which could materially reduce our liquidity. We believe that losses related to some of these lawsuits are reasonably possible.

For more information about our legal proceedings, see "Item 8: Financial Information—Legal Proceedings" in our 2005 Form 20-F.

Risks Relating to the Notes

Developments in other emerging markets may adversely affect the market value of the notes.

The market price of the notes may be adversely affected by declines in the international financial markets and world economic conditions. Brazilian securities markets are influenced, to varying degrees, by economic and market conditions in other emerging market countries, especially those in Latin America. Although economic conditions are different in each country, investors' reaction to developments in one country may affect the securities markets and the securities of issuers in other countries, including Brazil. We cannot assure you that the market for Brazilian securities will not continue to be affected negatively by events elsewhere, particularly in emerging markets, or that such developments will not have a negative impact on the market value of the notes.

Payments on the notes will be junior to Braskem's secured debt obligations and effectively junior to debt obligations of Braskem's subsidiaries.

The notes will constitute senior unsecured obligations of Braskem. The notes will rank equal in right of payment with all of Braskem's other existing and future senior unsecured indebtedness. However, the notes will be subordinated to secured debt of Braskem to the extent of the assets and property securing such debt. Payment on the notes will also be structurally subordinated to the payment of secured and unsecured debt and other creditors of Braskem's subsidiaries and jointly controlled companies.

At June 30, 2006, properties, equipment and accounts receivable of Braskem with a book value of approximately R$110.3 million were subject to liens and other security interests to secure its indebtedness. In addition, a substantial number of the shares of Copesul and other jointly controlled companies held by Braskem were acquired by Braskem subject to existing liens in favor of holders of debt. Any right of the holders of the notes to participate in the assets of Braskem, including the capital stock of its jointly controlled entities, and the assets of Braskem's subsidiaries upon any liquidation or reorganization will be subject to the prior claims of Braskem's secured creditors and the creditors of its subsidiaries. The indenture relating to the notes includes a limitation on Braskem's ability and those of Braskem's subsidiaries, in the future, to create or suffer to exist liens, although this limitation is subject to certain significant exceptions.

At June 30, 2006, Braskem had total consolidated debt of R$6,338.8 million (US$2,929.2 million), excluding related party debt, of which R$4,657.3 million (US$2,152.2 million) was unsecured debt of Braskem, R$602.2 million (US$278.2 million) was secured debt of Braskem, R$687.0 million (US$317.5 million) was debt of Braskem's subsidiaries and special purpose entities, and R$392.3 million (US$181.3 million) was debt of Copesul, Petroflex, Cetrel S.A.—Empresa de Proteção Ambiental, or Cetrel, and our other jointly controlled companies, which we consolidate on a proportional basis as required by Brazilian GAAP.

Braskem conducts a portion of its business operations through its subsidiaries and jointly controlled companies, including Copesul, Polialden America Inc., Petroflex, Cetrel, Tegal—Terminal de Gases Ltda., Companhia Alagoas Industrial—Cinal, Lantana Trading Co. Inc. and Braskem Incorporated Limited (formerly known as CPN Incorporated Ltd.). In making payments on the notes, Braskem will rely, in part, on cash flows from these subsidiaries and jointly controlled companies, mainly dividend payments. The ability of these subsidiaries and jointly controlled subsidiaries to make dividend payments to Braskem will be affected by, among other factors, the obligations of these entities to their creditors, requirements of Brazilian corporate and other law, and restrictions contained in agreements entered into by or relating to these entities.

Restrictions on the movement of currency out of Brazil may impair the ability of holders of the notes to receive interest and other payments on the notes.

The Brazilian government may impose temporary restrictions on the conversion of Brazilian currency into foreign currencies and on the remittance to foreign investors of proceeds of their investments in Brazil. Brazilian law permits the government to impose these restrictions whenever there is a serious imbalance in Brazil's balance of payments or there are reasons to foresee a serious imbalance.

The Brazilian government imposed remittance restrictions for approximately six months in 1990. Similar restrictions, if imposed in the future, would impair or prevent the conversion of interest payments on the notes from *reais* into U.S. dollars and the remittance of U.S. dollars abroad to holders of the notes. The Brazilian government may take similar measures in the future.

We cannot assure you that a judgment of a United States court for liabilities under U.S. securities laws would be enforceable in Brazil, or that an original action can be brought in Brazil against Braskem for liabilities under U.S. securities laws.

Braskem is incorporated under the laws of Brazil and substantially all of its assets are located in Brazil. In addition, all or substantially all of Braskem's directors and officers and certain advisors named herein reside in Brazil. As a result, it may not be possible for investors to effect service of process within the United States upon Braskem or its directors, officers and advisors or to enforce against them in U.S. courts any judgments predicated upon the civil liability provisions of the U.S. federal securities laws. See "Enforcement of Civil Liabilities."

The book-entry registration system of the notes may limit the exercise of rights by the beneficial owners of the notes.

Because transfers of interests in the global notes representing the notes may be effected only through book entries at DTC and its direct and indirect participants (including Clearstream Luxembourg and Euroclear), the liquidity of any secondary market in the notes may be reduced to the extent that some investors are unwilling to hold notes in book-entry form in the name of a DTC direct or indirect participant. The ability to pledge interests in the global notes may be limited due to the lack of a physical certificate. In addition, beneficial owners of interests in global notes may, in certain cases, experience delay in the receipt of payments of principal and interest since the payments will generally be forwarded by the paying agent to DTC, which will then forward payment to its direct and indirect participants, which (if they are not themselves the beneficial owners) will then forward payments to the beneficial owners of the global notes. In the event of the insolvency of DTC or any of its direct and indirect participants in whose name interests in the global notes are recorded, the ability of beneficial owners to obtain timely or ultimate payment of principal and interest on global notes may be negatively affected.

A holder of beneficial interests in the global notes will not have a direct right under the notes to act upon any solicitations that we may request. Instead, holders will be permitted to act only to the extent they receive appropriate proxies to do so from DTC or, if applicable, DTC's direct or indirect participants. Similarly, if we default on our obligations under the notes, holders of beneficial interests in the global notes will be restricted to acting through DTC, or, if applicable, DTC's direct or indirect participants. We cannot assure holders that the procedures of DTC or DTC's nominees or direct or indirect participants will be adequate to allow them to exercise their rights under the notes in a timely manner.

We cannot assure you that an active trading market for the notes will develop.

The notes constitute a new issue of securities, for which there is no existing market. We cannot provide you with any assurances regarding the future development of a market for the notes, the ability of holders of the notes to sell their notes, or the price at which such holders may be able to sell their notes. If such a market were to develop, the notes could trade at prices that may be higher or lower than the initial offering price depending on many factors, including prevailing interest rates, our results of operations and financial condition, political and economic developments in and affecting Brazil and the market for similar securities. The initial purchasers of this offering have advised our company that they currently intend to make a market in the notes. However, the initial purchasers are not obligated to do so, and any market-making with respect to the notes may be discontinued at any time without notice.

The notes are subject to transfer restrictions.

The notes have not been registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Such exemptions include offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act and in accordance with any applicable securities laws of any other jurisdiction and sales to qualified institutional buyers as defined under Rule 144A under the Securities Act. For a discussion of certain restrictions on resale and transfer, see "Notice to Investors."

Brazilian bankruptcy laws may be less favorable to you than U.S. bankruptcy and insolvency laws.

If we are unable to pay our indebtedness, including our obligations under the notes, then we may become subject to bankruptcy proceedings in Brazil. Brazilian bankruptcy laws are significantly different from, and may be less favorable to creditors than, those of the United States. In addition, any judgment obtained against us in Brazilian courts in respect of any payment obligations under the notes normally would be expressed in the *real* equivalent of the U.S. dollar amount of such sum at the exchange rate in effect (1) on the date of actual payment, (2) on the date on which such judgment is rendered, or (3) on the date on which collection or enforcement proceedings are started against us. Consequently, in the event of our bankruptcy, all of our debt obligations that are denominated in foreign currency, including the notes, will be converted into *reais* at the prevailing exchange rate on the date of declaration of our bankruptcy by the court.

USE OF PROCEEDS

We expect the net proceeds to our company from the sale of the notes to be approximately US$270.7 million after deducting the fees and expenses of the offering. Concurrently with the offering, we are conducting a cash tender offer for any and all of our outstanding 12.50% Notes due 2008. The aggregate principal amount outstanding of these notes is US$275.0 million. The tender offer will expire on September 27, 2006, unless we extend it. We intend to use the proceeds from this offering to purchase all of these notes that are validly tendered, to pay the consideration associated with the tender offer, to pay the fees and expenses of the tender offer and this offering, and for general corporate purposes.

EXCHANGE RATES

Prior to March 14, 2005, there were two principal foreign exchange markets in Brazil:

- the commercial rate exchange market; and
- the floating rate exchange market.

Most trade and financial foreign-exchange transactions were carried out on the commercial rate exchange market. The floating rate exchange market generally applied to transactions to which the commercial market rate did not apply.

On March 4, 2005, the National Monetary Council (*Conselho Monetário Nacional*) enacted Resolution No. 3,265, as well as additional regulations, that consolidated the two foreign exchange markets into a single foreign exchange market, effective as of March 14, 2005, in order to make foreign exchange transactions more straight-forward and efficient. Consequently, all foreign exchange transactions in Brazil are now carried out in this single foreign exchange market through authorized financial institutions. We cannot predict the impact of the enactment of any new regulations on the foreign exchange market.

Foreign exchange rates continue to be freely negotiated, but may be influenced from time to time by Central Bank intervention. From March 1995 through January 1999, the Central Bank allowed the gradual devaluation of the *real* against the U.S. dollar. In January 1999, the Central Bank allowed the *real*/U.S. dollar exchange rate to float freely. Since then, the *real*/U.S. dollar exchange rate has been established mainly by the Brazilian interbank market and has fluctuated considerably. From December 31, 2000 through December 31, 2002, the *real* depreciated by 44.6% against the U.S. dollar. From December 31, 2002 through December 31, 2005, the *real* appreciated by 50.1% against the U.S. dollar. At September 18, 2006, the selling rate for U.S. dollars was R$2.145 per US$1.00. In the past, the Central Bank has intervened occasionally to control unstable movements in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to allow the *real* to float freely or will intervene in the exchange rate market through a currency band system or otherwise, or that the exchange market will not be volatile as a result of political or economic instability or other factors. We also cannot predict whether the *real* will depreciate or appreciate in value in relation to the U.S. dollar in the future.

The following table shows the commercial selling rate or selling rate, as applicable, for U.S. dollars for the periods and dates indicated. The information in the "Average" column represents the average of the exchange rates on the last day of each month during the periods presented.

	***Reais* per U.S. Dollar**			
Year	**High**	**Low**	**Average**	**Period End**
2001	R$2.801	R$1.936	R$2.353	R$2.320
2002	3.995	2.271	2.998	3.533
2003	3.662	2.822	3.071	2.889
2004	3.205	2.654	2.909	2.654
2005	2.762	2.163	2.413	2.341

	***Reais* per U.S. Dollar**	
Month	**High**	**Low**
March 2006	R$2.224	R$2.107
April 2006	2.154	2.089
May 2006	2.371	2.059
June 2006	2.302	2.164
July 2006	2.213	2.165
August 2006	2.191	2.133

Source: Central Bank

CAPITALIZATION

The following table sets forth our consolidated debt and capitalization at June 30, 2006, derived from our unaudited condensed consolidated interim financial information prepared in accordance with Brazilian GAAP:

- on an actual historical basis;
- as adjusted for our incurrence of R$152.1 million of debt under a revolving credit agreement that we entered into on July 7, 2006; and
- as further adjusted for (1) the sale of the notes in the offering and the receipt of proceeds therefrom before deduction of commissions and expenses we must pay in connection with this offering, and (2) the purchase of $183,855,000 aggregate principal amount of our 12.50% Notes due 2008 that were validly tendered in our pending cash tender offer prior to or on September 18, 2006. The tender offer will expire on September 27, 2006, unless we extend it. We cannot predict the actual principal amount of our 12.50% Notes due 2008 that will be purchased pursuant to this tender offer.

The following table does not give effect to the issuance of our 14th issue of *real*-denominated unsecured non-convertible debentures, which we expect to offer in Brazil upon approval by the CVM of the offering of these debentures. These debentures will be issued in a single series of 50,000 debentures, each with a par value of R$10,000, or a total of R$500.0 million principal amount of debentures. These debentures will bear interest at a rate of 103.5% of the CDI rate, payable semi-annually in arrears, and will mature in September 2011. We plan to use the proceeds from these debentures for general corporate purposes, including working capital.

You should read this table in conjunction with our consolidated financial statements included in this offering memorandum.

	At June 30, 2006					
	Historical		As adjusted		As further adjusted	
	(in millions of US$)[1]	(in millions of *reais*)	(in millions of US$)[1]	(in millions of *reais*)	(in millions of US$)[1]	(in millions of *reais*)
Short-term debt (including accrued interest and current portion of long-term debt):						
Real-denominated debt (including debentures):						
Secured[2]	US$ 20.9	R$ 45.2	US$ 20.9	R$ 45.2	US$ 20.9	R$ 45.2
Unsecured	207.5	449.0	207.5	449.0	207.5	449.0
	228.4	494.2	228.4	494.2	228.4	494.2
Foreign currency-denominated debt:						
Secured[2][3]	40.3	87.3	40.3	87.3	40.3	87.3
Unsecured	164.4	355.7	164.4	355.7	164.4	355.7
	204.7	443.0	204.7	443.0	204.7	443.0
Short-term debt of proportionally consolidated companies	117.5	254.3	117.5	254.3	117.5	254.3
Total short-term debt	US$550.6	R$1,191.5	US$550.6	R$1,191.5	US$550.6	R$1,191.5

(footnotes on following page)

	At June 30, 2006					
	Historical		As adjusted		As further adjusted	
	(in millions of US$)(1)	(in millions of *reais*)	(in millions of US$)(1)	(in millions of *reais*)	(in millions of US$)(1)	(in millions of *reais*)
Long-term debt:						
Real-denominated debt (including debentures):						
Secured(2)	US$ 252.1	R$ 545.5	US$ 252.1	R$ 545.5	US$ 252.1	R$ 545.5
Unsecured	920.6	1,992.1	920.6	1,992.1	920.6	1,992.1
	1,172.7	2,537.6	1,172.7	2,537.6	1,172.7	2,537.6
Foreign currency-denominated debt:						
Secured(2)(3)	3.6	7.7	3.6	7.7	3.6	7.7
Unsecured						
8.00% Notes due 2017	—	—	—	—	275.0	595.1
12.50% Notes due 2008(5)	275.0	595.1	275.0	595.1	91.1	197.1
Other	863.6	1,868.9	933.9	2,021.0	933.9	2,021.0
	1,142.2	2,471.7	1,212.5	2,623.8	1,303.6	2,820.9
Long-term debt of proportionally consolidated companies	63.7	138.0	63.7	138.0	63.7	138.0
Total long-term debt(5)	2,378.6	5,147.3	2,448.9	5,299.4	2,540.0	5,496.5
Related party debt (long-term):						
Real-denominated debt:						
Unsecured	2.0	4.4	2.0	4.4	2.0	4.4
Total related party debt	US$ 2.0	R$ 4.4	US$ 2.0	R$ 4.4	US$ 2.0	R$ 4.4
Shareholders' equity	2,081.4	4,504.2	2,081.4	4,504.2	2,081.4	4,504.2
Total capitalization (long-term debt, long-term related party debt plus shareholders' equity)(5)	US$4,462.0	R$9,655.9	US$4,532.3	R$9,808.0	US$4,623.4	R$10,005.1

(1) Translated for convenience only using the selling rate as reported by the Central Bank at June 30, 2006 for *reais* into U.S. dollars of R$2.164=US$1.00.

(2) Our secured debt is secured by accounts receivable; property, plant and equipment; and shares of our jointly controlled companies.

(3) At June 30, 2006, R$17.4 million of our foreign currency-denominated debt (R$13.3 million in short-term debt and R$4.1 million in long-term debt) was guaranteed by the Odebrecht Group. The Odebrecht Group granted this guarantee in connection with the financing of the construction of a PET plant by Proppet in January 1998.

(4) Represents our liabilities related to our receivables securitization funds.

(5) The figures in the "As further adjusted" column give effect to the purchase of $183,855,000 aggregate principal amount of our 12.50% Notes due 2008 that was validly tendered in our pending cash tender offer on or prior to September 18, 2006. If additional principal of our 12.50% Notes due 2008 is validly tendered prior to the expiration date and accepted for purchase, the amount of our 12.50% Notes due 2008, total long-term debt and total capitalization presented in the "As further adjusted" column will be reduced by the additional principal amount of these Notes that is validly tendered and accepted for purchase.

There has been no material change in our capitalization since June 30, 2006, except as disclosed in this offering memorandum.

SELECTED FINANCIAL AND OTHER INFORMATION

The following selected financial data have been derived from our consolidated and combined financial statements.

The selected financial data at December 31, 2005 and 2004 and for the three years ended December 31, 2005 have been derived from our consolidated financial statements included in our 2005 Form 20-F. The selected financial data at December 31, 2003, 2002 and 2001 and for the years ended December 31, 2002 and 2001 has been derived from our audited consolidated and combined financial statements that are not included, or incorporated by reference, in this offering memorandum.

The selected financial data at June 30, 2006 and for the six months ended June 30, 2006 and 2005 have been derived from our unaudited condensed consolidated interim financial information included in this offering memorandum, which include, in the opinion of our management, all adjustments necessary to present fairly our results of operations and financial condition at the dates and for the periods presented. The results for the six months ended June 30, 2006 are not necessarily indicative of the results to be expected for the entire year ending December 31, 2006.

Our consolidated and combined financial statements are prepared in accordance with Brazilian GAAP, which differs in certain respects from U.S. GAAP. For a discussion of certain differences relating to these financial statements, see note 31 to our audited consolidated financial statements included in our 2005 Form 20-F and note 27 to our unaudited condensed consolidated interim financial information included in this offering memorandum.

This financial information should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” our unaudited condensed consolidated interim financial information in this offering memorandum, our audited consolidated financial statements at December 31, 2005 and 2004 and for the three years ended December 31, 2005 included in our 2005 Form 20-F, and “Item 5: Operating and Financial Review and Prospects” and “Item 11: Quantitative and Qualitative Disclosures about Market Risk” included in our 2005 Form 20-F.

	At and for the Six Months Ended June 30,			At and for the Year Ended December 31,					
	2006[(1)]	2006	2005	2005[(1)]	2005	2004	2003[(2)]	2002[(2)(3)]	2001[(2)(3)]
	(in millions of US$, except financial ratios)	(in millions of *reais*, except financial ratios)		(in millions of US$, except financial ratios)	(in millions of *reais*, except financial ratios)				
Statement of Operations Data:									
Net sales revenue	US$ 2,858.5	R$ 6,185.7	R$ 6,722.3	US$ 6,042.1	R$ 13,075.1	R$12,389.5	R$10,300.2	R$ 7,576.6	R$4,459.5
Cost of sales and services rendered	(2,468.3)	(5,341.4)	(5,075.0)	(4,788.2)	(10,361.7)	(9,223.0)	(8,224.6)	(6,175.5)	(3,637.6)
Gross profit	390.2	844.3	1,647.3	1,253.9	2,713.4	3,166.5	2,075.6	1,401.1	821.9
Selling, general and administrative expenses	(195.5)	(423.0)	(407.4)	(363.7)	(787.1)	(677.0)	(488.4)	(577.7)	(210.3)
Investment in associated companies, net[(4)]	5.6	12.2	(43.5)	(50.7)	(109.8)	(107.6)	(170.5)	(251.7)	(214.3)
Depreciation and amortization	(85.6)	(185.3)	(198.2)	(164.3)	(355.6)	(359.7)	(193.5)	(222.4)	(111.3)
Financial expenses	(183.7)	(397.6)	0.6	(312.3)	(675.8)	(1,307.2)	(720.8)	(3,481.5)	(801.2)
Financial income	22.0	47.6	(125.0)	(15.5)	(33.6)	68.6	9.2	619.6	294.7
Zero-rated IPI credit	—	—	—	—	—	—	—	1,030.1	—
Other operating income, net	55.0	119.1	17.6	10.5	22.8	43.0	55.5	102.6	103.3
Operating income (loss)	8.0	17.3	891.4	357.9	774.3	826.6	567.1	(1,379.9)	(117.2)
Non-operating expenses, net	0.7	1.5	(16.4)	(11.6)	(25.2)	(29.8)	(4.5)	(98.0)	(120.8)
Income (loss) before income tax and social contribution (current and deferred) and minority interest	8.7	18.8	875.0	346.3	749.1	796.8	562.6	(1,477.9)	(238.0)
Income tax and social contribution (current and deferred)	23.2	50.1	(240.6)	(82.0)	(177.4)	(85.1)	(121.3)	(89.8)	(77.6)
Income (loss) before minority interest	31.9	68.9	634.4	264.3	571.7	711.7	441.3	(1,567.7)	(315.6)
Minority interest	(0.3)	(0.7)	(0.6)	25.0	54.1	(24.6)	(226.2)	189.0	(108.9)
Net income (loss)	US$ 31.6	R$ 68.2	R$ 633.8	US$ 289.3	R$ 625.8	R$ 687.1	R$ 215.1	R$(1,378.7)	R$ (424.5)

(footnotes on following pages)

	At and for the Six Months Ended June 30,			At and for the Year Ended December 31,					
	2006[1]	2006	2005	2005[1]	2005	2004	2003[2]	2002[2][3]	2001[2][3]
	(in millions of US$, except financial ratios)	(in millions of reais, except financial ratios)		(in millions of US$, except financial ratios)	(in millions of *reais*, except financial ratios)				
Balance Sheet Data:									
Cash, cash equivalents and other investments	US$ 675.4	R$ 1,461.5		US$1,054.3	R$ 2,281.5	R$ 1,815.6	R$1,221.2	R$821.0	R$ 513.2
Short-term trade accounts receivable	810.2	1,753.3		690.1	1,493.3	1,630.6	1,241.0	959.0	484.1
Short-term inventories	799.5	1,730.2		724.4	1,567.5	1,562.4	1,092.3	889.1	667.8
Property, plant and equipment, net	2,987.3	6,464.5		2,941.6	6,365.6	5,457.6	5,090.9	5,296.7	4,429.7
Total assets	7,190.9	15,561.2		7,204.6	15,590.8	15,050.4	14,005.6	13,898.2	9,555.3
Short-term loans and financing (including current portion of long-term debt)[5]	547.0	1,183.7		517.7	1,120.4	1,808.3	2,764.1	2,746.1	1,966.4
Short-term debentures	3.6	7.8		4.3	9.3	5.0	353.4	32.1	26.2
Short-term related party debt	0.8	1.7		1.4	3.1	—	5.5	8.2	88.7
Long-term loans and financing[5]	1,593.9	3,449.1		1,507.2	3,261.6	3,261.4	3,628.2	3,891.6	3,101.7
Long-term debentures	784.8	1,698.2		739.0	1,599.3	1,167.9	1,143.0	1,190.2	473.6
Long-term related party debt	2.0	4.4		1.4	3.0	115.8	177.6	189.3	626.7
Minority interest	9.9	21.4		56.0	121.2	203.1	554.4	433.1	738.0
Share capital	1,621.2	3,508.3		1,572.6	3,403.0	3,403.0	1,887.4	1,845.4	1,201.6
Shareholders' equity	2,081.4	4,504.2		2,096.0	4,535.8	4,183.7	2,112.6	1,821.8	1,729.0
Other Financial Information:									
Cash Flow Data:									
Net cash provided by (used in):									
Operating activities	US$ (119.0)	R$ (257.6)	R$ 905.3	US$ 794.5	R$ 1,719.4	R$ 1,916.0	R$ 596.9	R$790.0	R$1,453.9
Investing activities	(300.8)	(650.9)	(349.8)	(484.3)	(1,048.0)	(1,014.4)	(469.4)	(646.7)	(862.2)
Financing activities	(7.4)	(16.0)	(20.6)	(152.4)	(329.7)	166.0	379.1	(237.2)	(404.9)
Other Information:									
Capital expenditures:									
Property, plant and equipment	US$ 177.6	R$ 384.3	R$ 248.4	US$ 360.8	R$ 780.7	R$ 442.2	R$ 223.7	R$419.9	R$ 318.0
Investments in other companies	109.3	236.6	15.8	15.7	34.0	23.6	71.7	13.1	1,172.3
Net debt[6][7]	2,128.5	4,606.1	2,893.9	1,573.2	3,404.4	4,155.2	6,289.7	6,878.4	4,742.3
EBITDA[6][7]	758.8	1,642.0	2,870.4	1,049.9	2,271.9	2,691.3	1,808.4	2,062.7	707.7
Net debt to E8BITDA ratio[6][7]	2.8x	2.8x	1.0x	1.5x	1.5x	1.5x	3.5x	3.3x	6.7x

(footnotes on following pages)

	At and for the Six Months Ended June 30,		At and for the Year Ended December 31,				
	2006	2005	2005	2004	2003	2002	2001
Operating Data[8]:							
Ethylene:							
Domestic sales volume (in thousands of tons)	555.5	588.0	1,169.8	1,098.9	1,047.3	994.8	1,064.8
Average domestic price per ton (in R$)	2,171	2,360	2,204	2,095	1,655	1,292	1,135
Propylene:							
Domestic sales volume (in thousands of tons)	209.1	229.8	497.5	446.8	403.4	415.2	421.1
Average domestic price per ton (in R$)	2,000	2,201	2,132	1,833	1,477	1,106	829
Polyethylene[9]:							
Domestic sales volume (in thousands of tons)	286.2	236.5	502.3	498.7	446.1	491.7	199.3
Average domestic price per ton (in R$)	3,006	3,230	3,072	2,987	2,567	2,007	2,114
Polypropylene[9]:							
Domestic sales volume (in thousands of tons)	228.2	206.2	419.9	418.5	374.9	395.1	140.4
Average domestic price per ton (in R$)	3,156	3,534	3,344	3,155	2,689	1,931	1,969
PVC[10]:							
Domestic sales volume (in thousands of tons)	194.3	175.2	378.9	394.4	342.4	350.1	125.9
Average domestic price per ton (in R$)	2,434	3,120	2,747	3,042	2,390	2,034	1,612
Number of employees (at period end)	3,252	3,146	3,262	2,996	2,868	2,817	1,424

(1) Translated for convenience only using the selling rate as reported by the Central Bank at June 30, 2006 for *reais* into U.S. dollars of R$2.164=US$1.00.

(2) Does not give effect to reclassification of Codeverde. See “Introduction—Financial Statements” included in our 2005 Form 20-F.

(3) Does not give effect to reclassification of Petroflex. See “Introduction—Financial Statements” included in our 2005 Form 20-F.

(4) Investment in associated companies, net comprises equity in the results, amortization of goodwill, net, foreign exchange variation and tax incentives and other.

(5) Includes quotas (i.e., shares) subject to mandatory redemption. Prior to January 1, 2006, we recorded quotas subject to mandatory redemption as a separate line item of our balance sheet and not as part of loans and financing. Pursuant to CVM Release 01/2006, we now present liabilities related to quotas subject to mandatory redemption as part of loans and financing. Accordingly, short-term loans and financing (including current portion of long-term debt) at December 31, 2005 and 2004 reflect the reclassification of quotas subject to mandatory redemption in the amount of R$225.4 million and R$22.4 million, respectively, and long-term loans and financing at December 31, 2005 and 2004 reflect the reclassification of quotas subject to mandatory redemption in the amount of R$404.1 million and R$201.8 million, respectively.

(6) The indenture governing the notes will not have any financial covenants. See “Description of the Notes—Covenants.” However, notes issued under our MTN program are subject to a covenant that prohibits us and our subsidiaries from issuing debt (subject to certain exceptions) directly or indirectly unless our pro forma net debt to EBITDA ratio is less than 4.5 to 1.0. For more information on the definitions of terms used to calculate this ratio and a reconciliation of EBITDA to our statement of cash flows (for purposes of our MTN program), see footnote (7) below.

(7) The terms and conditions of the notes issued under our medium-term note program include a covenant prohibiting us, and our subsidiaries, from issuing, directly or indirectly, any debt (subject to certain exceptions) unless our pro forma net debt to EBITDA ratio at the date of such issuance is less than 4.5 to 1.0. These terms and conditions define:

- the net debt to EBITDA ratio as the ratio of our net debt to our EBITDA for the then most recently concluded period of four consecutive fiscal quarters, subject to adjustments for asset dispositions and investments made during the period;

- net debt at any time as the aggregate amount of debt (subject to certain exceptions) of our company and its consolidated subsidiaries less the sum of consolidated cash and cash equivalents and consolidated marketable securities recorded as current assets (except for any capital stock in any person); and
- EBITDA for any period as
  - our consolidated net sales revenue *minus*
  - our consolidated cost of sales and services rendered *minus*
  - our consolidated selling expenses and general and administrative expenses *plus*
  - any depreciation or amortization included in our consolidated cost of sales and services rendered or selling expenses or general and administrative expenses *plus*
  - all cash dividends and interest attributable to shareholders' equity received from proportionally consolidated companies and from unconsolidated associated companies accounted for by the equity method *plus*
  - our other consolidated operating income *minus*
  - our other consolidated operating expenses;

as each such item is reported on our most recent consolidated financial statements prepared under Brazilian GAAP, except that for purposes of calculating EBITDA in accordance with this covenant, we eliminate the effect of proportional consolidation.

The table below sets forth our net debt, EBITDA and net debt to EBITDA Ratio for the periods presented, in each case calculated in accordance with the terms of the issuing and paying agency agreement governing our medium-term note program. We have presented the net debt to EBITDA ratio for periods prior to the date on which our medium-term note program was established for comparative purposes.

	For the Twelve Months Ended June 30,			For the Year Ended December 31,			
	2006[a]	2006	2005	2005[a]	2005	2004	2003
	(in millions of US$)	(in millions of *reais*)		(in millions of US$)	(in millions of *reais*)		
Net Debt:							
Consolidated debt[b]	US$ 2,747.9	R$ 5,946.5	R$ 5,720.5	US$ 2,592.2	R$ 5,609.6	R$ 5,853.4	R$7,343.1
Consolidated cash and cash equivalents	(521.1)	(1,127.7)	(2,233.6)	(960.7)	(2,078.9)	(1,697.1)	(219.8)
Consolidated current other investments (excluding capital stock)[c]	(98.3)	(212.7)	(593.0)	(58.3)	(126.3)	(1.1)	(833.6)
Net debt	US$ 2,128.5	R$ 4,606.1	R$ 2,893.9	US$ 1,573.2	R$ 3,404.4	R$ 4,155.2	R$6,289.7
EBITDA:							
Consolidated net sales revenue	US$ 5,153.4	R$11,152.0	R$12,122.0	US$ 5,367.2	R$11,614.6	R$11,044.3	R$9,190.9
Consolidated cost of sales and services rendered	(4,417.7)	(9,560.0)	(9,189.2)	(4,306.1)	(9,318.5)	(8,305.7)	(7,341.6)
Consolidated selling, general and administrative expenses[d][e]	(337.8)	(731.1)	(694.8)	(317.8)	(687.8)	(587.3)	(401.5)
Depreciation and amortization included in our consolidated cost of sales and services rendered	210.9	456.3	400.7	189.4	409.8	366.7	309.4
Cash dividends and interest attributable to stockholders' equity received	73.8	159.8	205.7	84.9	183.8	137.9	—
Other consolidated operating income and expenses, net	76.2	165.0	26.0	32.3	70.0	35.4	51.2
EBITDA	US$ 758.8	R$ 1,642.0	R$ 2,870.4	US$ 1,049.9	R$ 2,271.9	R$ 2,691.3	R$1,808.4
Net Debt to EBITDA ratio	2.8x	2.8x	1.0x	1.5x	1.5x	1.5x	3.5x

(a) Translated for convenience only using the selling rate as reported by the Central Bank at June 30, 2006 for *reais* into U.S. dollars of R$2.164=US$1.00.

(b) Includes quotas (i.e., shares) subject to mandatory redemption. Prior to January 1, 2006, we recorded quotas subject to mandatory redemption as a separate line item of our balance sheet and not as part of loans and financing. As a result, prior to January 1, 2006, quotas subject to mandatory redemption were not a component of consolidated debt. Pursuant to CVM Release 01/2006, we now present liabilities related to quotas subject to mandatory redemption as part of loans and financing, a component of consolidated debt. Accordingly, consolidated debt at December 31, 2005 and 2004 reflects the reclassification of quotas subject to mandatory redemption in the amount of R$605.8 million and R$201.8 million, respectively.

(c) Includes investments in Chemical Credit Rights Investment Fund and Chemical Credit Rights Investment Fund II. Prior to January 1, 2006, we recorded our interests in these funds under the proportional consolidation method in accordance with CVM Instruction 247. Pursuant to CVM Release 01/2006, we now fully consolidate the equity of these funds in our balance sheet. Accordingly, consolidated current other investments (excluding capital stock) at December 31, 2005 and 2004 reflects the inclusion of the equity of these funds in the amount of R$100.3 million and R$1.1 million, respectively.

(d) Excludes depreciation and amortization.

(e) Includes selling, general and administrative expenses of Chemical Credit Rights Investment Fund (*Chemical Fundo de Investimento em Direitos Creditórios*) and Chemical Credit Rights Investment Fund II (*Chemical II Fundo de Investimento em Direitos Creditórios*). Prior to January 1, 2006, we recorded a portion of the selling, general and administrative expenses of these funds in our income statement under the proportional consolidation method in accordance with CVM Instruction 247. Pursuant to CVM Release 01/2006, we now fully consolidate the selling, general and administrative expenses of these funds in our income statement. Accordingly, selling, general and administrative expenses for the years ended December 31, 2005 and 2004 reflects the inclusion of selling, general and administrative expenses of these funds in the amount of R$11.4 million and R$6.7 million, respectively.

We have included a calculation of net debt, EBITDA and the net debt to EBITDA ratio in accordance with this covenant, as we believe that (1) notes outstanding under our medium-term note program represent our most significant outstanding indebtedness, (2) this covenant is a material term of our medium-term note program and (3) information about this covenant is important for investors to understand our liquidity. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness and Financing Strategy" for a discussion of our medium-term note program and this covenant. EBITDA is not a measure under Brazilian GAAP and should not be considered as a substitute for net income or loss, cash flow from operations or other measures of operating performance or liquidity determined in accordance with Brazilian GAAP. EBITDA is not intended to represent funds available for dividends or other discretionary uses by us because those funds are required for debt service, capital expenditures, working capital and other commitments and contingencies. The use of EBITDA has material limitations, including the following:

- EBITDA does not include interest expense. Because we have borrowed money to finance some of our operations, interest is a necessary and ongoing part of our costs and assists us in generating revenue.
- EBITDA does not include income taxes and social contribution. The payment of income taxes and social contribution is a necessary and ongoing part of our operations.
- EBITDA does not include depreciation and amortization. Because we must utilize property, plant and equipment in order to generate revenues in our operations, depreciation and amortization are a necessary and ongoing part of our costs.

We have calculated EBITDA in accordance with a covenant in our medium-term note program, which calculation may not be comparable to similarly titled measures of other companies.

The following table reconciles EBITDA to our statement of cash flows:

	For the Twelve Months Ended June 30			For the Year Ended December 31			
	2006[(a)]	2006	2005	2005[(a)]	2005	2004	2003
	(in millions of US$)	(in millions of *reais*)		(in millions of US$)	(in millions of *reais*)		
Net cash provided by operating activities	US$ 257.2	R$ 556.6	R$ 2,383.2	US$ 794.5	R$1,719.4	R$1,916.0	R$ 596.9
Adjustments to reconcile cash provided by operating activities with proportional consolidation to EBITDA:							
Interest and monetary and exchange variations	16.4	35.4	1,071.5	61.5	133.1	336.2	494.0
Adjustments to realization value of investments	(0.6)	(1.4)	15.6	(1.0)	(2.2)	(0.6)	(3.8)
Loss on permanent assets disposed of	0.2	0.5	(24.5)	(1.0)	(2.2)	(23.7)	(52.4)
Tax recoveries	37.2	80.6	—	—	—	—	—
Other	10.8	23.4	(28.5)	14.3	30.9	(18.5)	(66.4)
Increase (decrease) in assets:							
Other investments	(183.3)	(396.6)	464.0	37.9	82.1	(47.8)	(126.5)
Trade accounts receivable	(11.1)	(24.1)	124.3	(74.7)	(161.7)	451.7	242.8
Fair market value of derivative financial instruments	—	—	—	—	—	4.1	(33.8)
Inventories	47.0	101.8	267.8	23.8	51.5	389.6	197.7
Taxes recoverable	98.8	213.9	(86.3)	60.2	130.3	(289.4)	(321.2)
Prepaid expenses	(8.5)	(18.3)	0.2	(7.4)	(16.0)	(29.6)	(26.0)
Other receivables	10.2	22.1	15.1	13.9	30.1	(28.1)	(186.4)
Decrease (increase) in liabilities:							
Suppliers	25.6	55.5	(1,248.9)	(224.2)	(485.1)	(1,152.1)	612.2
Taxes, charges and contributions	56.6	122.4	(108.5)	36.6	79.3	(174.3)	40.6
Tax incentives	(17.3)	(37.4)	(158.3)	(42.1)	(91.2)	(112.5)	65.0
Advances from customers	24.4	52.7	41.8	0.3	0.6	212.3	(153.0)
Other payables	(14.6)	(31.5)	(143.0)	24.2	52.4	42.7	(118.3)
Other adjustments:							
Current income tax and social contribution	31.3	67.8	282.9	29.6	64.1	126.0	113.2
Non-operating expenses, net	3.4	7.3	44.9	11.4	24.7	29.2	4.6
Financial expenses, net	432.1	935.0	249.2	308.3	667.2	1,178.8	655.6
Cash dividends and interest attributable to stockholders' equity	0.9	2.0	2.4	0.9	2.0	0.8	63.8
Proportional consolidation adjustments	(57.9)	(125.7)	(294.5)	(17.1)	(37.4)	(119.5)	(190.2)
EBITDA	US$ 758.8	R$1,642.0	R$ 2,870.4	US$1,049.9	R$2,271.9	R$2,691.3	R$1,808.4

(a) Translated for convenience only using the selling rate as reported by the Central Bank at June 30, 2006 for *reais* into U.S. dollars of R$2.164=US$1.00.

The indenture governing the notes will not have any financial covenants. See "Description of the Notes—Covenants."

(8) Including intra-company sales within Braskem. Intra-company sales of ethylene totaled approximately 357,000 tons in the six months ended June 30, 2006, 295,000 tons in the six months ended June 30, 2005, 588,700 tons in 2005, 537,100 tons in 2004 and 488,300 tons in 2003. Intracompany sales of propylene totaled approximately 42,000 tons in the six months ended June 30, 2006, 37,000 tons in the six months ended June 30, 2005, 89,300 tons in 2005, 31,300 tons in 2004 and 4,300 tons in 2003.

(9) Represents the sum of the sales volumes of Polialden and OPP Química for 2001.

(10) Represents the sales volume of Trikem for 2001.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated interim financial information at June 30, 2006 and for the six month periods ended June 30, 2006 and 2005 included in this offering memorandum, the information presented under "Presentation of Financial and Other Information" and "Summary—Summary Financial and Other Information," our audited consolidated financial statements at December 31, 2005 and 2004 and for the three years ended December 31, 2005 included in our 2005 Form 20-F, and "Introduction—Financial Statements," "Item 5: Operating and Financial Review and Prospects" and "Item 11: Quantitative and Qualitative Disclosures about Market Risk" included in our 2005 Form 20-F.

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including those set forth in "Forward-Looking Statements" and in "Risk Factors."

The discussion and analysis of our financial condition and results of operations has been organized to present the following:

- a review of our financial presentation;
- a brief overview of our company and the principal factors that have influenced our results of operations during the six months ended June 30, 2006;
- a discussion of developments since June 30, 2006 that may materially affect our results of operations, financial condition and liquidity;
- a discussion of our results of operations for the six months ended June 30, 2006 and 2005;
- a discussion of our liquidity and capital resources, including our cash flows for six months ended June 30, 2006 and our material short-term and long-term indebtedness at June 30, 2006;
- a discussion of our off-balance sheet arrangements; and
- a discussion of our capital expenditures.

Presentation of Financial Statements

We have prepared our unaudited condensed consolidated interim financial information at June 30, 2006 and for the six months ended June 30, 2006 and 2005 in accordance with Brazilian GAAP, which differs in certain respects from U.S. GAAP. See note 31 to our audited consolidated financial statements included in our 2005 Form 20-F and note 27 to our unaudited condensed consolidated interim financial information included in this offering memorandum.

Our unaudited condensed consolidated interim financial information has been prepared in accordance with CVM Instruction No. 247/96, as amended by CVM Instruction Nos. 269/97, 285/98 and 319/99, which we refer to collectively as Instruction 247. Instruction 247 requires our company to proportionally consolidate jointly controlled companies that are not our subsidiaries, principally Copesul, Petroflex and, prior to April 6, 2006, Politeno.

Overview

We are the leading petrochemical company in Latin America, based on average annual production capacity in 2005. We are also the second largest Brazilian-owned private sector industrial company, based on net sales revenue in 2005. We recorded net income of R$625.8 million in 2005 on net sales revenue of R$13,075.1 million. We produce a diversified portfolio of petrochemical products in our 14 plants in Brazil and have a strategic focus on polyethylene, polypropylene and PVC. We were the first Brazilian company with integrated first and second generation petrochemical production facilities.

Our results of operations in the six months ended June 30, 2006 have been influenced by a variety of factors, including:

- the 40.5% increase in the international market price expressed in dollars of naphtha, our principal raw material, during the six months ended June 30, 2006, and the 18.9% increase in the average cost per ton of naphtha to our company expressed in dollars during the six months ended June 30, 2006 compared to the same period in 2005, which have significantly increased the cost of producing our products;
- the 8.2% appreciation of the Brazilian *real* against the U.S. dollar during the six months ended June 30, 2006 compared to the 12.9% appreciation of the Brazilian *real* against the U.S. dollar during the same period in 2005, which has affected the amounts as expressed in *reais* of our net sales revenues, our cost of sales and services rendered and some of our operating and other expenses that are denominated in or linked to U.S. dollars, and has affected our financial expenses as a result of our significant U.S. dollar-denominated liabilities that require us to make principal and interest payments in U.S. dollars;
- the effect of our acquisition on April 6, 2006 of common and preferred shares of Politeno that were owned by third parties, which we refer to as the Politeno acquisition, as a result of which (1) we increased our ownership of Politeno's voting share capital from 35.0% to 100% and our interest in Politeno's total share capital from 34.0% to 96.2%, and (2) we have, since April 6, 2006, fully consolidated Politeno's results in our consolidated financial statements and included Politeno's results in our Polyolefins segment;
- our capacity utilization rates, which declined during the six months ended June 30, 2006 compared to the six months ended June 30, 2005 for many of our products as a result of reduced demand for some of our products due to market conditions, an unscheduled shutdown of 11 days of our ethylene pipeline that supplies the plants of our Vinyls Unit in Alagoas, and the scheduled maintenance shutdown of 14 days at our PVC plant in the Northeastern Complex;
- the increase of our outstanding indebtedness, excluding related party debt, to R$6,338.8 million at June 30, 2006 compared to R$5,990.6 million at December 31, 2005;
- the decline of benchmark interest rates in Brazil during the six months ended June 30, 2006, which has reduced our interest expenses on our *real*-denominated floating rate debt;
- the decline of inflation in Brazil to 1.3% during the six months ended June 30, 2006 compared to 1.5% during the same period in 2005, which has reduced the rate of increase of some of our operating expenses denominated in *reais* and resulted in relatively lower interest rates on some of our real-denominated debt that is indexed to take into account the effects of inflation or bears interest at rates that are partially adjusted for inflation;
- the tax policies adopted by, and resulting tax obligations to, the Brazilian government and the governments of the Brazilian states in which we operate. For example, in March 2006, the Brazilian government adopted Provisional Measure 255 under which we are entitled to tax credits in respect of PIS and COFINS on our purchases of naphtha that exceed the amount of PIS and COFINS included in the purchase price by an aggregate of 3.65% of the purchase price. These tax credits had the effect of reducing our cost of sales and services rendered by approximately R$64 million in the six months ended June 30, 2006.

Recent Developments

Tender Offer

On August 29, 2006, we commenced a cash tender offer for any and all of our outstanding US$275.0 million principal amount of 12.50% Notes due 2008. The tender offer will expire on September 27, 2006, unless we extend it. We intend to use the proceeds from this offering to purchase any or all of these notes that are validly tendered.

14th Issue of Debentures

We are undertaking the offering of our 14th issue of *real*-denominated unsecured non-convertible debentures. These debentures will be issued in a single series of 50,000 debentures, each with a par value of R$10,000, or a total of R$500.0 million principal amount of debentures. These debentures will bear interest at a rate of 103.5% of the CDI rate, payable semi-annually in arrears, and will mature in September 2011. We expect to offer these debentures in Brazil upon approval by the CVM of the offering of these debentures. We plan to use the net proceeds from the sale of these debentures for general corporate purposes, including working capital.

Other Recent Developments

For a discussion of other developments since December 31, 2005 affecting our company, see "Recent Developments."

Results of Operations for the Six Months Ended June 30, 2006 Compared with Six Months Ended June 30, 2005

The following discussion of our results of operations is based on our consolidated financial statements prepared in accordance with Brazilian GAAP.

The discussion of the results of our business segments is based upon financial information reported for each of the four segments of our business, as presented in the table below. There are certain differences between the concepts used by our company in preparing information about segments and the requirements of Brazilian GAAP as applied in the statutory financial statements. The principal differences are:

- investments in certain jointly controlled companies which are required to be proportionally consolidated under Brazilian GAAP are not considered as part of any segment for segment reporting purposes and are included under the columns titled "CVM 247" in the tables below; and
- operating income for segment reporting purposes does not consider the results of investments in associated companies and financial income and expenses, whereas such results and income and expenses are classified as operating items for statutory reporting purposes.

The following tables set forth the operating results of each of our segments and the reconciliation of these results of our segments to our consolidated results of operations. This segment information was prepared on the same basis as the information that our senior management uses to allocate resources among segments and evaluate their performance. We evaluate and manage the performance of our segments based on information generated from our statutory accounting records maintained in accordance with Brazilian GAAP, and, accordingly, the segment data included in this offering memorandum is presented under Brazilian GAAP. However, the operating income presented in the following tables does not include financial expenses, financial income and investment in associated companies.

	Year Ended June 30, 2006								
	Basic Petro-chemicals	**Polyolefins**	**Vinyls**	**Business Develop-ment**	**Total segments**	**Eliminations**	**Total prior to CVM 247**	**CVM 247**	**Consoli-dated**
	(in millions of *reais*)								
Net sales revenue	R$ 3,261.2	R$ 2,096.3	R$ 762.1	R$ 247.7	R$ 6,367.3	R$(867.6)	R$5,499.7	R$686.0	R$6,185.7
Cost of sales and services rendered	(2,976.0)	(1,790.5)	(639.7)	(279.7)	(5,685.9)	864.2	(4,821.7)	(519.7)	(5,341.4)
Gross profit	285.2	305.8	122.4	(32.0)	681.4	(3.4)	678.0	166.3	844.3
Operating expenses:									
Selling, general and administrative	(133.5)	(164.6)	(49.3)	(9.6)	(357.0)	(36.4)	(393.4)	(29.6)	(423.0)
Depreciation and amortization	(0.1)	(3.9)	(0.3)	(0.2)	(4.5)	(178.7)	(183.2)	(2.1)	(185.3)
Other, net	9.4	4.8	7.0	(1.2)	20.0	92.8	112.8	6.3	119.1
Operating income	R$ 161.0	R$ 142.1	R$ 79.8	R$ (43.0)	R$ 339.9	R$(125.7)	R$ 214.2	R$140.9	R$ 355.1

	Year Ended June 30, 2005								
	Basic Petro-chemicals	**Polyolefins**	**Vinyls**	**Business Develop-ment**	**Total segments**	**Eliminations**	**Total prior to CVM 247**	**CVM 247**	**Consoli-dated**
	(in millions of *reais*)								
Net sales revenue	R$ 3,762.1	R$ 2,017.2	R$ 960.5	R$ 321.2	R$ 7,061.0	R$(1,098.8)	R$5,962.2	R$760.1	R$6,722.3
Cost of sales and services rendered	(3,091.7)	(1,620.8)	(621.4)	(297.7)	(5,631.6)	1,051.4	(4,580.2)	(494.8)	(5,075.0)
Gross profit	670.4	396.4	339.1	23.5	1,429.4	(47.4)	1,382.0	265.3	1,647.3
Operating expenses:									
Selling, general and administrative	(115.3)	(110.3)	(37.5)	(9.1)	(272.2)	(74.5)	(346.7)	(60.7)	(407.4)
Depreciation and amortization	—	(3.2)	0.3	(0.1)	(3.0)	(192.3)	(195.3)	(2.9)	(198.2)
Other, net	15.7	1.3	(4.6)	2.6	15.0	3.0	18.0	(0.4)	17.6
Operating income	R$ 570.8	R$ 284.2	R$ 297.3	R$ 16.9	R$ 1,169.2	R$ (311.2)	R$ 858.0	R$201.3	R$1,059.3

In the following discussion, references to increases or decreases in any period are made by comparison with the corresponding prior period, except as the context otherwise indicates.

Consolidated Results

The following table sets forth consolidated financial information for the six months ended June 30, 2006 and 2005.

	Six Months Ended June 30,	
	2006	2005
	(In millions of *reais*)	
Net sales revenue	R$ 6,185.7	R$ 6,722.3
Cost of sales and services rendered	(5,341.4)	(5,075.0)
Gross profit	844.3	1,647.3
Selling, general and administrative expenses	(423.0)	(407.4)
Investment in associated companies, net(1)	12.2	(43.5)
Depreciation and amortization	(185.3)	(198.2)
Financial expenses, net	(350.0)	(124.4)
Other operating income, net	119.1	17.6
Operating income	17.3	891.4
Non-operating expenses, net	1.5	(16.4)
Income before income tax and social contribution and minority interest	18.8	875.0
Income tax and social contribution	50.1	(240.6)
Income before minority interest	68.9	634.4
Minority interest	(0.7)	(0.6)
Net income	R$ 68.2	R$ 633.8

(1) Investment in associated companies, net comprises the following line items in our consolidated statement of operations: equity in the results, amortization of goodwill (negative goodwill), net, foreign exchange variation, and tax incentives and other.

Net Sales Revenue

Net sales revenue declined by 8.0% in the six months ended June 30, 2006, compared to the same period in 2005, primarily as a result of a 13.3% decline in net sales revenue of our Basic Petrochemicals segment, a 20.7% decline in net sales revenue of our Vinyls segment and a 22.9% decline in net sales revenue of our Business Development segment. The effects of these declines were partially offset by a 3.9% increase in net sales revenue of our Polyolefins segment. Without giving effect to the proportional consolidation of our jointly controlled companies, our net sales revenue declined by 7.8% in the six months ended June 30, 2006.

Cost of Sales and Services Rendered and Gross Profit

Cost of sales and services rendered increased by 5.2% in the six months ended June 30, 2006 compared to the same period in 2005, primarily as a result of a 10.5% growth in the cost of sales of our Polyolefins segment. The effects of this growth were partially offset by a 3.7% decrease in cost of sales and services rendered of our Basic Petrochemicals segment. Without giving effect to the proportional consolidation of our jointly controlled companies, our cost of sales and services rendered increased by 5.3% in the six months ended June 30, 2006.

As a result, gross profit declined by 48.7% in the six months ended June 30, 2006 compared to the same period in 2005. Without giving effect to the proportional consolidation of our jointly controlled companies, gross profit declined by 50.9% in the six months ended June 30, 2006.

Gross profit as a percentage of net sales revenue, or gross margin, was 13.6% in the six months ended June 30, 2006 compared to 24.5% in the same period in 2005. Without giving effect to the proportional consolidation of our jointly controlled companies, gross margin declined to 12.3% in the six months ended June 30, 2006 compared to 23.2% in the same period in 2005.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 3.8% during the six months ended June 30, 2006, primarily as a result of (1) increased variable expenses related to our increased export volumes, (2) the increase in our provision for doubtful accounts as a result of the Politeno acquisition, (3) non-recurring expenses incurred relating to our restructuring of our PET and caprolactam businesses, and (4) expenses incurred in connection with the integration of Politeno into our company.

Selling, general and administrative expenses represented 6.8% of net sales revenue in the six months ended June 30, 2006 compared to 6.1% of net sales revenue for the same period in 2005. Without giving effect to the proportional consolidation of our jointly controlled companies, selling, general and administrative expenses increased by 13.4% in the six months ended June 30, 2006 compared to the same period in 2005, and selling, general and administrative expenses represented 7.2% of net sales revenue during the six months ended June 30, 2006 compared to 5.8% of net sales revenue during the same period in 2005.

Investment in Associated Companies, Net

Investment in associated companies, net, was income of R$12.2 million in the six months ended June 30, 2006 compared to expense of R$43.5 million in the same period in 2005, primarily as a result of a R$63.7 million decrease in amortization of negative goodwill principally as a result of our acquisition of Polialden. Without giving effect to the proportional consolidation of our jointly controlled companies, investment in associated companies, net, increased by 13.3% in the six months ended June 30, 2006.

Depreciation and Amortization

Depreciation and amortization declined by 6.5% in the six months ended June 30, 2006 compared to the same period in 2005. Depreciation and amortization expenses were higher in the six months ended June 30, 2005, primarily as a result of the non-recurring amortization of deferred expenses, including fees and expenses incurred in connection with structured finance operations and our administrative restructuring that occurred in 2005. Without giving effect to the proportional consolidation of our jointly controlled companies, depreciation and amortization declined by 6.2% in the six months ended June 30, 2006 compared to the same period in 2005.

Financial Expenses, Net

Financial expenses, net, increased to R$350.0 million in the six months ended June 30, 2006 compared to R$124.4 million in the same period in 2005, primarily as a result of the effects of the *real*/U.S. dollar exchange rate on our U.S. dollar-denominated and U.S. dollar-indexed assets and liabilities. As a result of the 8.2% appreciation of the *real* against the U.S. dollar in the six months ended June 30, 2006, we recorded:

- financial income of R$294.4 million related to the exchange rate effect on our U.S. dollar-denominated and U.S. dollar-indexed liabilities; and
- financial expense of R$145.3 million related to the exchange rate effect on our U.S. dollar-denominated assets.

As a result of the 11.6% appreciation of the *real* against the U.S. dollar in the six months ended June 30, 2005, we recorded:

- financial income of R$590.1 million related to the exchange rate effect on our U.S. dollar-denominated and U.S. dollar-indexed liabilities; and
- financial expense of R$233.6 million related to the exchange rate effect on our U.S. dollar-denominated assets.

Without giving effect to the proportional consolidation of our jointly controlled companies, financial expenses, net increased to R$333.2 million in the six months ended June 30, 2006 compared to R$110.6 million in the same period in 2005.

Other Operating Income, Net

Other operating income, net increased to R$119.1 million in the six months ended June 30, 2006 compared to R$17.6 million in the same period in 2005, primarily as a result of our receipt of non-recurring revenue of R$113.7 million in the first half of 2006 in connection with the reversal of the tax provision for PIS and COFINS based on a recent and final Brazilian court decision. The provision was recorded in accordance with Law 9,178/98, which substantially broadened the concept of "gross billings" to include revenue generated from sources other than sales of goods and services, increasing the tax base upon which PIS and COFINS are assessed. Without giving effect to the proportional consolidation of our jointly controlled companies, other operating income, net increased by 526.7% in the six months ended June 30, 2006 compared to the same period in 2005.

Operating Income

Operating income decreased by 98.1% in the six months ended June 30, 2006 compared to the same period in 2005. Operating income represented 0.3% of net sales revenue in the six months ended June 30, 2006 compared to 13.3% of net sales revenue in the same period in 2005. Without giving effect to the proportional consolidation of our jointly controlled companies, operating income decreased by 103.1% in the six months ended June 30, 2006 compared to the same period in 2005 and represented 0.5% of net sales revenue in the six months ended June 30, 2006 compared to 13.9% of net sales revenue in the same period in 2005.

Non-Operating Income (Expense), Net

Non-operating income (expense), net was R$1.5 million in the six months ended June 30, 2006 compared to an expense of R$16.4 million in the same period in 2005, primarily as a result of an increase in our provision for environmental remediation. Without giving effect to the proportional consolidation of our jointly controlled companies, non-operating income (expense), net was income of R$2.9 million in the six months ended June 30, 2006 compared to expense of R$17.6 million in the same period in 2005.

Income Tax and Social Contribution

Income tax and social contribution was a benefit of R$50.1 million in the six months ended June 30, 2006 compared to an expense of R$240.6 million in the same period in 2005, primarily as a result of the creation of a deferred tax asset consisting of amortized goodwill relating to our merger with Polialden on May 31, 2006 and tax losses. Without giving effect to the proportional consolidation of our jointly controlled companies, income tax and social contribution was a benefit of R$92.1 million in the six months ended June 30, 2006 compared to an expense of R$177.3 million in the same period in 2005.

Minority Interest

Minority interest increased by 16.7% in the six months ended June 30, 2006 compared to the same period in 2005. Without giving effect to the proportional consolidation of our jointly controlled companies, minority interest increased by 16.7% in the six months ended June 30, 2006 compared to the same period in 2005.

Net Income

We recorded net income of R$68.2 million, or 1.1% of net sales revenue, in the six months ended June 30, 2006 compared to net income of R$633.8 million, or 9.4% of net sales revenue, in the six months ended June 30, 2005.

Business Segment Results

The following table sets forth consolidated financial information for our business segments for the six months ended June 30, 2006 and 2005.

	Six Months Ended June 30,	
	2006	2005
	(in millions of *reais*, except percentages)	
Basic Petrochemicals		
Net sales revenue	R$ 3,261.2	R$ 3,762.1
Cost of sales and services rendered	(2,976.0)	(3,091.7)
Gross profit	285.2	670.4
Operating income(1)	161.0	570.8
Gross margin (%)	8.7%	17.8%
Operating margin (%)	4.9%	15.2%
Polyolefins		
Net sales revenue	R$ 2,096.3	R$ 2,017.2
Cost of sales	(1,790.5)	(1,620.8)
Gross profit	305.8	396.4
Operating income(1)	142.1	284.2
Gross margin (%)	14.6%	19.7%
Operating margin (%)	6.8%	14.1%
Vinyls		
Net sales revenue	R$ 762.1	R$ 960.5
Cost of sales	(639.7)	(621.4)
Gross profit	122.4	339.1
Operating income(1)	79.8	297.3
Gross margin (%)	16.1%	35.3%
Operating margin (%)	10.5%	31.0%
Business Development		
Net sales revenue	R$ 247.7	R$ 321.2
Cost of sales	(279.7)	(297.7)
Gross profit	(32.0)	23.5
Operating income(1)	(43.0)	16.9
Gross margin (%)	(12.9)%	7.3%
Operating margin (%)	(17.4)%	5.3%

(1) Operating income does not include financial income, financial expense and investment in associated companies.

Basic Petrochemicals

Net Sales Revenue. Net sales revenue of the Basic Petrochemicals segment declined by 13.3% in the six months ended June 30, 2006 compared to the same period in 2005. Significant factors contributing to this decline were:

- a R$224.6 million, or 33.6%, decline in net sales revenue generated by domestic sales of ethylene to third parties;
- a R$176.2 million, or 39.0%, decline in net sales revenue generated by sales of benzene to third parties;
- a R$116.5 million, or 21.4%, decline in net sales revenue generated by sales of propylene to third parties; and
- a R$101.4 million, or 66.8%, decline in net sales revenue generated by domestic sales of para-xylene to third parties.

Net sales revenue generated by sales of basic petrochemicals by our Basic Petrochemicals segment to our other segments increased by 0.8% in the six months ended June 30, 2006 to R$963.3 million from R$955.8 million in the same period in 2005, and net sales revenue generated by sales of utilities by our Basic Petrochemicals segment to our other segments increased by 15.7% in the six months ended June 30, 2006 to R$77.2 million from R$66.7 million in the same period in 2005. Net sales revenue generated by sales of utilities to third parties increased by 11.3% in the six months ended June 30, 2006 to R$187.6 million from R$168.5 million in the same period in 2005. Net sales revenue generated by export sales of the Basic Petrochemicals segment declined by 35.8% in the six months ended June 30, 2006 to R$412.6 million from R$642.9 million in the same period in 2005.

Domestic sales volume of ethylene to third parties declined by 32.2% to approximately 198,800 tons in the six months ended June 30, 2006 from approximately 293,000 tons in the same period in 2005, principally due to (1) the reclassification of ethylene sales to Politeno as internal for the period after April 6, 2006, the date of the Politeno acquisition, and (2) reduced demand by second generation producers in the Northeastern Complex as a result of market conditions. Average domestic prices for ethylene declined by 2.1% to R$2,233 per ton in the six months ended June 30, 2006 from R$2,281 per ton in the same period in 2005.

Sales volume of benzene to third parties declined by 19.6% to approximately 162,400 tons in the six months ended June 30, 2006 from approximately 202,000 tons in the same period in 2005. Domestic sales volume of benzene to third parties increased by 8.0% in the six months ended June 30, 2006, while export sales volume of benzene declined by 34.9%, principally due to a reduction of our production of benzene as a result of a decrease in our internal requirements for benzene. Average domestic prices for benzene declined by 33.2% to R$1,686 per ton in the six months ended June 30, 2006 from R$2,522 per ton in the same period in 2005 and average export prices for benzene declined by 17.9% to R$1,706 per ton in the six months ended June 30, 2006 from R$2,079 per ton in the same period in 2005.

Sales volume of propylene to third parties declined by 11.6% to approximately 222,200 tons in the six months ended June 30, 2006 from approximately 251,300 tons in the same period in 2005. Domestic sales volume of propylene to third parties declined by 13.5% in the six months ended June 30, 2006, principally due to our reduction in ethylene production as a result of the reduced demand by third parties for ethylene, while export sales volume of propylene declined by 5.2%, principally due to our reduced production volumes and operational problems experienced by several of our customers. Average domestic prices for propylene declined by 8.1% to R$1,998 per ton in the six months ended June 30, 2006 from R$2,174 per ton in the same period in 2005 and average export prices for propylene declined by 20.7% to R$1,691 per ton in the six months ended June 30, 2006 from R$2,131 per ton in the same period in 2005.

Domestic sales volume of para-xylene to third parties declined by 63.0% to approximately 24,100 tons in the six months ended June 30, 2006 from approximately 65,200 tons in the same period in 2005, principally due to the reduction in our production volumes of para-xylene as a result of operational problems at our para-xylene plant that resulted in an unscheduled shutdown of this plant for 35 days. Average domestic prices for para-xylene declined by 10.3% to R$2,089 per ton in the six months ended June 30, 2006 from R$2,328 per ton in the same period in 2005.

Cost of Sales and Services Rendered and Gross Profit. Cost of sales and services rendered of the Basic Petrochemicals segment declined by 3.7% in the six months ended June 30, 2006 compared to the same period in 2005. This decrease was primarily attributable to the decline in sales volume in the six months ended June 30, 2006 compared to the same period in 2005, partially offset by (1) the increase in the average cost of naphtha to R$1,190.96 per ton in the six months ended June 30, 2006 from R$1,173.78 per ton in the same period in 2005, and (2) to a lesser extent, an increase in costs for utilities such as electricity, gas, steam and fuel oil. Naphtha accounted for 84.4% of the Basic Petrochemicals segment's cost of sales in the six months ended June 30, 2006 and 82.9% in the same period in 2005.

Gross profit of the Basic Petrochemicals segment declined by 57.5% in the six months ended June 30, 2006 and gross margin declined to 8.7% in the six months ended June 30, 2006 compared to 17.8% in the same period in 2005.

Operating Income. Operating income of the Basic Petrochemicals segment (which excludes financial income, financial expense and results from investment in associated companies) declined by 71.8% in the six months ended June 30, 2006 compared to the same period in 2005, principally as a result of a R$385.2 million decline in gross profit. Operating margin of the Basic Petrochemicals segment in the six months ended June 30, 2006 was 4.9% compared to 15.2% in the same period in 2005.

Polyolefins

Net Sales Revenue. Net sales revenue of the Polyolefins segment increased by 3.9% in the six months ended June 30, 2006 compared to the same period in 2005. This increase was primarily attributable to (1) an 8.9% increase in net sales revenue generated by sales of polyethylene, led by a 20.5% increase in net sales revenue generated by domestic sales of LLDPE and a 17.7% increase in net sales revenue generated by domestic sales of LDPE, and (2) to a lesser extent, net sales revenue of R$19.0 million generated by sales of ethyl vinyl acetate copolymer, which we have sold since the Politeno acquisition on April 6, 2006. The effects of these increases were partially offset by a 5.2% decline in net sales revenue generated by sales of polypropylene. Net sales revenue generated by export sales of the Polyolefins segment declined by 3.6% to R$505.7 million in the six months ended June 30, 2006 from R$524.8 million in the same period in 2005.

Sales volume of polyethylene increased by 17.0% to approximately 448,400 tons in the six months ended June 30, 2006 from approximately 383,400 tons in the same period in 2005. Domestic sales volume of polyethylene increased by 22.4% in the six months ended June 30, 2006 and export sales volume of polyethylene increased by 12.9%, in both cases principally due to the increase in our production capacity for existing products and the expansion of our polyethylene product line as a result of the Politeno acquisition. Average domestic prices for polyethylene declined by 6.8% to R$3,009 per ton in the six months ended June 30, 2006 from R$3,230 per ton in the same period in 2005, while average export prices for polyethylene stated in *reais* declined by 7.9% to R$2,596 per ton in the six months ended June 30, 2006 from R$2,820 per ton in the same period in 2005.

Sales volume of polypropylene increased by 3.8% to approximately 257,000 tons in the six months ended June 30, 2006 from approximately 247,500 tons in the same period in 2005 despite a scheduled maintenance shutdown of seven days during the first quarter of 2006 at one of our polypropylene plants in the Southern Complex. Domestic sales volume of polypropylene increased by 10.7% in the six months ended June 30, 2006, principally due to a 19% increase in domestic demand for polypropylene, while exports sales volume of polypropylene declined by 30.4%, principally due to the reduced volume of polypropylene available for export as a result of our increased domestic sales volume. Average domestic prices for polypropylene declined by 10.7% to R$3,156 per ton in the six months ended June 30, 2006 from R$3,534 per ton in the same period in 2005, while average export prices for polypropylene declined by 3.1% to R$2,535 per ton in the six months ended June 30, 2006 from R$2,616 per ton in the same period in 2005.

Cost of Sales and Gross Profit. Cost of sales of the Polyolefins segment increased by 10.5% in the six months ended June 30, 2006 compared to the same period in 2005, primarily as a result of a 12.9% increase in the total sales volume of our Polyolefins Unit. Our average cost for ethylene decreased by 7.8% during the six months ended June 30, 2006 compared to the same period in 2005, and our average cost for propylene increased by 4.5% during the six months ended June 30, 2006 compared to the same period in 2005.

Gross profit of the Polyolefins segment declined by 22.9% in the six months ended June 30, 2006 and gross margin declined to 14.6% in the six months ended June 30, 2006 compared to 19.7% in the same period in 2005.

Operating income. Operating income of the Polyolefins segment (which excludes financial income, financial expense and results from investment in associated companies) declined by 50.1% in the six months ended June 30, 2006, principally as a result of a R$90.6 million decline in gross profit, and a 49.2% increase in selling, general and administrative expenses, primarily due to increased selling, general and administrative expenses as a result of the Politeno acquisition and increased expenses related to rebates offered to some of our customers. Operating margin of the Polyolefins segment in the six months ended June 30, 2006 was 6.8% compared to 14.1% in the same period in 2005.

Vinyls

Net Sales Revenue. Net sales revenue of the Vinyls segment declined by 20.7% in the six months ended June 30, 2006 compared to the same period in 2005. This decrease was primarily attributable to a 16.9% decline in net sales revenue generated by sales of PVC, a 19.3% decrease in net sales revenue generated by sales of caustic soda, and a 58.1% decrease in net sales revenue generated by sales of EDC. Net sales revenue generated by export sales of this segment declined by 51.1% to R$70.7 million in the six months ended June 30, 2006 from R$144.5 million in the same period in 2005.

Sales volume of PVC increased by 2.4% to approximately 215,400 tons in the six months ended June 30, 2006 from approximately 210,300 tons in the same period in 2005, principally as a result of a 50,000 ton increase in our production capacity in the six months ended June 30, 2006 compared to the same period in 2005. The effects of this increased production capacity were partially offset by lost production volumes as a result of (1) a scheduled maintenance shutdown of 14 days during the first half of 2006 at our PVC plant in the Northeastern Complex and (2) an unscheduled shutdown of 11 days of our ethylene pipeline that supplies the plants of our Vinyls Unit in Alagoas as a result of emergency maintenance. Domestic sales volume of PVC increased by 10.9% in the six months ended June 30, 2006, principally due to an increase in domestic demand, while export sales volume of PVC declined by 39.8%, principally due to the reduced volume of PVC available for export as a result of our increased domestic sales volume. Average domestic prices for PVC declined by 22.0% to R$2,434 per ton in the six months ended June 30, 2006 from R$3,120 per ton in the same period in 2005, while average export prices for PVC declined by 6.0% to R$1,847 per ton in the six months ended June 30, 2006 from R$1,965 per ton in the same period in 2005.

Domestic sales volume of caustic soda declined by 9.4% to approximately 206,500 tons in the six months ended June 30, 2006 from approximately 228,000 tons in the same period in 2005, principally due to the decrease in our production volume as a result of the unscheduled shutdown of our ethylene pipeline and the replacement of one of the boilers in our Alagoas plant. Average domestic prices for caustic soda declined by 10.9% to R$909 per ton in the six months ended June 30, 2006 from R$1,021 per ton in the same period in 2005.

Export sales volume of EDC increased by 5.7% to approximately 73,100 tons in the six months ended June 30, 2006 from approximately 69,200 tons in the same period in 2005, principally due to the increased volume of EDC available for export as a result of our reduced internal demand for EDC during the first half of 2006. Average export prices for EDC declined by 60.4% to R$433 per ton in the six months ended June 30, 2006 from R$1,093 per ton in the same period in 2005.

Cost of Sales and Gross Profit. Cost of sales of the Vinyls segment increased by 2.9% in the six months ended June 30, 2006 compared to the same period in 2005, primarily as a result of a 5.4% increase in the cost of electricity and a 1.5% increase in the cost of ethylene.

Gross profit of the Vinyls segment declined by 63.9% in the six months ended June 30, 2006 compared to the same period in 2005, while gross margin decreased to 16.1% in the six months ended June 30, 2006 from 35.3% in the same period in 2005.

Operating Income. Operating income of the Vinyls segment (which excludes financial income, financial expense and results from investment in associated companies) declined by 73.2% in the six months ended

June 30, 2006, primarily as a result of a R$216.7 million decrease in gross profit. The operating margin of the Vinyls segment declined to 10.5% in the six months ended June 30, 2006 from 31.0% in the same period in 2005.

Business Development

Net Sales Revenue. Net sales revenue of our Business Development segment declined by 22.9% in the six months ended June 30, 2006 compared to the same period in 2005. This decrease was primarily attributable to a 32.5% decrease in net sales revenue generated by sales of caprolactam during the six months ended June 30, 2006, and a 15.3% decrease in net sales revenue generated by sales of PET during the six months ended June 30, 2006. Net sales revenue generated by export sales of this segment increased to R$66.2 million in the six months ended June 30, 2006 from R$58.1 million in the same period in 2005.

Sales volume of caprolactam declined by 12.5% to approximately 25,100 tons in the six months ended June 30, 2006 from approximately 28,700 tons in the same period in 2005. Export sales volume of caprolactam decreased by 30.3% in the six months ended June 30, 2006, primarily as a result of our curtailing exports in response to the decline in export prices available and the resulting decline in our margin on export sales, and domestic sales volume of caprolactam decreased by 1.5%. Average export prices for caprolactam declined by 18.6% to R$4,170 per ton in the six months ended June 30, 2006 from R$5,124 per ton in the same period in 2005, and average domestic prices for caprolactam declined by 26.1% to R$4,772 per ton in the six months ended June 30, 2006 from R$6,455 per ton in the same period in 2005.

Sales volume of PET increased by 17.0% to approximately 31,500 tons in the six months ended June 30, 2006 from approximately 27,000 tons in the same period in 2005, primarily as a result of our increased production of PET in the first half of 2006 compared to the first half of 2005 when our PET plant underwent a scheduled maintenance shutdown in April 2005. Domestic sales volume of PET declined by 22.5% in the six months ended June 30, 2006 primarily as a result of competition from low-price PET imports from Asia, while exports sales volume of PET increased to approximately 11,100 tons in the six months ended June 30, 2006 from approximately 550 tons in the same period in 2005, primarily as a result of our increased sales of PET to customers in the European market in response to increased imports of PET into Brazil. Average domestic prices for PET decreased by 26.2% to R$2,909 per ton in the six months ended June 30, 2006 from R$3,942 per ton in the same period in 2005, while average export prices for PET declined by 12.4% to R$2,723 per ton in the six months ended June 30, 2006 from R$3,107 per ton in the same period in 2005.

Cost of sales and gross profit. Cost of sales of the Business Development segment decreased by 6.0% in the six months ended June 30, 2006 compared to the same period in 2005. Gross profit of the Business Development segment decreased to a gross loss of R$32.0 million in the six months ended June 30, 2006 from a gross profit of R$23.5 million in the same period in 2005, resulting in a gross margin of negative 12.9% in the six months ended June 30, 2006 compared to 7.3% in the same period in 2005.

Operating income (loss). Operating income of the Business Development segment (which excludes financial income, financial expense and results from investment in associated companies) decreased to an operating loss of R$43.0 million in the six months ended June 30, 2006 from operating income of R$16.9 million in the same period in 2005, principally as a result of a R$55.5 million decrease in gross profit. Operating margin of the Business Development segment decreased to negative 17.4% in the six months ended June 30, 2006 from 5.3% in the same period in 2005.

Liquidity and Capital Resources

Our principal cash requirements consist of the following:

- working capital requirements;
- the servicing of our indebtedness;
- capital expenditures related to investments in operations, maintenance and expansion of plant facilities;

- funds required for acquisitions of equity interests in other petrochemical producers;
- dividends on our shares, including in the form of interest attributable to shareholders' equity; and
- funds required for purchases of our shares under our share repurchase program.

Our principal sources of liquidity have traditionally consisted of the following:

- cash flows from operating activities;
- short-term and long-term borrowings; and
- sales of debt securities in domestic and international capital markets.

At June 30, 2006, our consolidated cash and cash equivalents and other investments amounted to R$1,461.5 million, including R$121.1 million that has been included in our consolidated financial statements due to the effects of proportional consolidation and to which we do not generally have access because we jointly control our proportionally consolidated companies with third parties. At June 30, 2006, we had working capital of R$1,381.3 million. Without giving effect to the proportional consolidation of our jointly controlled companies, we had working capital of R$1,183.5 million at June 30, 2006.

Our working capital has decreased substantially since June 30, 2006, principally as a result of the reclassification of R$895.9 million principal amount of our subordinated convertible debentures, which mature on July 31, 2007, as short-term debt. These debentures are held by the Odebrecht Group.

Cash Flows

Cash flows from operating activities

Net cash used by operating activities was R$257.6 million in the six months ended June 30, 2006. Without giving effect to the proportional consolidation of our jointly controlled companies, net cash used by operating activities was R$386.2 million in the six months ended June 30, 2006.

The most significant factors in the generation of our consolidated cash flows from operating activities in the six months ended June 30, 2006 were:

- a R$178.5 million increase in taxes recoverable as a result of the increase in our exports which has generated tax credits that we have not yet been able to offset against tax payments;
- a R$109.6 million increase in other investments as a result of our investment of R$83.1 million in Chemical Credit Rights Investment Fund II;
- a R$93.1 million increase in trade accounts receivable as a result of the increase in export sales which have longer payment terms; and
- a R$90.9 million increase in inventories as a result of increased prices for raw materials and increased volumes of finished products held in inventory in anticipation of price increases for these products.

These negative factors contributing to our use of cash flows in operating activities were partially offset by the effects of our net income of R$68.2 million in the six months ended June 30, 2006.

Cash flows used in investing activities

Investing activities used net cash of R$650.9 million in the six months ended June 30, 2006. Without giving effect to the proportional consolidation of our jointly controlled companies, investing activities used net cash of R$545.5 million in the six months ended June 30, 2006.

During the six months ended June 30, 2006, investing activities for which we used cash on a consolidated basis primarily consisted of (1) additions to equipment related to the implementation of our Braskem+ program, and (2) the payment of R$237.5 million, representing the portion of the purchase price that was due upon the closing of the Politeno acquisition. The terms of the Politeno acquisition provide that we will be required to make an additional "earn-out" payment during the second half of 2007. In addition, we used R$70.8 million to perform maintenance on our plants during scheduled shutdowns during the six months ended June 30, 2006 and R$35.8 million in our safety, health and environmental programs.

Cash flows from financing activities

Financing activities used net cash of R$16.0 million in the six months ended June 30, 2006. Without giving effect to the proportional consolidation of our jointly controlled companies, financing activities used net cash of R$36.0 million in the six months ended June 30, 2006.

During the six months ended June 30, 2006, our principal sources of long-term borrowed funds consisted of the issuance of our 9.00% Perpetual Bonds in April 2006 in an aggregate principal amount of US$200.0 million, and our principal sources of short-term borrowed funds consisted of US$303.8 million under foreign exchange contracts (*ACE—Adiantamento sobre Contrato de Câmbio*) and US$178.1 million under a working capital line.

During the six months ended June 30, 2006, we used cash:

- to repay R$1,763.6 million of our short-term debt, including R$574.9 million under advances on export contracts (*Adiantamentos sobre Contratos de Exportação*), R$176.6 million under our export prepayment agreements, and R$482.7 million under our working capital lines;
- to pay R$342.4 million in dividends, interest attributable to shareholders equity and distributions to holders of minority interests in our subsidiaries; and
- to repurchase 4,003,600 of our class A preferred shares under our share repurchase program for an aggregate purchase price of R$57.0 million.

Indebtedness and Financing Strategy

At June 30, 2006, our total outstanding indebtedness on a consolidated basis, excluding related party debt, was R$6,338.8 million, consisting of R$1,191.5 million of short-term indebtedness, including current portion of long-term indebtedness (or 18.8% of our total indebtedness), and R$5,147.3 million of long-term indebtedness (or 81.2% of our total indebtedness). Without giving effect to the proportional consolidation of our jointly controlled companies, at June 30, 2006, our total outstanding indebtedness was R$5,946.5 million, consisting of R$937.2 million of short-term indebtedness, including current portion of long-term indebtedness, and R$5,009.3 million of long-term indebtedness.

On a consolidated basis, our *real*-denominated indebtedness at June 30, 2006 was R$3,347.9 million, and our foreign currency-denominated indebtedness was R$2,990.9 million. Without giving effect to the proportional consolidation of our jointly controlled companies, our *real*-denominated indebtedness at June 30, 2006 was R$3,031.8 million, and our foreign currency-denominated indebtedness was R$2,914.7 million. At June 30, 2006, our total outstanding indebtedness to related parties on a consolidated basis was R$6.1 million.

Our financing strategy has been to continue to extend the average maturity of our outstanding indebtedness, including by repaying short-term debt through longer-term borrowings and issuing longer-term debt securities, including the notes offered hereby, in order to increase our liquidity levels and improve our strategic, financial and operational flexibility. Our financing strategy over the next several years involves maintaining adequate liquidity and a debt maturity profile that is compatible with our anticipated cash flow generation and anticipated capital expenditures. In addition, we do not expect our capital expenditures to adversely affect the quality of our debt leverage ratios or our disciplined approach to capital allocation.

Short-Term Indebtedness

Our consolidated short-term debt, including debentures and current portion of long-term debt, but excluding related party debt, was R$1,191.5 million at June 30, 2006. Without giving effect to the proportional consolidation of our jointly controlled companies, our short-term debt was R$937.2 million at June 30, 2006.

We maintain short-term finance lines denominated in *reais* with a number of financial institutions in Brazil. Although we have no committed lines of credit with these financial institutions, we believe that we will continue to be able to obtain sufficient credit to finance our working capital needs based on current market conditions. At June 30, 2006, the consolidated outstanding balance under our working capital lines denominated in *reais* was R$20.5 million. Without giving effect to the proportional consolidation of our jointly controlled companies, we did not have an outstanding balance under our working capital lines denominated in *reais* at June 30, 2006.

We also obtain advances on certain export contracts from a variety of Brazilian financial institutions. These advances generally have a maturity of less than one year and relatively low interest rates. These advances on export contracts are generally secured by receivables to be generated from future export sales under those contracts. At June 30, 2006, our consolidated outstanding advances on export contracts totaled R$135.0 million (US$62.4 million). See note 15 to our unaudited consolidated interim financial information included in this offering memorandum. Without giving effect to the proportional consolidation of our jointly controlled companies, at June 30, 2006, we did not have any outstanding advances on export contracts.

In addition, we have incurred import financing for raw materials from various domestic and international institutions. These advances have a maturity of less than one year and bear interest at LIBOR plus a spread which varied between 0.45% and 2.50% during the year. These financings are generally evidenced by promissory notes. At June 30, 2006, our consolidated outstanding advances under our import financing arrangements totaled R$73.5 million (US$34.0 million). Without giving effect to the proportional consolidation of our jointly controlled companies, our outstanding advances under our import financing arrangements at June 30, 2006 totaled R$68.7 million (US$31.7 million).

Long-Term Indebtedness

The following table sets forth selected information with respect to certain of our principal outstanding long-term debt instruments at June 30, 2006. For a summary of the terms of these long-term debt instruments, see "Item 5: Operating and Financial Review and Prospects—Liquidity and Capital Resources—Indebtedness and Financing Strategy—Long-Term Indebtedness" in our 2005 Form 20-F.

Instrument	Outstanding Principal Amount at June 30, 2006	Final Maturity	Principal Covenants
Debentures:			
13th Issue of Debentures	R$300.0 million	June 2010	Financial ratios, limitations on liens and dividends
12th Issue of Debentures	R$300.0 million	June 2009	Financial ratios, limitations on liens, dividends, indebtedness, asset sales and investments
Subordinated Convertible Debentures	R$895.9 million	July 2007	Limitation on liens, indebtedness and investments
Medium-Term Notes:			
12.50% Notes due 2008	US$275.0 million	November 2008	Limitations on liens, dividends, indebtedness, related party transactions, investments, and mergers
11.75% Notes due 2014	US$250.0 million	January 2014	Limitations on liens, dividends, indebtedness, related party transactions, asset sales, and mergers
Other Fixed-Rate Notes:			
9.0% Notes due 2007	US$150.0 million	June 2007	Limitations on liens
9.375% Notes due 2015	US$150.0 million	June 2015	Limitations on liens, related party transactions and mergers
9.75% Perpetual Bonds	US$150.0 million	—	Limitations on liens, related party transactions and mergers
9.00% Perpetual Bonds(1)	US$200.0 million	—	Limitations on liens, related party transactions and mergers
Bank Credit Facilities:			
Bank Loan (construction financing)	US$5.6 million	December 2007	Limitations on liens and mergers
Secured Credit Agreement (construction financing)(2)	R$74.9 million	June 2016	Limitation on liens and asset sales
Syndicated Credit Agreement	US$46.0 million	March 2012	Financial ratios, limitations on liens, related party transactions, mergers and asset sales
Syndicated Credit Agreement	US$57.9 million	June 2012	Financial ratios, limitations on liens, related party transactions, mergers and asset sales
Acquisition Financing:			
BNDESPAR Loan	R$167.7 million	August 2006 (repaid)	Limitation on share transfers
Export Finance Facilities:			
Syndicated Secured Export Prepayment Facility	US$150.0 million	June 2009	Financial ratios, limitations on liens, dividends, investments, indebtedness, asset sales, related party transactions and mergers
Pre-Export Finance Facility	US$28.6 million	January 2008	
Quotas subject to mandatory redemption:			
Chemical Credit Rights Investment Fund	R$200.0 million	December 2006	
Chemical Credit Rights Investment Fund II	R$400.0 million	December 2008	

(1) On April 28, 2006, we issued and sold US$200.0 million aggregate principal amount of our 9.00% Perpetual Bonds. Interest on these bonds is payable quarterly in arrears in January, April, July and October in each year. We may, at our option, redeem these bonds, in whole or in part, at 100% of their principal amount plus accrued interest and additional amounts, if any, on any interest payment date on or after April 28, 2011, provided that, if we redeem these bonds in part, at least US$100 million aggregate principal amount of these bonds must remain outstanding following any partial redemption.

(2) Under this credit agreement, we are required to invest up to R$65.4 million of our own funds in accordance with an investment schedule as a condition precedent to disbursements of the loans. As of June 30, 2006, we have invested R$176.5 million on capital expenditures included on this investment schedule, including loans to our company in the aggregate principal amount of R$74.9 million disbursed by the lender.

We have a medium-term note program under which we may issue notes in an aggregate principal amount of up to US$1.0 billion. The indebtedness outstanding under our medium-term note program is material, given the aggregate amount outstanding under this facility and its tenor. At June 30, 2006, the outstanding principal amount of the notes issued under our medium-term note program was US$525.0 million (R$1,136.1 million), including US$250.0 million (R$541.0 million) of our 11.75% notes due 2014.

We are bound by the covenants included in the terms and conditions of the notes issued under the issuing and paying agency agreement governing our medium-term note program. Among the covenants included in the terms and conditions is a material covenant prohibiting us, and our subsidiaries, from issuing, directly or indirectly, any debt (subject to certain exceptions) unless our pro forma net debt to EBITDA ratio at the date of such issuance is less than 4.5 to 1.0.

These terms and conditions define:

- the net debt to EBITDA ratio as the ratio of our net debt to our EBITDA for the then most recently concluded period of four consecutive fiscal quarters, subject to adjustments for asset dispositions and investments made during the period;
- net debt at any time as the aggregate amount of debt (subject to certain exceptions) of our company and its consolidated subsidiaries less the sum of consolidated cash and cash equivalents and consolidated marketable securities recorded as current assets (except for any capital stock in any person); and
- EBITDA for any period as
  - our consolidated net sales revenue *minus*
  - our consolidated cost of sales and services rendered *minus*
  - our consolidated selling expenses and general and administrative expenses *plus*
  - any depreciation or amortization included in our consolidated cost of sales and services rendered or selling expenses or general and administrative expenses *plus*
  - all cash dividends and interest attributable to shareholders' equity received from proportionally consolidated companies and from unconsolidated associated companies accounted for by the equity method *plus*
  - our other consolidated operating income *minus*
  - our other consolidated operating expenses;

as each such item is reported in our most recent consolidated financial statements prepared under Brazilian GAAP, except that for purposes of calculating EBITDA in accordance with this covenant, we eliminate the effect of proportional consolidation under Instruction 247.

As a result, subject to certain exceptions, we may not incur additional indebtedness, including under our medium-term note program, until these notes are repaid if our net debt to EBITDA ratio equals or exceeds 4.5 to 1.0 at the time we propose to incur additional indebtedness. Our compliance with this covenant could limit our flexibility in planning for, or reacting to changes in, our business by limiting the funds that we can seek to borrow or raise in the capital markets to pursue capital expenditures, acquisitions or other plans. If we were to incur indebtedness in breach of this covenant it may result in an event of default under the notes issued under our medium-term note program, enabling the holders of these notes to accelerate the principal amounts outstanding, making them due and payable immediately. In addition, an event of default under these notes would also be an event of default under the instruments governing a significant amount of our other indebtedness, enabling creditors of this indebtedness to accelerate the principal amount.

Although our net debt to EBITDA ratio was 2.8 to 1.0 for the four fiscal quarters ended June 30, 2006, we cannot assure holders of notes that we will not need to incur additional indebtedness at a time when our net debt to EBITDA ratio is equal to or greater than 4.5 to 1.0.

We have included a calculation of net debt, EBITDA and the net debt to EBITDA ratio in accordance with the covenant under our medium-term note program, as we believe that (1) notes under our medium-term note program represent our most significant outstanding indebtedness, (2) this covenant is a material term of our medium-term note program and (3) information about this covenant is important for investors to understand our liquidity.

The table below sets forth our net debt, EBITDA and net debt to EBITDA ratio for the periods presented, in each case calculated in accordance with the terms of the issuing and paying agency agreement governing our medium-term note program. We have presented the net debt to EBITDA ratio for periods prior to the date on which our medium-term note program was established for comparative purposes.

	For the Twelve Months Ended June 30,			For the Year Ended December 31,			
	2006[1]	2006	2005	2005[1]	2005	2004	2003
	(in millions of US$)	(in millions of *reais*)		(in millions of US$)	(in millions of *reais*)		
Net Debt:							
Consolidated debt[2]	US$ 2,747.9	R$ 5,946.5	R$ 5,720.5	US$ 2,592.2	R$ 5,609.6	R$ 5,853.4	R$7,343.1
Consolidated cash and cash equivalents	(521.1)	(1,127.7)	(2,233.6)	(960.7)	(2,078.9)	(1,697.1)	(219.8)
Consolidated current other investments (excluding capital stock)[3]	(98.3)	(212.7)	(593.0)	(58.3)	(126.3)	(1.1)	(833.6)
Net debt	US$ 2,128.5	R$ 4,606.1	R$ 2,893.9	US$ 1,573.2	R$ 3,404.4	R$ 4,155.2	R$6,289.7
EBITDA:							
Consolidated net sales revenue	US$ 5,153.4	R$11,152.0	R$12,122.0	US$ 5,367.2	R$11,614.6	R$11,044.3	R$9,190.9
Consolidated cost of sales and services rendered	(4,417.7)	(9,560.0)	(9,189.2)	(4,306.1)	(9,318.5)	(8,305.7)	(7,341.6)
Consolidated selling, general and administrative expenses[4][5]	(337.8)	(731.1)	(694.8)	(317.8)	(687.8)	(587.3)	(401.5)
Depreciation and amortization included in our consolidated cost of sales and services rendered	210.9	456.3	400.7	189.4	409.8	366.7	309.4
Cash dividends and interest attributable to stockholders' equity received	73.8	159.8	205.7	84.9	183.8	137.9	—
Other consolidated operating income and expenses, net	76.2	165.0	26.0	32.3	70.0	35.4	51.2
EBITDA	US$ 758.8	R$ 1,642.0	R$ 2,870.4	US$ 1,049.9	R$ 2,271.9	R$ 2,691.3	R$1,808.4
Net Debt to EBITDA ratio	2.8x	2.8x	1.0x	1.5x	1.5x	1.5x	3.5x

(1) Translated for convenience only using the selling rate as reported by the Central Bank at June 30, 2006 for *reais* into U.S. dollars of R$2.164=US$1.00.

(2) Includes quotas (i.e., shares) subject to mandatory redemption. Prior to January 1, 2006, we recorded quotas subject to mandatory redemption as a separate line item of our balance sheet and not as part of loans and financing. As a result, prior to January 1, 2006, quotas subject to mandatory redemption were not a component of consolidated debt. Pursuant to CVM Release 01/2006, we now present liabilities related to quotas subject to mandatory redemption as part of loans and financing, a component of consolidated debt. Accordingly, consolidated debt at December 31, 2005 and 2004 reflects the reclassification of quotas subject to mandatory redemption in the amount of R$605.8 million and R$201.8 million, respectively.

(3) Includes investments in Chemical Credit Rights Investment Fund and Chemical Credit Rights Investment Fund II. Prior to January 1, 2006, we recorded our interests in these funds under the proportional consolidation method in accordance with CVM Instruction 247. Pursuant to CVM Release 01/2006, we now fully consolidate the equity of these funds in our balance sheet. Accordingly, consolidated current other investments (excluding capital stock) at December 31, 2005 and 2004 reflects the inclusion of the equity of these funds in the amount of R$100.3 million and R$1.1 million, respectively.

(4) Excludes depreciation and amortization.

(5) Includes selling, general and administrative expenses of Chemical Credit Rights Investment Fund and Chemical Credit Rights Investment Fund II. Prior to January 1, 2006, we recorded a portion of the selling, general and administrative expenses of these funds in our income statement under the proportional consolidation method in accordance with CVM Instruction 247. Pursuant to CVM Release 01/2006, we now fully consolidate the selling, general and administrative expenses of these funds in our income statement. Accordingly, selling, general and administrative expenses for the years ended December 31, 2005 and 2004 reflects the inclusion of selling, general and administrative expenses of these funds in the amount of R$11.4 million and R$6.7 million, respectively.

EBITDA is not a measure under Brazilian GAAP and should not be considered as a substitute for net income or loss, cash flow from operations or other measures of operating performance or liquidity determined in accordance with Brazilian GAAP. EBITDA is not intended to represent funds available for dividends or other discretionary uses by us because those funds are required for debt service, capital expenditures, working capital and other commitments and contingencies. The use of EBITDA has material limitations, including the following:

- EBITDA does not include interest expense. Because we have borrowed money to finance some of our operations, interest is a necessary and ongoing part of our costs and assists us in generating revenue.
- EBITDA does not include income taxes and social contribution. The payment of income taxes and social contribution is a necessary and ongoing part of our operations.
- EBITDA does not include depreciation and amortization. Because we must utilize property, plant and equipment in order to generate revenues in our operations, depreciation and amortization are a necessary and ongoing part of our costs.

We have calculated EBITDA in accordance with a covenant in our medium-term note program, which calculation may not be comparable to similarly titled measures of other companies.

In addition, we have other indebtedness that includes covenants that require us to maintain specified net debt to EBITDA levels, EBITDA to net financial expenses levels and short-term net debt to EBITDA levels. Under these other debt instruments, the most restrictive financial covenant levels are as follows:

- net debt to EBITDA less than or equal to 4.0 to 1.0 at the end of and for each fiscal quarter until maturity; and
- EBITDA to net financial expenses greater than or equal to 3.5 to 1.0 at the end of and for each fiscal quarter until maturity.

We also are required to maintain a maximum ratio of short-term net debt to EBITDA for a particular fiscal quarter if our net debt to EBITDA ratio is greater than a specified level or our EBITDA to net financial expenses ratio is less than a specified level.

The definitions of EBITDA contained in these instruments vary. In the instruments containing the most restrictive financial ratios described above, EBITDA is calculated differently than under the medium-term note program and is generally defined, for purposes of the net debt to EBITDA ratio and the EBITDA to net financial expenses ratio, as operating income less financial expenses, taxes, depreciation and amortization, plus dividends and interest attributable to shareholders' equity paid to us by our unconsolidated associated companies. In contrast to EBITDA as calculated under the medium-term note program covenant, the calculation of EBITDA under these instruments for purposes of these ratios does not eliminate the effect of proportional consolidation under Instruction 247. However, these instruments exclude the effect of proportional consolidation for purposes of calculating the short-term net debt to EBITDA ratio. For the 12 months ended June 30 , 2006, we reported the following financial ratios to our creditors under the instruments containing our most restrictive debt covenants:

- net debt to EBITDA of 2.8 to 1.0; and
- EBITDA to net financial expenses of 5.5 to 1.0.

Accordingly, we were in compliance with these financial covenants at June 30, 2006, and we believe that we will be able to comply with these financial covenants for the foreseeable future. In addition, we believe that our compliance with these financial covenants will not adversely affect our ability to implement our financing plans.

The indenture governing the notes will not have any financial covenants. See "Description of the Notes—Covenants."

Many of these instruments also contain other covenants that restrict, among other things, the ability of our company and most of our subsidiaries to:

- incur additional indebtedness;
- incur liens;
- issue guarantees;
- issue or sell capital stock of subsidiaries;
- pay dividends or make certain other restricted payments;
- consummate certain asset sales;
- enter into certain transactions with affiliates; or
- merge or consolidate with any other person or sell or otherwise dispose of all or substantially all of our assets.

In addition, the instruments governing a substantial portion of our indebtedness contain cross-default or cross-acceleration clauses, such that the occurrence of an event of default under one of these instruments could trigger an event of default under other indebtedness or enable the creditors under other indebtedness to accelerate that indebtedness.

At June 30, 2006, R$590.7 million of our *real*-denominated debt and R$95.0 million of our foreign currency-denominated debt (in each case, excluding related party debt) was secured. In order to secure this debt, we have pledged (1) some shares owned by our company in subsidiaries and affiliates, including shares of Copesul and Politeno, (2) certain of our property and equipment and (3) certain of our accounts receivable. The security arrangements for our secured debt vary depending on the transaction.

The following discussion briefly describes certain of our significant financing transactions with companies or entities controlled by the Brazilian government. For a summary of the terms of these financing transactions, see "Item 5: Operating and Financial Review and Prospects—Liquidity and Capital Resources—Indebtedness and Financing Strategy—Long-Term Indebtedness" in our 2005 Form 20-F.

BNDES Development Loans. We maintain credit facilities that are granted directly or indirectly by the Brazilian National Bank for Economic and Social Development (*Banco Nacional de Desenvolvimento Econômico e Social*, or BNDES), the Brazilian federal government development bank, to fund general capital expenditures associated principally with the expansion of our production capacity, environmental projects and the development of operation control centers, laboratories and waste treatment station, of which R$211.7 million principal amount was outstanding at June 30, 2006.

On June 24, 2005, we entered into two credit facilities with BNDES under which BNDES will disburse loans in an aggregate principal amount of approximately R$336.2 million. These credit facilities are secured by a mortgage on one of our plants located in the Southern Complex (including the land on which this plant is located, as well as certain of the equipment, machinery and improvements in this plant). BNDES may also request a guarantee by Odebrecht. Amounts under the first credit facility will be disbursed in two tranches, and amounts under the second credit facility will be disbursed in three tranches. At June 30, 2006, the outstanding principal amount under the first of these credit facilities was R$52.9 million and the outstanding principal amount under the second of these credit facilities was R$107.4 million.

FINEP Credit Facility. On March 8, 2005, we entered into a credit facility with *Financiadora de Estudos e Projetos*, or FINEP, a technology funding institution of the Ministry of Science and Technology of Brazil, in an aggregate principal amount of R$84.9 million, to be disbursed in eight quarterly installments, beginning on March 15, 2005, with the final disbursement on March 15, 2007. At June 30, 2006, the outstanding principal amount under this credit facility was R$22.5 million.

Off-Balance Sheet Arrangements

We do not currently have any transactions involving off-balance sheet arrangements.

Capital Expenditures

Our capital expenditures on property, plant and equipment were R$384.3 million in the six months ended June 30, 2006. Additionally, our investments in interests in other companies were R$236.6 million in the six months ended June 30, 2006. Our principal capital expenditures projects during the six months ended June 30, 2006 consisted of the following:

- an automation project in our PVC plants in the Northeastern Complex that is expected to increase the reliability of the operation of and modernize this plant, improve the operational performance of this plant, and increase the safety of our production processes at this plant. We invested R$9.3 million in the six months ended June 30, 2006. We expect to complete this project in the second half of 2006;
- an efficiency enhancement project at one of our polyethylene plants in the Northeastern Complex that we believe will increase its annual production capacity by 30,000 tons. We invested R$0.3 million to complete this project in the six months ended June 30, 2006. The total cost of this project was approximately R$9.9 million; and
- an efficiency enhancement project at our Aromatics 2 unit in the Northeastern Complex that we believe will increase our annual isoprene production capacity by 18,000 to 26,500 tons. We expect to complete this project by the end of 2006 at a total cost of approximately R$81.9 million.

Braskem+ Program

In 2004, we began implementation of our Braskem+ program. This program identified 210 specific initiatives, each with its own performance goals and implementation schedule. At June 30, 2006, we had made capital expenditures of R$205.7 million related to the implementation of this program and anticipate that this program will require us to make additional capital expenditures of approximately R$66.3 million in the second half of 2006 and R$87.9 million in 2007.

Formula Braskem

In 2005, we commenced our Formula Braskem program to implement a new integrated management system intended to incorporate the best practices in the international petrochemical industry in our management systems and the most recent technological developments available in the marketplace. At June 30, 2006, we had made capital expenditures of R$78.1 million related to the implementation of Formula Braskem and anticipate that Formula Braskem will require us to make additional capital expenditures of approximately R$28.5 million in the second half of 2006.

Expansion of Raw Material Stocking Unit

In 2005, we approved the expansion of our raw material stocking unit to increase its capacity by 60,000 cubic meters. We expect that this expansion will allow us realize economies of scale in maritime freight by enabling us to increase the quantities of raw material that we can receive in a single shipment and to achieve gains in operational efficiency by allowing us to optimize the operation of our cracker and process higher quality raw materials. We expect to complete this project in the first half of 2007 at a total cost of approximately R$40 million.

Petroquímica Paulínia

On September 16, 2005, we and Petroquisa incorporated Petroquímica Paulínia S.A., or Paulínia, as a joint venture company for the construction and operation of a polypropylene plant to be located in Paulínia, in the State of São Paulo, with an initial annual production capacity of 300,000 tons. We own 60% of the total and voting share capital of Paulínia, and Petroquisa owns the remaining total and voting share capital. The total budgeted cost of this plant is approximately US$356 million. We expect that 30% of the cost of this plant will be financed through equity contributions by the shareholders of Paulínia, and the remaining 70% will be expected to be financed under the terms of a long-term financing arrangement. Our share of these equity contributions is 60%. In July 2006, Paulínia obtained its environmental license to start the construction of this plant. This plant is expected to commence operations in late 2007. We can provide no assurances that the actual cost of the construction of this plant will not exceed the budgeted cost. The shareholders of Paulínia will finance 30% of any cost overruns in the form of equity contributions.

El Tablazo Petrochemical Complex

In December 2005, we entered into an action plan agreement with Petroquímica de Venezuela, S.A., or Pequiven, the petrochemical subsidiary of Petróleos de Venezuela, S.A., under which our company would form a joint venture with Pequiven for the construction and operation of a polypropylene plant to be located in the El Tablazo Petrochemical Complex in the State of Zulia, Venezuela, with an annual production capacity of approximately 400,000 tons. This agreement sets forth the preliminary understanding of the parties on an action plan for the implementation of the project, including the following:

- this joint venture would be implemented through a new company;
- Pequiven would be responsible for obtaining a supply of propylene, the primary feed stock of this plant, for the new company;
- the estimated total cost of this project to the new company would be approximately US$370 million;
- the contributions of the parties to the new company may consist of cash, equity in other companies in the petrochemical sector and/or key technology and know-how; and
- this project would commence operations in 2008.

We are continuing to negotiate with Pequiven regarding the corporate structure of this project and expect that the new joint venture company will be formed by the end of 2006. We can provide no assurances that these negotiations will be successful or that if we reach a final agreement with respect to this joint venture with Pequiven, such agreement will be upon the terms currently anticipated by our management.

Politeno Acquisition

On April 6, 2006, we purchased all of the common and preferred shares of Politeno that were owned by SPQ Investimentos e Participações Ltda., or SPQ, a subsidiary of Suzano Petroquímica S.A., or Suzano, Sumitomo Chemical Company Limited, or Sumitomo, and Itochu Corporation, or Itochu. We paid a portion of the purchase price for these shares in an aggregate amount of the *real*-equivalent of US$111.3 million (US$60.6 million to SPQ and a total of US$50.7 million to Sumitomo and Itochu) on April 6, 2006. The remainder of the purchase price for these shares will be calculated based on an "earn-out" formula that will take into account Politeno's operating performance, measured by fluctuations in polyethylene and ethylene margins in the Brazilian petrochemical market during the 18 months following the execution date of this agreement. As a result of the Politeno acquisition, we now own 100% of the voting share capital and 96.2% of the total share capital of Politeno.

Jose Project

On April 17, 2006, we entered into a memorandum of understanding with Pequiven to evaluate the technical and economic feasibility for the implementation of the Jose Project, a petrochemical complex in Venezuela. The proposed complex would include an ethylene cracker that would use natural gas as its primary raw material and have an annual production capacity in excess of 1.2 million tons, as well as integrated plants to produce polyethylene and other second-generation petrochemicals.

If we and Pequiven conclude that the Jose Project is feasible, we expect to complete agreements with respect to the operational, technological, marketing, financial and business aspects of a joint venture to be formed by the two companies in which we expect that we will own a significant equity interest. We can provide no assurances that we and Pequiven will conclude that the Jose Project is feasible, that negotiations with respect to a joint venture will be successful, or that if we reach a final agreement with respect to this joint venture with Pequiven, such agreement will be upon the terms currently anticipated by our management.

Polialden Merger

At an extraordinary shareholders' meeting on May 31, 2006, our shareholders approved our merger with Polialden and the conversion of 2,632,043 of our class A preferred shares into 2,632,043 of our common shares in order to maintain the required minimum ratio of our common shares to preferred shares in accordance with the Brazilian Corporation Law after completion of our merger with Polialden. In connection with this merger, we issued 7,878,825 of our class A preferred shares in exchange for 264,886,083 of Polialden's preferred shares.

Research and Development

Our ability to compete in the Brazilian and foreign markets that we serve depends on our ability to integrate new production processes developed by our company and third parties in order to lower our costs and offer new thermoplastic products. In addition, our relationships with our customers are enhanced by our ability to develop new products and customize existing products to meet their needs. To meet these challenges, we maintain a research and development program that is primarily implemented at the Braskem Center for Innovation and Technology in the Southern Complex. We invested R$18.3 million in research and development during the six months ended June 30, 2006.

Other Projects

We are currently evaluating additional projects that could entail significant capital expenditures in the future.

RECENT DEVELOPMENTS

The following discussion of developments since December 31, 2005 affecting our Company should be read in conjunction with the description of the Brazilian petrochemical industry, the history of our company and the description of our business and strategy set forth in "Item 4: Information on the Company" and "Item 8: Financial Information—Legal Proceedings" included in our 2005 Form 20-F.

Expiration of the Petroquisa Option

On July 3, 2001, Odebrecht Química S.A., Petroquisa and Petroquímica da Bahia entered into a Memorandum of Understanding regarding Shareholders Agreement, which was amended with respect to Odebrecht and Petroquisa, with Petroquímica da Bahia and Norquisa as consenting parties, on July 26, 2002. On April 29, 2005, Odebrecht, Petroquisa, ODBPAR Investments and Norquisa entered into a further amendment to the Memorandum of Understanding regarding Shareholders Agreement, with Petrobras and our company as consenting parties, which revoked the initial amendment, and which, together with the Memorandum of Understanding regarding Shareholders Agreement, we refer to as the Petroquisa memorandum of understanding.

Under the Petroquisa memorandum of understanding, Odebrecht, ODBPAR Investments and Norquisa granted to Petroquisa an option to purchase such number of our common shares as may be necessary for Petroquisa to own up to 30% of our voting share capital, which we refer to as the Petroquisa option. Under the Petroquisa memorandum of understanding, Petroquisa had the right to exercise the Petroquisa option in full on a single occasion on or prior to December 31, 2005. On September 29, 2005, we agreed with the other parties to the Petroquisa memorandum of understanding to extend the expiration of the Petroquisa option until March 31, 2006. On March 31, 2006, the Petroquisa option expired without being exercised.

Politeno Acquisition

On April 6, 2006, we purchased all of the common and preferred shares of Politeno that were owned by SPQ, a subsidiary of Suzano, Sumitomo and Itochu. We paid a portion of the purchase price for these shares in an aggregate amount of the *real*-equivalent of US$111.3 million (US$60.6 million to SPQ and a total of US$50.7 million to Sumitomo and Itochu) on April 6, 2006. The remainder of the purchase price for these shares will be calculated based on an "earn-out" formula that will take into account Politeno's operating performance, measured by fluctuations in polyethylene and ethylene margins in the Brazilian petrochemical market during the 18 months following the execution date of this agreement.

Prior to the Politeno acquisition, we owned 35.0% of Politeno's voting share capital and 34.0% of its total share capital. As a result, at dates and for periods prior to April 6, 2006, we proportionally consolidated Politeno's results in our consolidated financial statements and did not include Politeno's results in our Polyolefins segment. As a result of the Politeno acquisition, we now own 100% of the voting share capital and 96.2% of the total share capital of Politeno, and will fully consolidate Politeno's results in our consolidated financial statements and include Politeno's results in our Polyolefins segment at dates and for periods following the Politeno acquisition.

We completed the Politeno acquisition, subject to the final approval of the Brazilian antitrust authorities as permitted by Brazilian law. We submitted the terms and conditions of the Politeno acquisition to the Brazilian antitrust authorities on April 27, 2006. On July 19, 2006, the Politeno acquisition was approved by the Brazilian antitrust authorities.

Issuance and Sale of 9.00% Perpetual Bonds

On April 28, 2006, we issued and sold US$200.0 million aggregate principal amount of our 9.00% Perpetual Bonds. Interest on these bonds is payable quarterly in arrears in January, April, July and October in each year.

We may, at our option, redeem these bonds, in whole or in part, at 100% of their principal amount plus accrued interest and additional amounts, if any, on any interest payment date on or after April 28, 2011, provided that, if we redeem these bonds in part, at least US$100 million aggregate principal amount of these bonds must remain outstanding following any partial redemption.

Share Repurchase Program

On May 3, 2006, we announced that our board of directors had authorized a share repurchase program under which we may repurchase up to 13,896,133 class A preferred shares and up to 1,400,495 common shares. We are authorized to purchase these shares at market prices over the São Paulo Stock Exchange at any time and from time to time prior to October 31, 2006. Shares that are repurchased may be held in treasury and subsequently resold or cancelled. As of September 18, 2006, we had repurchased 7,192,000 of our class A preferred shares under our share repurchase program for a total purchase price of R$97.6 million.

Polialden Merger

At an extraordinary shareholders' meeting on May 31, 2006, our shareholders approved the merger of Polialden into our company and the conversion of 2,632,043 of our class A preferred shares into 2,632,043 of our common shares in order to maintain the required minimum ratio of our common shares to preferred shares in accordance with the Brazilian Corporation Law after completion of our merger with Polialden. In connection with this merger, we issued 7,878,825 of our class A preferred shares in exchange for 264,886,083 of Polialden's preferred shares.

Tender Offer

On August 29, 2006, we commenced a cash tender offer for any and all of our outstanding US$275.0 million principal amount of 12.50% Notes due 2008. The tender offer will expire on September 27, 2006, unless we extend it. We intend to use the proceeds from this offering to purchase any and all of these notes that are validly tendered.

Oxiteno Supply Agreement

On August 16, 2006, we entered into a memorandum of understanding with Oxiteno do Nordeste S.A., or Oxiteno, under which we amended our current ethylene supply agreement with Oxiteno and agreed to enter into a new supply agreement that will be effective for 15 years as of January 1, 2007. Under this memorandum of understanding, we have agreed that the prices that Oxiteno pays for ethylene will be set by reference to international market prices and not through the margin sharing system that was previously in use. We no longer use the margin sharing system to determine the price paid for ethylene by any of our customers.

14th Issue of Debentures

We are undertaking the offering of our 14th issue of *real*-denominated unsecured non-convertible debentures. These debentures will be issued in a single series of 50,000 debentures, each with a par value of R$10,000, or a total of R$500.0 million principal amount of debentures. These debentures will bear interest at a rate of 103.5% of the CDI rate, payable semi-annually in arrears, and will mature in September 2011. We expect to offer these debentures in Brazil upon approval by the CVM of the offering of these debentures. We plan to use the net proceeds from the sale of these debentures for general corporate purposes, including working capital.

MANAGEMENT

Our board of directors (*conselho de administração*) and our board of executive officers (*diretoria*) are responsible for operating our business. The following table sets forth certain information with respect to the current members of our board of directors and their alternates:

Name	Member Since	Position Held	Age
Pedro Augusto Ribeiro Novis	Aug. 15, 2001	President of the Board	58
Ruy Lemos Sampaio	July 20, 2006	Alternate	56
Alvaro Fernandes da Cunha Filho	Nov. 6, 1997	Vice President of the Board	57
Marcos Luiz Abreu de Lima	March 31, 2005	Alternate	62
José de Freitas Mascarenhas	Aug. 15, 2001	Board Member	64
Guilherme Simões de Abreu	March 4, 2002	Alternate	54
Luiz Fernando Cirne Lima	Aug. 15, 2001	Board Member	73
Hilberto Mascarenhas Alves da Silva Filho	April 29, 2003	Alternate	50
Newton Sergio de Souza	Aug. 15, 2001	Board Member	52
Cláudio Melo Filho	October 3, 2005	Alternate	38
Alvaro Pereira Novis	Aug 15, 2001	Board Member	62
Marcos Wilson Spyer Rezende	Sept. 29, 2002	Alternate	58
Francisco Teixeira de Sá	May 24, 2001	Board Member	57
Lúcio José Santos Júnior	Aug. 15, 2001	Alternate	40
José Lima de Andrade Neto	July 20, 2006	Board Member	52
Edmundo José Correia Aires	April 29, 2003	Alternate	47
Patrick Horbach Fairon	November 30, 2004	Board Member	50
Rogério Gonçalves Mattos	Sept. 29, 2002	Alternate	50
Antonio Britto Filho	July 20, 2006	Board Member	54
Rubio Fernal Ferreira e Sousa	April 7, 2006	Alternate	55
Masatoshi Furuhashi	April 7, 2006	Board Member	57
Yukihiro Funamoto	April 7, 2006	Alternate	34

On July 20, 2006, José Lima de Andrade Neto and Antonio Britto Filho were elected to fill two vacancies on our board of directors. Set forth below is a summary of the business experience, areas of expertise and principal outside business interests of these directors.

José Lima de Andrade Neto. Mr. Andrade Neto has been a member of our board of directors as a nominee of Petroquisa since July 2006. He is also the managing director of Petrobras's supply area for petrochemicals and fertilizers and has served as president and director of investor relations of Petroquisa since May 2006. He served as executive manager for new business of Petrobras from 2002 to 2006 and executive manager for human resources from 1995 to 2002. Mr. Andrade Neto holds a bachelor's degree in chemical engineering from the Universidade Federal de Sergipe. He also holds a postgraduate and master's degree in petroleum engineering from the Colorado School of Mines. Mr. Andrade Neto's business address is Av. República do Chile, 65, 9º andar, Centro, Rio de Janeiro, RJ, Brazil.

Antônio Britto Filho. Mr. Britto Filho has been a member of our board of directors since July 2006. He has been the chief executive officer of Calçados Azaléia S.A. since 2003. He also served as the governor of the State of Rio Grande do Sul from 1995 to 1998, Minister of Social Security from 1992 to 1993 and as a congressman for the State of Rio Grande do Sul from 1987 to 1995. Mr. Britto Filho has a bachelor's degree in journalism from the Universidade Federal do Rio Grande do Sul. Mr. Britto Filho's business address is Rua Dr. Legendre, 34, Centro—Parobé, Rio Grande do Sul, RS—95630-000, Brazil.

The following table lists the current members of our board of executive officers:

Name	Year of Appointment	Position Held	Age
José Carlos Grubisich Filho	2002	Chief Executive Officer	49
Paul Elie Altit	2002	Vice President Executive Officer, Chief Financial Officer and Director of Investor Relations	48
Bernardo Afonso de Almeida Gradin	2002	Vice President Executive Officer	41
Luiz de Mendonça	2002	Vice President Executive Officer	43
Mauricio Roberto de Carvalho Ferro	2002	Vice President Executive Officer and General Counsel	40
Roberto Prisco Paraíso Ramos	2002	Vice President Executive Officer	59
Roberto Lopes Pontes Simões	2004	Vice President Executive Officer	49

The Brazilian Corporation Law requires us to establish a permanent or non-permanent fiscal council *(conselho fiscal).* Our bylaws provide for a permanent fiscal council composed of five members and their respective alternate members. The fiscal council is a separate corporate body independent of our management and our external independent registered public accounting firm. The primary responsibility of the fiscal council is to review our management's activities and our financial statements and to report their findings to our shareholders.

The following table lists the current members of our fiscal council and their alternates:

Name	First Year of Appointment
Ismael Campos de Abreu	2003
Anna Cecília de M.C. Dutra da Silva (alternate)	2003
Manoel Mota Fonseca	2002
Maria Cláudia Freitas Sampaio (alternate)	2002
Walter Murilo Melo de Andrade	2002
Marcelo André Lajchter (alternate)	2002
Janildo Dantas de Souza	2006
José Easton Matos Neto (alternate)	2006
Marcos Antonio Silva Menezes	2005
Sergio José de Barros (alternate)	2005

For additional information regarding our directors, executive officers and the members of our fiscal council, their compensation and the practices of our board of directors, please see "Item 6: Directors, Senior Management and Employees" in our 2005 Form 20-F.

PRINCIPAL SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Principal Shareholders

At September 18, 2006, our authorized, issued and outstanding capital stock consisted of 123,492,142 common shares, 246,107,138 class A preferred shares, including 7,659,347 class A preferred shares held in treasury, and 803,066 class B preferred shares.

The following table sets forth information concerning the ownership of our common shares and class A preferred shares at September 18, 2006, by each person whom we know to be the owner of more than 5.0% of our common shares and our class A preferred shares, and by all of our directors and executive officers as a group. Our principal shareholders have the same voting rights with respect to each class of our shares that they own as other holders of shares of that class.

	Common Shares		Class A Preferred Shares		Total	
	Number of Shares	%	Number of shares	%	Number of shares	%
Odebrecht Group[(1)]	92,153,272	74.6	52,330,144	21.3	144,483,416	39.0
Petroquisa	12,110,937	9.8	18,522,258	7.5	30,633,195	8.3
BNDESPAR	—	—	13,649,731	5.5	13,649,731	3.7
Alliance Capital Management L.P.[(2)]	—	—	12,191,991	5.0	12,191,991	3.3
All directors, fiscal council members, their alternates and executive officers as a group (39 persons)	7	*	75,258	*	75,265	*

* less than 1%

(1) Represents direct ownership of 26,781,079 common shares owned by Odebrecht, 33,939,508 common shares owned by ODBPAR Investments (a subsidiary of Odebrecht), 30,852,354 common shares owned by Norquisa (a subsidiary of Odebrecht and ODBPAR Investments), 580,331 common shares owned by Braskem Participações S.A., 47,646,755 class A preferred shares owned by Odebrecht, 2,207,091 class A preferred shares owned by Norquisa, 2,186,133 class A preferred shares owned by Politeno and 290,165 class A preferred shares owned by Braskem Participações S.A. The Odebrecht Group disclaims ownership of our shares owned by Norquisa other than with respect to its proportionate interest in these shares. Odebrecht also owns convertible debentures issued originally by OPP Produtos. These debentures may be converted into our shares at any time, at the discretion of the Odebrecht Group. If such right had been exercised at August 31, 2006, 25,386,886 new common shares and 50,773,773 new class A preferred shares of our company would have been issued. These shares have not been included in the above table.

(2) Based on filing of Alliance Capital Management L.P. with the São Paulo Stock Exchange on February 4, 2005 pursuant to CVM Instruction 358.

For additional information regarding the shareholders agreements and related party transactions to which our company is a party, please see "Item 7: Major Shareholders and Related Party Transactions" in our 2005 Form 20-F.

Changes in Ownership

On July 28, 2006, Odebrecht acquired all of the Mariani Group's shares of Norquisa, representing 13.8% of Norquisa's total share capital, including 16.1% of its voting share capital, in exchange for 1,454,424 of our class A preferred shares, representing 0.4% of our total share capital, owned directly or indirectly by Odebrecht as a result of the settlement of an option that Pronor, a member of the Mariani Group, exercised on December 26, 2003. As a result of this acquisition, Norquisa is now a wholly owned subsidiary of the Odebrecht Group (other than directors' qualifying shares).

Related Party Transactions

The following summary of the material transactions that we have engaged in with our principal shareholders and their affiliates since December 31, 2005 should be read in conjunction with the "Item 7: Major Shareholders and Related Party Transactions—Related Party Transactions" included in our 2005 Form 20-F.

We and our subsidiaries have engaged in extensive transactions with our principal shareholders and their affiliates and expect to do so in the future. We also have commercial relationships with some of our affiliates and, as a result, record trade accounts receivable and current and long-term liabilities mainly from purchases and sales of goods and services at prices and on terms equivalent to the average terms and prices of transactions that we enter into with third parties. In addition, we have entered into financial and other transactions with our principal shareholders and their affiliates, including, among others, as obligor at June 30, 2006 on convertible subordinated debentures held by the Odebrecht Group in an aggregate amount, including accrued and unpaid interest, of R$1,066.0 million, and as a party to four shareholder's agreements or memoranda of understandings with shareholders of our company. For a summary of the terms of these memoranda of understanding, see "Item 7: Major Shareholders and Related Party Transactions—Major Shareholders—Shareholders Agreements" in our 2005 Form 20-F.

Under the Brazilian Corporation Law, each of our directors, their alternates and our executive officers cannot vote on any matter in which they have a conflict of interest and such transactions can only be approved on reasonable and fair terms and conditions that are no more favorable than the terms and conditions prevailing in the market or offered by third parties. However, if one of our directors is absent from a meeting of our board of directors, that director's alternate may vote even if that director has a conflict of interest, unless the alternate director shares that conflict of interest or has another conflict of interest.

The Odebrecht Group

On December 4, 2004, we entered into an Alliance Agreement with Construtora Norberto Odebrecht S.A., or CNO, under which we have appointed CNO as a nonexclusive preferred provider with respect to maintenance services and efficiency enhancement projects at each of our plants. This agreement was unanimously approved by our board of directors. Under this agreement, we are required to request bids from CNO for these services and projects. If CNO is retained for any specific service or project, we will pay CNO its costs related to the service or project plus 15%. In addition, we are required to pay any applicable taxes with respect to such fees. This agreement expires in December 2008. We purchased services under this agreement from CNO of R$61.2 million during the six months ended June 30, 2006. We had accounts payable to CNO of R$20.0 million at June 30, 2006.

Petrobras

Petrobras is the controlling shareholder of Petroquisa, which owns 8.3% of our total share capital, including 9.8% of our voting share capital. We purchase naphtha from Petrobras, and we sell automotive gasoline and LPG to Petrobras Distribuidora S.A., a wholly-owned subsidiary of Petrobras.

We purchased raw materials and utilities from Petrobras and Petrobras Distribuidora S.A. of R$1,937.0 million during the six months ended June 30, 2006. We had accounts payable to Petrobras and Petrobras Distribuidora S.A. in an aggregate amount of R$516.1 million at June 30, 2006.

Our Jointly Controlled Companies and Associated Companies

Copesul

Our Polyolefins Unit purchases ethylene and propylene from Copesul, in which we have a 29.5% interest. We have a long-term supply contract with Copesul that is described in "Item 4. Information on the Company—Polyolefins Unit—Raw Materials of Our Polyolefins Unit" included in our 2005 Form 20-F. Our Polyolefins Unit also buys nitrogen on market terms from Copesul. We recorded purchases from Copesul of R$930.2 million during the six months ended June 30, 2006. We had accounts payable to Copesul of R$450.9 million at June 30, 2006.

Cetrel

We own, directly and indirectly, 53.6% of the voting and total share capital of Cetrel. We purchase treatment services on market terms from Cetrel for the wastewater and organic residues generated by us in the Northeastern Complex. We recorded purchases from Cetrel of R$5.6 million during the six months ended June 30, 2006. We had accounts payable to Cetrel of R$0.3 million at June 30, 2006.

Petroflex

We own 20.1% of the voting and total share capital of Petroflex. We sell butadiene-l to Petroflex on market terms under a long-term contract that is renewable automatically for ten-year periods. We recorded net sales to Petroflex of R$172.4 million during the six months ended June 30, 2006. We had accounts receivable from Petroflex of R$27.4 million at June 30, 2006.

On June 11, 2004, Petroflex entered into a R$34.3 million secured credit agreement with BNDES to finance capital expenditures. In accordance with the terms of a shareholders agreement among our company and the other controlling shareholders of Petroflex, we have guaranteed severally, but not jointly, 40% of this loan, or approximately R$13.7 million of its aggregate principal amount. The first tranche of this loan in the principal amount of R$10.3 million bears interest at a rate based on the UM plus a margin of 5.125% per annum. The second and third tranches of this loan in the aggregate principal amount of R$24.0 million bear interest at the TJLP plus 5.125% per annum. As set forth in the shareholders agreement, we charge Petroflex a fee of 1.25% of the outstanding principal amount of this loan that we guarantee.

Borealis Brasil S.A.

We sell polypropylene and polyethylene to Borealis Brasil S.A., or Borealis, in which we have a 20.0% interest. We recorded net sales to Borealis of R$60.2 million during the six months ended June 30, 2006. We had accounts receivable from Borealis of R$2.3 million at June 30, 2006.

Other

Engepack

We sell PET from time to time to Engepack, a packaging manufacturer. Francisco Teixeira de Sá, the chairman of the board of directors of Engepack, is a member of our board of directors. In addition, one of the alternate members of our board of directors, Lucio José Santos Junior, is an executive officer of Engepack, and one of the members of our fiscal council, Walter Murilo Melo de Andrade, is the internal counsel of Engepack. We recorded net sales to Engepack of R$8.0 million during the six months ended June 30, 2006. Engepack purchases PET from a variety of second generation producers, including our company.

Sojitz

We sell PVC and EDC to, and we purchase raw materials, principally naphtha, from, Sojitz, a chemical trader. Masatoshi Furuhashi, the managing director of Sojitz Corporation of America and president of Sojitz do Brasil S.A., both subsidiaries of Sojitz, is a member of our board of directors. In addition, Yukihiro Funamoto, an executive officer of Sojitz do Brasil S.A., is an alternate member of our board of directors. At June 30, 2006, Sojitz owned 1.2% of our total share capital, including 3.5% of our voting share capital.

We recorded net sales to Sojitz of R$27.6 million during the six months ended June 30, 2006. In addition, we recorded purchases from Sojitz of R$439.4 million during the six months ended June 30, 2006.

DESCRIPTION OF THE NOTES

Braskem will issue the notes pursuant to an indenture, to be dated as of September 26, 2006, among Braskem, JPMorgan Chase Bank, N.A., as trustee (which term includes any successor as trustee under the indenture), J.P. Morgan Trust Bank Ltd., as principal paying agent, and J.P. Morgan Bank Luxembourg S.A., as paying agent and transfer agent. Braskem has, under the indenture, appointed a registrar, paying agents and transfer agents, which are identified on the inside back cover page of this offering memorandum. A copy of the indenture, including the form of the notes, is available for inspection during normal business hours at the offices of the trustee and any of the other paying agents set forth on the inside back cover page of this offering memorandum. The trustee or any paying agent will also act as transfer agent and registrar in the event that Braskem issues certificates for the notes in definitive registered form as set forth in "Form of the Notes—Individual Definitive Notes."

This description of notes is a summary of the material provisions of the notes and the indenture. You should refer to the indenture for a complete description of the terms and conditions of the notes and the indenture, including the obligations of Braskem and your rights.

You will find the definitions of capitalized terms used in this section under "—Certain Definitions." For purposes of this section of this offering memorandum, references to "Braskem" refer only to Braskem S.A. and not to its subsidiaries.

General

The notes:

- will be senior unsecured obligations of Braskem;
- will initially be limited to an aggregate principal amount of US$275,000,000;
- will mature at 100% of their principal amount on January 26, 2017;
- will be issued in denominations of US$100,000 and integral multiples of US$1,000 in excess thereof; and
- will be represented by one or more registered notes in global form and may be exchanged for notes in definitive form only in limited circumstances.

Interest on the notes:

- will accrue at the rate of 8.00% per annum;
- will accrue from the date of issuance or from the most recent interest payment date;
- will be payable in cash semi-annually in arrears on January 26 and July 26 of each year, commencing on January 26, 2007;
- will be payable to the holders of record on the January 11 and July 11 immediately preceding the related interest payment dates; and
- will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Principal of, and interest and any additional amounts on, the notes will be payable, and the transfer of notes will be registrable, at the office of the trustee, and at the offices of the paying agents and transfer agents, respectively. Braskem initially will maintain the principal paying agent in Japan. For so long as the notes are listed on the Luxembourg Stock Exchange and the rules of that stock exchange will so require, Braskem will maintain a paying agent and transfer agent in Luxembourg.

Ranking

The notes will constitute direct senior unsecured obligations of Braskem. If Braskem were to issue any debt other than the notes, the notes would rank at least pari passu in priority of payment with all other existing and future senior unsecured indebtedness of Braskem.

The obligations of Braskem under the notes will rank:

- equal in right of payment to all other existing and future senior unsecured debt of Braskem subject to certain statutory preferences under applicable law, including labor and tax claims;
- senior in right of payment to Braskem's subordinated debt; and
- effectively subordinated to the debt and other liabilities (including subordinated debt and trade payables) of Braskem's subsidiaries and jointly controlled companies and to secured debt of Braskem to the extent of such security.

As of June 30, 2006, Braskem and its subsidiaries had R$6,338.8 million (US$2,929.2 million) of total indebtedness on a consolidated basis, excluding related party debt. Of this total amount, R$1,681.5 million (US$777.0 million) was structurally senior to the notes being sold in this offering, including R$602.2 million (US$278.2 million) of secured debt of Braskem, R$687.0 million (US$317.5 million) of debt of Braskem's subsidiaries and special purpose entities, and R$392.3 million (US$181.3 million) of debt of Braskem's jointly controlled companies.

Part of the operations of Braskem are conducted through its subsidiaries and jointly controlled companies, which may have, or may issue, substantial debt.

Redemption

The notes will not be redeemable prior to their Stated Maturity, except as described below. Any redemption may require the prior approval of the Central Bank.

The notes will be redeemable, at the option of Braskem or any successor, in whole, but not in part, upon giving not less than 30 nor more than 60 days' notice to the holders (which notice will be irrevocable), at 100% of the principal amount thereof, plus accrued interest, if any, and any additional amounts payable with respect thereto, only if (1) Braskem or any successor has or will become obligated to pay additional amounts as discussed below under "—Additional Amounts" with respect to such notes in excess of the additional amounts that Braskem or any successor would pay if payments in respect of the notes were subject to deduction or withholding at a rate of 15% (determined without regard to any interest, fees, penalties or other additions to tax) as a result of any change in, or amendment to, the laws or regulations of Brazil (or the jurisdiction of any successor) or any political subdivision or governmental authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment occurs after the date of the indenture, and (2) such obligation cannot be avoided by Braskem or any successor taking reasonable measures available to it; provided however, that for this purpose reasonable measures shall not include any change in Braskem's or any successor's jurisdiction of incorporation or organization or location of its principal executive office or registered office. No such notice of redemption will be given earlier than 60 days prior to the earliest date on which Braskem or any successor would be obligated to pay such additional amounts if a payment in respect of such notes were then due.

Prior to the publication or mailing of any notice of redemption of the notes as described above, Braskem or any successor must deliver to the trustee an officers' certificate to the effect that the obligations of Braskem or any successor to pay additional amounts cannot be avoided by it taking reasonable measures available to it. Braskem or any successor will also deliver an opinion of an independent legal counsel of recognized standing stating that it would be obligated to pay additional amounts due to the changes in tax laws or regulations. The trustee will accept this certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set forth in clauses (1) and (2) above, in which event it will be conclusive and binding on the holders.

Open Market Purchases

Braskem or its affiliates may at any time purchase notes in the open market or otherwise at any price. Any such purchased notes will not be resold, except in compliance with applicable requirements or exemptions under the relevant securities laws.

Payments

Braskem will make all payments on the notes exclusively in such coin or currency of the United States as at the time of payment will be legal tender for the payment of public and private debts.

Braskem will make payments of principal and interest on the notes to the principal paying agent (as identified on the inside back cover page of this offering memorandum), which will pass such funds to the trustee and the other paying agents or to the holders. See "Taxation—Brazilian Taxation."

Braskem will make payments of principal upon surrender of the relevant notes at the specified office of the trustee or any of the paying agents. Braskem will pay principal on the notes to the persons in whose name the notes are registered at the close of business on the 15th day before the due date for payment. Payments of principal and interest in respect of each note will be made by the paying agents by U.S. dollar check drawn on a bank in New York City and mailed to the holder of such note at its registered address. Upon application by the holder to the specified office of any paying agent not less than 15 days before the due date for any payment in respect of a note, such payment may be made by transfer to a U.S. dollar account maintained by the payee with a bank in New York City.

Under the terms of the indenture, payment by Braskem of any amount payable under the notes on the due date thereof to the principal paying agent in accordance with the indenture will satisfy the obligation of Braskem to make such payment; provided, however, that the liability of the principal paying agent shall not exceed any amounts paid to it by Braskem, or held by it, on behalf of the holders under the indenture. Braskem has agreed in the indenture to indemnify the holders in the event that there is subsequent failure by the trustee or any paying agent to pay any amount due in respect of the notes in accordance with the indenture (including, without limitation, any failure to pay any amount due as a result of the imposition of any present or future taxes, duties, assessments, fees or governmental charges of whatever nature (and any fines, penalties or interest related thereto) imposed or levied by or on behalf of Japan or any political subdivision or authority thereof or therein, having power to tax) as will result in the receipt by the holders of such amounts as would have been received by them had no such failure occurred.

All payments will be subject in all cases to any applicable tax or other laws and regulations, but without prejudice to the provisions of "—Additional Amounts." No commissions or expenses will be charged to the holders in respect of such payments.

Subject to applicable law, the trustee and the paying agents will pay to Braskem upon request any monies held by them for the payment of principal or interest that remains unclaimed for two years, and, thereafter, holders entitled to such monies must look to Braskem for payment as general creditors. After the return of such monies by the trustee or the paying agents to Braskem, neither the trustee nor the paying agents shall be liable to the holders in respect of such monies.

Form, Denomination and Title

The notes will be in registered form without coupons attached in amounts of US$100,000 and integral multiples of US$1,000 in excess thereof.

Notes sold in offshore transactions in reliance on Regulation S will be represented by one or more permanent global notes in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC for the accounts of Euroclear and Clearstream Luxembourg. Notes sold in reliance on Rule 144A will be represented by one or more permanent global notes in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC. Notes represented by the global notes will trade in DTC's Same-Day Funds Settlement System and secondary market trading activity in such notes will therefore settle in immediately available funds. There can be no assurance as to the effect, if any, of settlements in immediately available funds on trading activity in the notes. Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream Luxembourg. Except in certain limited circumstances, definitive registered notes will not be issued in exchange for beneficial interests in the global notes. See "Form of the Notes—Global Notes."

Title to the notes will pass by registration in the register. The holder of any note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, writing on, or theft or loss of, the definitive note issued in respect of it) and no person will be liable for so treating the holder.

Transfer of Notes

Notes may be transferred in whole or in part in an authorized denomination upon the surrender of the note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the registrar or the specified office of any transfer agent. Each new note to be issued upon exchange of notes or transfer of notes will, within three business days of the receipt of a request for exchange or form of transfer, be mailed at the risk of the holder entitled to the note to such address as may be specified in such request or form of transfer.

Notes will be subject to certain restrictions on transfer as more fully set out in the indenture. See "Notice to Investors." Transfer of beneficial interests in the global notes will be effected only through records maintained by DTC and its participants. See "Form of the Notes."

Transfer will be effected without charge by or on behalf of Braskem, the registrar or the transfer agents, but upon payment, or the giving of such indemnity as the registrar or the relevant transfer agent may require, in respect of any tax or other governmental charges which may be imposed in relation to it. Braskem is not required to transfer or exchange any note selected for redemption.

No holder may require the transfer of a note to be registered during the period of 15 days ending on the due date for any payment of principal or interest on that note.

Additional Amounts

All payments by Braskem in respect of the notes will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments, fees or other governmental charges of whatever nature (and any fines, penalties or interest related thereto) imposed or levied by or on behalf of Brazil or any political subdivision or authority of or in Brazil having power to tax, unless such withholding or deduction is required by law. In that event, Braskem will pay to each holder such additional amounts as may be necessary in order that every net payment made by Braskem on each note after deduction or withholding for or on account of any present or future tax, penalty, fine, duty, assessment or other governmental charge imposed upon or as a result of such payment by Brazil or any political subdivision or taxing authority thereof or therein will not be less than the amount then due and payable on such note. The foregoing obligation to pay additional amounts, however, will not apply to or in respect of:

(1) any tax, assessment or other governmental charge which would not have been imposed but for the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder and such holder, if such holder is an estate, a trust, a partnership or a

corporation), on the one hand, and Brazil, on the other hand (including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein), other than the mere receipt of such payment or the ownership or holding of such note;

(2) any tax, assessment or other governmental charge which would not have been so imposed but for the presentation by such holder for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;

(3) any tax, duty, assessment or other governmental charge to the extent that such tax, duty, assessment or other governmental charge would not have been imposed but for the failure of such holder to comply with any certification, identification or other reporting requirements concerning the nationality, residence, identity or connection with Brazil of the holder if (a) such compliance is required or imposed by law as a precondition to exemption from all or a part of such tax, duty, assessment or other governmental charge and (b) at least 30 days prior to the date on which Braskem will apply this clause (3), Braskem will have notified all holders of notes that some or all holders of notes will be required to comply with such requirement;

(4) any estate, inheritance, gift, sales, transfer, excise or personal property or similar tax, assessment or governmental charge;

(5) any withholding or deduction imposed on a payment to an individual and that is required to be made pursuant to any law implementing or complying with, or introduced in order to conform to, any European Union Directive on the taxation of savings;

(6) any tax, assessment or other governmental charge which would have been avoided by a holder presenting the relevant note (if presentation is required) or requesting that such payment be made to another paying agent in a member state of the European Union;

(7) any tax, assessment or other governmental charge which is payable other than by deduction or withholding from payments of principal of or interest on the note; or

(8) any combination of the above.

Braskem will also pay any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies which arise in any jurisdiction from the execution, delivery, registration or the making of payments in respect of the notes, excluding any such taxes, charges or similar levies imposed by any jurisdiction outside of Brazil other than those resulting from, or required to be paid in connection with, the enforcement of the notes following the occurrence of any default or Event of Default.

No additional amounts will be paid with respect to a payment on any note to a holder that is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent a beneficiary or settlor with respect to such fiduciary or a member of such partnership or beneficial owner would not have been entitled to receive payment of the additional amounts had the beneficiary, settlor, member or beneficial owner been the holder of the note.

Braskem will provide the trustee with the official acknowledgment of the relevant taxing authority (or, if such acknowledgment is not available, a certified copy thereof) evidencing any payment of Brazilian taxes in respect of which Braskem has paid any additional amounts. Copies of such documentation will be made available to the holders of the notes or the paying agents, as applicable, upon request therefor.

All references in this offering memorandum to principal of and interest on the notes will include any additional amounts payable by Braskem in respect of such principal and such interest.

Covenants

The indenture will contain the following covenants:

Limitation on Liens

Braskem will not, and will not permit any Subsidiary to, create or suffer to exist any Lien upon any of its property or assets now owned or hereafter acquired by it or on any Capital Stock of Braskem or any Subsidiary, securing any obligation unless contemporaneously therewith effective provision is made to secure the notes equally and ratably with such obligation for so long as such obligation is so secured. The preceding sentence will not require Braskem or any Subsidiary to equally and ratably secure the notes if the Lien consists of the following:

(1) any Lien existing on the date of the indenture, and any extension, renewal or replacement thereof or of any Lien in clause (2), (3) or (4) below; provided, however, that the total amount of Debt so secured is not increased;

(2) any Lien on any property or assets (including Capital Stock of any person) securing Debt incurred solely for purposes of financing the acquisition, construction or improvement of such property or assets after the date of the indenture; provided that (a) the aggregate principal amount of Debt secured by the Liens will not exceed (but may be less than) the cost (i.e., purchase price) of the property or assets so acquired, constructed or improved and (b) the Lien is incurred before, or within 120 days after the completion of, such acquisition, construction or improvement and does not encumber any other property or assets of Braskem or any Subsidiary; and provided, further, that to the extent that the property or asset acquired is Capital Stock, the Lien also may encumber other property or assets of the person so acquired;

(3) any Lien securing Debt for the purpose of financing all or part of the cost of the acquisition, construction or development of a project; provided that the lenders of such Debt expressly agree to limit their recourse in respect of such Debt to assets (including Capital Stock of the project entity) and/or revenues of such project with an aggregate value of not more than the amount of such Debt; and provided, further, that the Lien is incurred before, or within 120 days after the completion of, that acquisition, construction or development and does not apply to any other property or assets of Braskem or any Subsidiary;

(4) any Lien existing on any property or assets of any person before that person's acquisition by, merger into or consolidation with Braskem or any Subsidiary after the date of the indenture; provided that (a) the Lien is not created in contemplation of or in connection with such acquisition, merger or consolidation, (b) the Debt secured by the Liens may not exceed the Debt secured on the date of such acquisition, merger or consolidation, (c) the Lien will not apply to any other property or assets of Braskem or any of its Subsidiaries and (d) the Lien will secure only the Debt that it secures on the date of such acquisition, merger or consolidation;

(5) any Lien imposed by law that was incurred in the ordinary course of business, including, without limitation, carriers', warehousemen's and mechanics' liens and other similar encumbrances arising in the ordinary course of business, in each case for sums not yet due or being contested in good faith by appropriate proceedings;

(6) any pledge or deposit made in connection with workers' compensation, unemployment insurance or other similar social security legislation, any deposit to secure appeal notes in proceedings being contested in good faith to which Braskem or any Subsidiary is a party, good faith deposits in connection with bids, tenders, contracts (other than for the payment of Debt) or leases to which Braskem or any Subsidiary is a party or deposits for the payment of rent, in each case made in the ordinary course of business;

(7) any Lien in favor of issuers of surety notes or letters of credit issued pursuant to the request of and for the account of Braskem or any Subsidiary in the ordinary course of business;

(8) any Lien securing taxes, assessments and other governmental charges, the payment of which are not yet due or are being contested in good faith by appropriate proceedings and for which such reserves or other appropriate provisions, if any, have been established as required by Brazilian GAAP;

(9) minor defects, easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business and encumbrances consisting of zoning restrictions, licenses, restrictions on the use of property or assets or minor imperfections in title that do not materially impair the value or use of the property or assets affected thereby, and any leases and subleases of real property that do not interfere with the ordinary conduct of the business of Braskem or any Subsidiary, and which are made on customary and usual terms applicable to similar properties;

(10) any rights of set-off of any person with respect to any deposit account of Braskem or any Subsidiary arising in the ordinary course of business and not constituting a financing transaction;

(11) any Liens granted to secure borrowings from, directly or indirectly, (a) Banco Nacional de Desenvolvimento Econômico e Social—BNDES, or any other Brazilian governmental development bank or credit agency or (b) any international or multilateral development bank, government-sponsored agency, export-import bank or official export-import credit insurer;

(12) any Liens on the inventory or receivables of Braskem or any Subsidiary securing the obligations of such person under any lines of credit or working capital facility or in connection with any structured export or import financing or other trade transaction; provided that the aggregate principal amount of Debt incurred that is secured by receivables that will fall due in any calendar year shall not exceed (a) with respect to transactions secured by receivables from export sales, 80% of Braskem's consolidated gross revenues from export sales for the immediately preceding calendar year; or (b) with respect to transactions secured by receivables from domestic (Brazilian) sales, 80% of such person's consolidated gross revenues from sales within Brazil for the immediately preceding calendar year; and provided, further, that Advance Transactions will not be deemed transactions secured by receivables for purposes of the above calculation; and

(13) in addition to the foregoing Liens set forth in clauses (1) through (12) above, Liens securing Debt of Braskem or any Subsidiary (including, without limitation, guarantees of Braskem or any Subsidiary) which do not in aggregate principal amount, at any time of determination, exceed 15.0% of Braskem's Consolidated Net Tangible Assets.

Limitation on Transactions with Affiliates

Braskem will not, and will not permit any of its Subsidiaries to, enter into any transaction or series of related transactions (including any Investment or any purchase, sale, lease or exchange of any property or the rendering of any service) involving an aggregate amount in excess of the amount set forth in Braskem's bylaws in respect of such transactions (currently, R$5.0 million), or the equivalent thereof at the time of determination, with or with respect to any Affiliate of Braskem or any record or beneficial owner of 10% or more of any class of Capital Stock of Braskem or with an Affiliate of any such owner (other than a Wholly-owned Subsidiary of Braskem) unless such transaction or series of related transactions are (1) approved by Braskem's board of directors and included in the minutes of the meeting of Braskem's board of directors and (2) as favorable to Braskem or such Subsidiary as terms that would be obtainable at the time for a comparable transaction or series of related transactions in arm's-length dealings with an unrelated third person. Braskem will post the minutes of any such meetings of its board of directors approving such transaction on its corporate website or will include such minutes in a report furnished to the SEC.

Limitation on Consolidation, Merger or Transfer of Assets

Braskem will not consolidate with or merge with or into, or convey, transfer or lease all or substantially all of its assets to, any person, unless:

(1) the resulting, surviving or transferee person (if not Braskem) will be a person organized and existing under the laws of Brazil, the United States of America, any State thereof or the District of

Columbia, or any other country that is a member country of the European Union or of the Organisation for Economic Co-operation and Development on the date of the indenture, and such person expressly assumes, by a supplemental indenture to the indenture, executed and delivered to the trustee, all the obligations of Braskem under the notes and the indenture;

(2) the resulting, surviving or transferee person (if not Braskem), if not organized and existing under the laws of Brazil, undertakes, in such supplemental indenture, to pay such additional amounts in respect of principal and interest as may be necessary in order that every payment made in respect of the notes after deduction or withholding for or on account of any present or future tax, duty, assessment or other governmental charge imposed by such other country or any political subdivision or taxing authority thereof or therein will not be less than the amount of principal (and premium, if any) and interest then due and payable on the notes, subject to the same exceptions set forth under "—Additional Amounts" but replacing existing references in such clause to Brazil with references to such other country;

(3) immediately prior to such transaction and immediately after giving effect to such transaction, no Default or Event of Default will have occurred and be continuing; and

(4) Braskem will have delivered to the trustee an officers' certificate and an opinion of legal counsel of recognized standing, each stating that such consolidation, merger or transfer and such supplemental indenture, if any, comply with the indenture.

The trustee will accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set forth in this covenant, in which event it will be conclusive and binding on the holders.

Reporting Requirements

Braskem will provide the trustee with the following reports (and will also provide the trustee with sufficient copies of the following reports referred to in clauses (1) through (4) below for distribution, at Braskem's expense, to all holders of notes):

(1) an English language version of its annual audited consolidated financial statements prepared in accordance with Brazilian GAAP promptly upon such financial statements becoming available but not later than 120 days after the close of its fiscal year;

(2) an English language version of its unaudited quarterly financial statements prepared in accordance with Brazilian GAAP (including, as supplementary information, an unaudited condensed consolidated balance sheet and an unaudited condensed consolidated statement of operations, in each case, prepared in accordance with Brazilian GAAP), promptly upon such financial statements becoming available but not later than 60 days after the close of each fiscal quarter (other than the last fiscal quarter of its fiscal year);

(3) simultaneously with the delivery of each set of financial statements referred to in clauses (1) and (2) above, an officers' certificate stating whether a Default or Event of Default exists on the date of such certificate and, if a Default or Event of Default exists, setting forth the details thereof and the action which Braskem is taking or proposes to take with respect thereto;

(4) without duplication, English language versions or summaries of such other reports or notices as may be filed or submitted by (and promptly after filing or submission by) Braskem with (a) the CVM, (b) the Luxembourg Stock Exchange or any other stock exchange on which the notes may be listed or (c) the SEC (in each case, to the extent that any such report or notice is generally available to its securityholders or the public in Brazil or elsewhere and, in the case of clause (c), is filed or submitted pursuant to Rule 12g3-2(b) under, or Section 13 or 15(d) of, the Exchange Act); and

(5) upon any director or executive officer of Braskem becoming aware of the existence of a Default or Event of Default or any event by reason of which payments of either principal or interest on the notes are prohibited, an officers' certificate setting forth the details thereof and the action which Braskem is taking or proposes to take with respect thereto.

Delivery of the above reports to the trustee is for informational purposes only and the trustee's receipt of such reports will not constitute constructive notice of any information contained therein or determinable from information contained therein, including Braskem's compliance with any of its covenants in the indenture (as to which the trustee is entitled to rely exclusively on officers' certificates).

Events of Default

An "Event of Default" occurs if:

(1) Braskem defaults in any payment of interest (including any related additional amounts) on any note when the same becomes due and payable, and such default continues for a period of 30 days;

(2) Braskem defaults in the payment of the principal (including any related additional amounts) of any note when the same becomes due and payable upon its Stated Maturity, redemption or otherwise;

(3) Braskem fails to comply with any of the covenants described under "—Covenants—Limitation on Liens", "—Limitation on Transactions with Affiliates" or "—Limitation on Consolidation, Merger or Transfer of Assets", and such failure continues for 30 days after the notice specified below;

(4) Braskem fails to comply with any of its covenants or agreements in the notes or the indenture (other than those referred to in clauses (1), (2) and (3) above), and such failure continues for 60 days after the notice specified below;

(5) Braskem or any Significant Subsidiary defaults under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Debt for money borrowed by Braskem or any such Significant Subsidiary (or the payment of which is guaranteed by Braskem or any such Significant Subsidiary) whether such Debt or guarantee now exists, or is created after the date of the indenture, which default (a) is caused by failure to pay principal of or premium, if any, or interest on such Debt after giving effect to any grace period provided in such Debt on the date of such default ("Payment Default") or (b) results in the acceleration of such Debt prior to its express maturity and, in each case, the principal amount of any such Debt, together with the principal amount of any other such Debt under which there has been a Payment Default or the maturity of which has been so accelerated, totals US$30 million (or the equivalent thereof at the time of determination) or more in the aggregate;

(6) one or more final judgments or decrees for the payment of money of US$30 million (or the equivalent thereof at the time of determination) or more in the aggregate are rendered against Braskem or any Significant Subsidiary and are not paid (whether in full or in installments in accordance with the terms of the judgment) or otherwise discharged and, in the case of each such judgment or decree, either (a) an enforcement proceeding has been commenced by any creditor upon such judgment or decree and is not dismissed within 30 days following commencement of such enforcement proceedings or (b) there is a period of 60 days following such judgment during which such judgment or decree is not discharged, waived or the execution thereof stayed; or

(7) certain events of bankruptcy or insolvency of Braskem or any Significant Subsidiary.

A Default under clause (3) or (4) above will not constitute an Event of Default until the trustee or the holders of at least 25% in principal amount of the notes outstanding notify Braskem of the Default and Braskem does not cure such Default within the time specified after receipt of such notice.

The trustee is not to be charged with knowledge of any Default or Event of Default or knowledge of any cure of any Default or Event of Default unless either (1) an attorney, authorized officer or agent of the trustee with direct responsibility for the indenture has actual knowledge of such Default or Event of Default or (2) written notice of such Default or Event of Default has been given to the trustee by Braskem or any holder in the manner specified in the indenture.

If an Event of Default (other than an Event of Default specified in clause (7) above) occurs and is continuing, the trustee or the holders of not less than 25% in principal amount of the notes then outstanding may declare all unpaid principal of and accrued interest on all notes to be due and payable immediately, by a notice in writing to Braskem, and upon any such declaration such amounts will become due and payable immediately. If an Event of Default specified in clause (7) above occurs and is continuing, then the principal of and accrued interest on all notes will become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder.

Subject to the provisions of the indenture relating to the duties of the trustee in case an Event of Default will occur and be continuing, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request or direction of any of the holders, unless such holders will have offered to the trustee indemnity reasonably satisfactory to the trustee. Subject to such provision for the indemnification of the trustee, the holders of a majority in aggregate principal amount of the outstanding notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee.

Defeasance

Braskem may at any time terminate all of its obligations with respect to the notes (“defeasance”), except for certain obligations, including those regarding any trust established for a defeasance and obligations to register the transfer or exchange of the notes, to replace mutilated, destroyed, lost or stolen notes and to maintain agencies in respect of notes. Braskem may at any time terminate its obligations under certain covenants set forth in the indenture, and any omission to comply with such obligations will not constitute a Default or an Event of Default with respect to the notes issued under the indenture (“covenant defeasance”). In order to exercise either defeasance or covenant defeasance, Braskem must irrevocably deposit in trust, for the benefit of the holders of the notes, with the trustee money or U.S. government obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants expressed in a written certificate delivered to the trustee, without consideration of any reinvestment, to pay the principal of and interest on the notes to redemption or maturity and comply with certain other conditions, including the delivery of an opinion of legal counsel of recognized standing to the effect that the holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same time as would otherwise have been the case (and in the case of a defeasance that is not a covenant defeasance, such opinion shall be based on a change in law or a ruling of the U.S. Internal Revenue Service).

Amendment, Supplement, Waiver

Subject to certain exceptions, the indenture may be amended or supplemented with the consent of the holders of at least a majority in principal amount of the notes then outstanding, and any past Default or compliance with any provision may be waived with the consent of the holders of at least a majority in principal amount of the notes then outstanding. However, without the consent of each holder of an outstanding note affected thereby, no amendment may:

(1) reduce the rate of or extend the time for payment of interest on any note;

(2) reduce the principal, or extend the Stated Maturity, of any note;

(3) reduce the amount payable upon redemption of any note or change the time at which any note may be redeemed;

(4) change the currency for payment of principal of, or interest on, any note;

(5) impair the right to institute suit for the enforcement of any payment on or with respect to any note;

(6) waive certain payment defaults with respect to the notes;

(7) reduce the principal amount of notes whose holders must consent to any amendment or waiver; or

(8) make any change in the amendment or waiver provisions which require each holder’s consent.

The holders of the notes will receive prior notice as described under "—Notices" of any proposed amendment to the notes or the indenture described in this paragraph. After an amendment described in the preceding paragraph becomes effective, Braskem is required to mail to the holders a notice briefly describing such amendment. However, the failure to give such notice to all holders of the notes, or any defect therein, will not impair or affect the validity of the amendment.

The consent of the holders of the notes is not necessary to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

Braskem and the trustee may, without the consent or vote of any holder of the notes, amend or supplement the indenture or the notes for the following purposes:

(1) cure any ambiguity, omission, defect or inconsistency; *provided* that such amendment or supplement does not materially and adversely affect the rights of any holder;

(2) comply with the covenant described under "—Covenants—Limitation on Consolidation, Merger or Transfer of Assets";

(3) add guarantees or collateral with respect to the notes;

(4) add to the covenants of Braskem for the benefit of holders of the notes;

(5) surrender any right conferred upon Braskem;

(6) evidence and provide for the acceptance of an appointment by a successor trustee;

(7) comply with any requirements of the SEC in connection with any qualification of the indenture under the U.S. Trust Indenture Act of 1939, as amended;

(8) provide for the issuance of additional notes; or

(9) make any other change that does not materially and adversely affect the rights of any holder of the notes.

Notices

For so long as notes in global form are outstanding, notices to be given to holders will be given to the depositary, in accordance with its applicable policies as in effect from time to time. If notes are issued in individual definitive form, notices to be given to holders will be deemed to have been given upon the mailing by first class mail, postage prepaid, of such notices to holders of the notes at their registered addresses as they appear in the trustee's records. For so long as the notes are listed on the Luxembourg Stock Exchange and it is required by the rules of the Luxembourg Stock Exchange, publication of such notice to the holders of the notes will be in English in a leading newspaper having general circulation in Luxembourg (which is expected to be the *d'Wort).* Notices may also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Trustee

JPMorgan Chase Bank, N.A. is the trustee under the indenture.

The indenture will contain provisions for the indemnification of the trustee and for its relief from responsibility. The obligations of the trustee to any holder are subject to such immunities and rights as are set forth in the indenture. Except during the continuance of an Event of Default, the trustee need perform only those duties that are specifically set forth in the indenture and no others, and no implied covenants or obligations will be read into the indenture against the trustee. In case an Event of Default has occurred and is continuing, the trustee shall exercise those rights and powers vested in it by the indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. No provision of the indenture will require the trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder, or in the exercise of its rights or powers, unless it receives indemnity satisfactory to it against any loss, liability or expense.

Braskem and its affiliates may from time to time enter into normal banking and trustee relationships with the trustee and its affiliates.

JPMorgan Chase Bank, N.A. has advised us that its parent, JPMorgan Chase & Co. ("JPMorgan"), has entered into an agreement with The Bank of New York Company ("BNY") pursuant to which JPMorgan intends to exchange portions of JPMorgan Chase Bank, N.A.'s corporate trust business, including municipal and corporate trusteeships, for the consumer, small business and middle market banking businesses of BNY's subsidiary, The Bank of New York. JPMorgan Chase Bank, N.A. has further advised us that this exchange transaction has been approved by both companies' boards of directors, is subject to regulatory approvals, and is expected to close in the late third quarter or fourth quarter of 2006. Upon closing of the exchange transaction, JPMorgan Chase Bank, N.A. anticipates that The Bank of New York would succeed it as Trustee under the Indenture.

Governing Law and Submission to Jurisdiction

The notes and the indenture will be governed by, and construed in accordance with, the laws of the State of New York.

Each of the parties to the indenture will submit to the jurisdiction of the U.S. federal and New York State courts located in the Borough of Manhattan, City and State of New York for purposes of all legal actions and proceedings instituted in connection with the notes and the indenture. Braskem has appointed National Corporation Research, 225 West 34th Street, Suite 910, New York, New York 10122, as its authorized agent upon which process may be served in any such action.

Currency Indemnity

U.S. dollars are the sole currency of account and payment for all sums payable by Braskem under or in connection with the notes, including damages. Any amount received or recovered in a currency other than dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of Braskem or otherwise) by any holder of a note in respect of any sum expressed to be due to it from Braskem will only constitute a discharge to Braskem to the extent of the dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that dollar amount is less than the dollar amount expressed to be due to the recipient under any note, Braskem will indemnify such holder against any loss sustained by it as a result; and if the amount of United States dollars so purchased is greater than the sum originally due to such holder, such holder will, by accepting a note, be deemed to have agreed to repay such excess. In any event, Braskem will indemnify the recipient against the cost of making any such purchase.

For the purposes of the preceding paragraph, it will be sufficient for the holder of a note to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had an actual purchase of dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of dollars on such date had not been practicable, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above). These indemnities constitute a separate and independent obligation from the other obligations of Braskem, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any holder of a note and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any note.

Certain Definitions

The following is a summary of certain defined terms used in the indenture. Reference is made to the indenture for the full definition of all such terms as well as other capitalized terms used herein for which no definition is provided.

"Advance Transaction" means an advance from a financial institution involving either (a) a foreign exchange contract (ACC—Adiantamento sobre Contrato de Câmbio) or (b) an export contract (ACE—Adiantamento sobre Contrato de Exportação).

"Affiliate" means, with respect to any specified person, (a) any other person which, directly or indirectly, is in control of, is controlled by or is under common control with such specified person or (b) any other person who is a director or officer (1) of such specified person, (2) of any subsidiary of such specified person or (3) of any person described in clause (a) above. For purposes of this definition, control of a person means the power, direct or indirect, to direct or cause the direction of the management and policies of such person whether by contract or otherwise and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Brazil" means the Federative Republic of Brazil.

"Brazilian GAAP" means accounting practices prescribed by Brazilian Corporation Law, the rules and regulations issued by the CVM and the accounting standards issued by the Brazilian Institute of Independent Accountants (Instituto dos Auditores Independentes do Brasil), in each case as in effect from time to time.

"Capital Lease Obligations" means, with respect to any person, any obligation which is required to be classified and accounted for as a capital lease on the face of a balance sheet of such person prepared in accordance with Brazilian GAAP; the amount of such obligation will be the capitalized amount thereof, determined in accordance with Brazilian GAAP; and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

"Capital Stock" means, with respect to any person, any and all shares of stock, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated, whether voting or non-voting), such person's equity including any preferred stock, but excluding any debt securities convertible into or exchangeable for such equity.

"Consolidated Net Tangible Assets" means the total amount of assets of Braskem and its Subsidiaries less (a) applicable depreciation, amortization and other valuation reserves, (b) all current liabilities excluding intercompany Debt and (c) all goodwill, trade names, trademarks, patents, and other intangibles as set forth on the most recent financial statements delivered by Braskem to the trustee in accordance with "—Covenants—Reporting Requirements".

"CVM" means the Brazilian Securities Commission, or Comissão de Valores Mobiliários.

"Debt" means, with respect to any person, without duplication:

(a) the principal of and premium, if any, in respect of (1) indebtedness of such person for money borrowed and (2) indebtedness evidenced by notes, debentures, notes or other similar instruments for the payment of which such person is responsible or liable;

(b) all Capital Lease Obligations of such person;

(c) all obligations of such person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such person and all obligations of such person under any title retention agreement (but excluding trade accounts payable or other short-term obligations to suppliers payable within 180 days, in each case arising in the ordinary course of business);

(d) all obligations of such person for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in clauses (a) through (c) above) entered into in the ordinary course of business of such person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the tenth Business Day following receipt by such person of a demand for reimbursement following payment on the letter of credit);

(e) all Hedging Obligations;

(f) all obligations of the type referred to in clauses (a) through (d) of other persons and all dividends of other persons for the payment of which, in either case, such person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any guarantee (other than obligations of other persons that are customers or suppliers of such person for which such person is or becomes so responsible or liable in the ordinary course of business to (but only to) the extent that such person does not, or is not required to, make payment in respect thereof);

(g) all obligations of the type referred to in clauses (a) through (e) of other persons secured by any Lien on any property or asset of such person (whether or not such obligation is assumed by such person), the amount of such obligation being deemed to be the lesser of the value of such property or assets or the amount of the obligation so secured; and

(h) any other obligations of such person which are required to be, or are in such person's financial statements, recorded or treated as debt under Brazilian GAAP.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"guarantee" means any obligation, contingent or otherwise, of any person directly or indirectly guaranteeing any Debt or other obligation of any person and any obligation, direct or indirect, contingent or otherwise, of such person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or pay, or to maintain financial statement conditions or otherwise) or (b) entered into for purposes of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided, however, that the term "guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

"Hedging Obligations" means, with respect to any person, the obligations of such person pursuant to any interest rate swap agreement, foreign currency exchange agreement, interest rate collar agreement, option or futures contract or other similar agreement or arrangement designed to protect such person against changes in interest rates or foreign exchange rates.

"holder" means the person in whose name a note is registered in the register.

"Investment" means, with respect to any person, any loan or advance to, any acquisition of Capital Stock, equity interest, obligation or other security of, or capital contribution or other investment in, such person.

"Lien" means any mortgage, pledge, security interest, conditional sale or other title retention agreement or other similar lien.

"Significant Subsidiary" means any Subsidiary of Braskem which at the time of determination either (1) had assets which, as of the date of Braskem's most recent quarterly consolidated balance sheet, constituted at least 10% of Braskem's total assets on a consolidated basis as of such date, or (2) had revenues for the 12-month period ending on the date of Braskem's most recent quarterly consolidated statement of income which constituted at least 10% of Braskem's total revenues on a consolidated basis for such period.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"Subsidiary" means any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by (a) Braskem, (b) Braskem and one or more Subsidiaries or (c) one or more Subsidiaries.

"Wholly-owned Subsidiary" means a Subsidiary all of the Capital Stock of which (other than directors' qualifying shares) is owned by Braskem or another Wholly-owned Subsidiary.

FORM OF THE NOTES

Notes sold in offshore transactions in reliance on Regulation S will be represented by a permanent global note or notes in fully registered form without interest coupons (the "Regulation S Global Note") and will be registered in the name of a nominee of DTC and deposited with a custodian for DTC. Notes sold in reliance on Rule 144A will be represented by a permanent global note or notes in fully registered form without interest coupons (the "Restricted Global Note" and, together with the Regulation S Global Note, the "global notes") and will be deposited with a custodian for DTC and registered in the name of a nominee of DTC.

The notes will be subject to certain restrictions on transfer as described in "Notice to Investors." On or prior to the 40th day after the later of the commencement of the offering and the closing date of this offering, a beneficial interest in the Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Restricted Global Note only upon receipt by the principal paying agent of a written certification from the transferor (in the form provided in the indenture) to the effect that such transfer is being made to a person whom the transferor reasonably believes to be a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction (a "Restricted Global Note Certificate"). After such 40th day, this certification requirement will no longer apply to such transfers. Beneficial interests in the Restricted Global Note may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note, whether before, on or after such 40th day, only upon receipt by the principal paying agent of a written certification from the transferor (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144 under the Securities Act (a "Regulation S Global Note Certificate"). Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in the other global note will, upon transfer, cease to be an interest in such global note and become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other global note for as long as it remains an interest.

Except in the limited circumstances described under "—Global Notes," owners of the beneficial interests in global notes will not be entitled to receive physical delivery of individual definitive notes. The notes are not issuable in bearer form.

Global Notes

Upon receipt of the Regulation S Global Note and the Restricted Global Note, DTC will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such global note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the managers. Ownership of beneficial interests in a global note will be limited to persons who have accounts with DTC ("DTC Participants") or persons who hold interests through DTC Participants. Ownership of beneficial interests in the global notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of persons other than DTC Participants).

So long as DTC, or its nominee, is the registered owner or holder of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such global note for all purposes under the indenture and the notes. Unless DTC notifies Braskem that it is unwilling or unable to continue as depositary for a global note, or ceases to be a "clearing agency" registered under the Exchange Act, or any of the notes becomes immediately due and payable in accordance with "Description of the Notes—Events of Default," owners of beneficial interests in a global note will not be entitled to have any portions of such global note registered in their names, will not receive or be entitled to receive physical delivery of notes in individual definitive form and will not be considered the owners or holders of the global note (or any notes represented thereby) under the indenture or the notes. In addition, no beneficial owner of an interest in a global note will be able to transfer that interest except in accordance with DTC's applicable procedures (in addition to those under the indenture referred to herein and, if applicable, those of Euroclear and Clearstream Luxembourg).

Investors may hold interests in the Regulation S Global Note through Euroclear or Clearstream Luxembourg, if they are participants in such systems. Euroclear and Clearstream Luxembourg will hold interests in the Regulation S Global Note on behalf of their account holders through customers' securities accounts in their respective names on the books of their respective depositaries, which, in turn, will hold such interests in the Regulation S Global Note in customers' securities accounts in the depositaries' names on the books of DTC. Investors may hold their interests in the Restricted Global Note directly through DTC, if they are DTC Participants, or indirectly through organizations which are DTC Participants, including Euroclear and Clearstream Luxembourg.

Payments of the principal of and interest on global notes will be made to DTC or its nominee as the registered owner thereof. Neither Braskem nor any initial purchaser will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Braskem anticipates that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a global note representing any notes held by its nominee, will immediately credit DTC Participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global note as shown on the records of DTC or its nominee. Braskem also expects that payments by DTC Participants to owners of beneficial interests in such global note held through such DTC Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC Participants.

Transfers between DTC Participants will be effected in accordance with DTC's procedures, and will be settled in same-day funds. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in a global note to such persons may be limited. Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in a global note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical individual definitive certificate in respect of such interest. Transfers between accountholders in Euroclear and Clearstream Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions available to the notes described above, crossmarket transfers between DTC participants, on the one hand, and directly or indirectly through Euroclear or Clearstream Luxembourg account holders, on the other hand, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream Luxembourg, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream Luxembourg, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the Regulation S Global Note in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Euroclear and Clearstream Luxembourg account holders may not deliver instructions directly to the depositaries for Euroclear or Clearstream Luxembourg.

Because of time zone differences, the securities account of a Euroclear or Clearstream Luxembourg account holder purchasing an interest in a global note from a DTC Participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream Luxembourg, as the case may be) immediately following the DTC settlement date and such credit of any transactions in interests in a global note settled during such processing day will be reported to the relevant Euroclear or Clearstream Luxembourg accountholder on such day. Cash received in Euroclear or Clearstream Luxembourg as a result of sales of interests in a global note by or through a Euroclear or Clearstream Luxembourg account holder to a DTC Participant will be received for value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream Luxembourg cash account only as of the business day following settlement in DTC.

DTC has advised that it will take any action permitted to be taken by a holder of notes (including the presentation of notes for exchange as described below) only at the direction of one or more DTC Participants to whose account or accounts with DTC interests in the global notes are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such DTC Participant or DTC Participants has or have given such direction. However, in the limited circumstances described above, DTC will exchange the global notes for individual definitive notes (in the case of notes represented by the Restricted Global Note, bearing a restrictive legend), which will be distributed to its participants. Holders of indirect interests in the global notes through DTC Participants have no direct rights to enforce such interests while the notes are in global form.

The giving of notices and other communications by DTC to DTC Participants, by DTC Participants to persons who hold accounts with them and by such persons to holders of beneficial interests in a global note will be governed by arrangements between them, subject to any statutory or regulatory requirements as may exist from time to time.

DTC has advised as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for DTC Participants and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in accounts of DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include security brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("indirect participants").

Although DTC, Euroclear and Clearstream Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of interests in the Regulation S Global Note and in the Restricted Global Note among participants and accountholders of DTC, Euroclear and Clearstream Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither Braskem nor any Agent will have any responsibility for the performance of DTC, Euroclear or Clearstream Luxembourg or their respective participants, indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

Individual Definitive Notes

If (1) DTC or any successor to DTC is at any time unwilling or unable to continue as a depositary for the reasons described in "—Global Notes" and a successor depositary is not appointed by Braskem within 90 days or (2) any of the notes has become immediately due and payable in accordance with "Description of the Notes—Events of Default," Braskem will issue individual definitive notes in registered form in exchange for the Regulation S Global Note and the Restricted Global Note, as the case may be. Upon receipt of such notice from DTC or the paying agent, as the case may be, Braskem will use its best efforts to make arrangements with DTC for the exchange of interests in the global notes for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to holders. Persons exchanging interests in a global note for individual definitive notes will be required to provide the registrar with (a) written instruction and other information required by Braskem and the registrar to complete, execute and deliver such individual definitive notes and (b) in the case of an exchange of an interest in a Restricted Global Note, certification that such interest is not being transferred or is being transferred only in compliance with Rule 144A under the Securities Act. In all cases, individual definitive notes delivered in exchange for any global note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by DTC.

In the case of individual definitive notes issued in exchange for the Restricted Global Note, such individual definitive notes will bear, and be subject to, the legend described in "Notice to Investors" (unless Braskem determines otherwise in accordance with applicable law). The holder of a restricted individual definitive note may transfer such note, subject to compliance with the provisions of such legend, as provided in "Description of the Notes." Upon the transfer, exchange or replacement of notes bearing the legend, or upon specific request for removal of the legend on a note, Braskem will deliver only notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to Braskem such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by Braskem that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act. Before any individual definitive note may be transferred to a person who takes delivery in the form of an interest in any global note, the transferor will be required to provide the principal paying agent with a Restricted Global Note Certificate or a Regulation S Global Note Certificate, as the case may be.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear, Clearstream Luxembourg or DTC.

TAXATION

The following discussion summarizes certain Brazilian, U.S. federal income and European Union tax considerations that may be relevant to you if you invest in the notes. This summary is based on laws and regulations now in effect in Brazil, laws, regulations, rulings and decisions now in effect in the United States, and a directive of the European Union, in each case which may change. Any change could apply retroactively and could affect the continued validity of this summary.

This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your tax advisors about the tax consequences of holding the notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local and other tax laws.

Brazilian Taxation

As a general rule, non-Brazilian residents are taxed in Brazil only when income is derived from Brazilian sources. The applicability of Brazilian taxes with respect to payments on the notes will depend on the origin of such payments and the domicile of the recipient of such payments.

Individuals domiciled in Brazil and Brazilian companies are taxed on the basis of their worldwide income (which includes earnings of Brazilian companies' foreign subsidiaries, branches and affiliates). The earnings of branches of foreign companies and non-Brazilian residents in general are taxed in Brazil only when derived from Brazilian sources.

Interest, fees, commissions (including any original issue discount and any redemption premium) and any other income payable by a Brazilian obligor to an individual, entity, trust or organization domiciled outside Brazil in respect of debt obligations derived from the issuance by a Brazilian issuer of international debt securities previously registered with the Central Bank, such as the notes, is subject to income tax withheld at source. The rate of withholding tax with respect to such debt obligations is generally 15.0% as provided for in Section 10 of the Normative Act No. 252 of December 3, 2002, or Normative Act No. 252/02. According to Normative Act 252/02, in the event that the beneficiary of such payments is domiciled in a tax haven jurisdiction (as defined by Brazilian tax laws from time to time), such payments of interest, fees, commissions (including any original issue discount and any redemption premium) and any other income are also subject to withholding in respect of Brazilian income tax at the general rate of 15.0% (as long as the notes qualify as international debt securities previously registered with the Central Bank). However, it is important to mention that pursuant to article 8 of Law No. 9779 of January 19, 1999, if the relevant average term of the notes is of less than 96 months, the rate applicable to the beneficiary domiciled in a tax haven jurisdiction is 25.0% (article 691, IX of Decree No. 3,000 of March 26, 1999 and article 1, IX of Law No. 9,481 of August 13, 1997). Accordingly, there is a risk that the tax authorities may change the understanding expressed in Normative Act No. 252/02 and apply the rate of 25.0% in the event that the beneficiary is domiciled in a tax haven jurisdiction. If the beneficiary of the income is domiciled in a country with which Brazil has a treaty for the avoidance of double taxation and provided further that this beneficiary is qualified for the treaty benefits, such income might be subject to a lower rate.

Brazil and Japan are signatories to a treaty for the avoidance of double taxation. Under this treaty, payments of interest to entities incorporated in Japan (or a branch thereof) or other type of income deemed similar to income from borrowed funds under Brazilian tax law will be subject to a Brazilian withholding tax rate of 12.5%. As long as such payments are made by us to the principal paying Agent pursuant to the terms and conditions of the notes and provided further that such principal paying agent is a tax resident of Japan and is qualified for the treaty benefits under the notes, they will be subject to the 12.5% rate of Brazilian withholding tax. If we are not able to rely on such treaty to make the payments, and in relation to payments not being made by us to the principal paying agent, any such payments will be subject to Brazilian withholding tax at the rates indicated in the previous paragraph.

Generally, fund transfers in connection with financial transactions in Brazil are subject to the temporary contribution on financial transactions ("CPMF"), which is levied at a rate of 0.38% on any bank account withdrawals. The tax burden derived from the imposition of the CPMF on bank account withdrawals in respect of payments made on or in connection with the notes will be incurred by our company. The CPMF is set to expire in December 31, 2007, although the Brazilian federal government may extend it or transform the CPMF into a permanent tax.

Gains on the sale or disposal of the notes made outside Brazil by a non-resident, other than a branch, subsidiary or an affiliated company of a Brazilian resident as defined under Brazilian tax law, to another non-Brazilian resident are not subject to Brazilian taxes. Article 26 of the Law No. 10,833, enacted on December 29, 2003, or Law No. 10,833, established that, as from February 1, 2004, capital gains realized on the disposal of Brazilian situs assets by non-residents, whether to other non-residents or Brazilian residents and whether made outside or within Brazil, are subject to Brazilian withholding income tax. Although the scope of Law No. 10,833 is yet unclear, we believe that the notes shall not fall into such new provision. However, Brazilian tax authorities may understand otherwise; i.e. that the gains accrued abroad on the sale or disposal of such notes should be taxable in Brazil.

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the notes outside Brazil nor any inheritance, gift or succession tax applicable to the ownership, transfer or disposition of the notes, except for gift and inheritance taxes imposed by some Brazilian states on gifts and bequests by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such states. The earnings of foreign companies and persons not resident in Brazil are taxed in Brazil when derived from Brazilian sources or when the transaction giving rise to such earnings involves assets in Brazil.

The above description is not intended to constitute a complete analysis of all Brazilian tax consequences relating to the ownership of notes. Prospective purchasers of notes should consult their own tax advisors concerning the tax consequences of their particular situations.

U.S. Federal Income Taxation

The following is a description of the principal U.S. federal income tax consequences that may be relevant with respect to the acquisition, ownership and retirement of notes by a holder thereof. This description only applies to notes held as capital assets and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as:

- financial institutions;
- insurance companies;
- real estate investment trusts;
- regulated investment companies;
- grantor trusts;
- tax-exempt organizations;
- dealers or traders in securities or currencies;
- certain former citizens or long-term residents of the United States;
- holders that will hold a note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes; or
- holders that have a functional currency other than the U.S. dollar.

Moreover, this description does not address the U.S. federal estate and gift tax or alternative minimum tax consequences of the acquisition, ownership or retirement of notes and does not address the U.S. federal income tax treatment of holders that do not acquire notes as part of the initial distribution at their initial issue price. Each prospective purchaser should consult its tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, holding and disposing of notes.

This description is based on the Internal Revenue Code of 1986, as amended, existing and proposed U.S. Treasury Regulations, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein.

For purposes of this description, a U.S. Holder is a beneficial owner of notes who for U.S. federal income tax purposes is:

- an individual citizen or resident of the United States;
- a corporation or partnership organized in or under the laws of the United States or any State thereof, including the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (1) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control.

A Non-U.S. Holder is a beneficial owner of notes other than a U.S. Holder.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds the notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences.

Internal Revenue Service Circular 230 Disclosure

Pursuant to Internal Revenue Service Circular 230, we hereby inform you that the description set out herein with respect to U.S. federal tax issues was not intended or written to be used, and such description cannot be used, by any taxpayer, for the purpose of avoiding any penalties that may be imposed on the taxpayer under the U.S. Internal Revenue Code. Such description was written to support the marketing of the notes. This description is limited to the U.S. federal tax issues described herein. It is possible that additional issues may exist that could affect the U.S. federal tax treatment of the notes, and this description does not consider or provide any conclusions with respect to any such additional issues. Taxpayers should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Interest

If you are a U.S. Holder, interest paid to you on a note, including any additional amounts, will be includible in your gross income as ordinary interest income in accordance with your usual method of tax accounting. In addition, interest on the notes will be treated as foreign source income for your U.S. federal income tax purposes. For U.S. foreign tax credit limitation purposes, interest on the notes generally will constitute passive income, or, in the case of certain U.S. Holders, financial services income and will constitute "high withholding tax interest" if the interest is subject to withholding at a rate of five percent or more. U.S. holders should note, however, that the "financial services income" and "high withholding tax interest" categories will be eliminated for taxable years beginning after December 31, 2006. Thereafter, the foreign tax credit limitation categories would be limited to "passive category income" and "general category income". The rules governing the foreign tax credit are complex. You are urged to consult your tax advisor regarding the availability of the foreign tax credit under your particular circumstances.

Subject to the discussion below under the caption "—U.S. Backup Withholding Tax and Information Reporting," if you are a Non-U.S. Holder, payments to you of interest on a note generally will not be subject to U.S. federal income tax unless the income is effectively connected with your conduct of a trade or business in the United States.

Sale, Exchange or Retirement

If you are a U.S. Holder, upon the sale, exchange or retirement of a note you will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or retirement, other than accrued but unpaid interest which will be taxable as interest, and your adjusted tax basis in the note. Your adjusted tax basis in a note generally will equal the cost of the note to you, and any such gain or loss will be capital gain or loss. If you are a non-corporate U.S. Holder, the maximum marginal U.S. federal income tax rate applicable to the gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income (other than certain dividends) if your holding period for the notes exceeds one year (i.e., such gain is long-term capital gain). Any gain or loss realized on the sale, exchange or retirement of a note generally will be treated as U.S. source gain or loss, as the case may be. Consequently, you may not be able to claim a credit for Brazilian tax imposed upon a disposition of a note unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources. The deductibility of capital losses is subject to limitations.

Subject to the discussion below under the caption "—U.S. Backup Withholding Tax and Information Reporting," if you are a Non-U.S. Holder, any gain realized by you upon the sale, exchange or retirement of a note generally will not be subject to U.S. federal income tax, unless:

- the gain is effectively connected with your conduct of a trade or business in the United States; or
- if you are an individual Non-U.S. Holder, you are present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met.

U.S. Backup Withholding Tax and Information Reporting

A backup withholding tax and information reporting requirements apply to certain payments of principal of, and interest on, an obligation and to proceeds of the sale or redemption of an obligation, to certain non-corporate holders of notes that are U.S. persons. Information reporting generally will apply to payments of principal of, and interest on, notes, and to proceeds from the sale or redemption of, notes within the United States, or by a U.S. payor or U.S. middleman, to a holder of notes that is a U.S. person (other than an exempt recipient, including a corporation, and certain other persons). The payor will be required to backup withhold on payments made within the United States, or by a U.S. payor or U.S. middleman, on a note to a holder of a note that is a U.S. person, other than an exempt recipient, such as a corporation, if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Payments within the United States, or by a U.S. payor or U.S. middleman, of principal and interest to a holder of a note that is not a U.S. person will not be subject to backup withholding tax and information reporting requirements if an appropriate certification is provided by the holder to the payor and the payor does not have actual knowledge or a reason to know that the certificate is incorrect. The backup withholding tax rate is 28% for years through 2010.

In the case of payments to a foreign simple trust, a foreign grantor trust or a foreign partnership, other than payments to a foreign simple trust, a foreign grantor trust or foreign partnership that qualifies as a withholding foreign trust or a withholding foreign partnership within the meaning of the applicable U.S. Treasury Regulations and payments to a foreign simple trust, a foreign grantor trust or a foreign partnership that are effectively connected with the conduct of a trade or business in the United States, the beneficiaries of the foreign simple trust, the persons treated as the owners of the foreign grantor trust or the partners of the foreign partnership, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from backup withholding tax and information reporting requirements. Moreover, a payor may rely on a certification provided by a payee that is not a United States person only if the payor does not have actual knowledge or a reason to know that any information or certification stated in the certificate is incorrect.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of notes. Prospective purchasers of notes should consult their own tax advisors concerning the tax consequences of their particular situations.

European Union Savings Directive (Directive 2003/48/EC)

The Council of the European Union ("EU") adopted a directive on the taxation of savings income (Directive 2003/48/EC). From July 1, 2005, each member state of the EU is required to provide to the tax authorities of the other member states information regarding payments of interest (or other similar income) paid by persons within its jurisdiction to individual residents of such other member states, except that Belgium, Luxembourg, and Austria will instead operate a withholding system in relation to such payments until such time as the EU is able to enter into satisfactory information exchange agreements with several non-EU countries. In addition, the Council entered into an agreement with Switzerland pursuant to which Switzerland agreed to impose withholding tax on non-Swiss source interest payments paid by persons within its jurisdiction to individual residents of the EU and share a portion of the revenue with the recipients' countries of residence.

NOTICE TO INVESTORS

The notes have not been registered, and will not be registered, under the U.S. Securities Act or any other applicable securities laws, and the notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the notes are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A under the Securities Act; and
- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of notes (other than the initial purchasers in connection with the initial issuance and sale of notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

(1) It is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made in reliance on Rule 144A or (b) a non-U.S. person that is outside the United States.

(2) It acknowledges that the notes have not been registered under the Securities Act or with any securities regulatory authority of any jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below.

(3) It understands and agrees that notes initially offered in the United States to qualified institutional buyers will be represented by one or more global notes and that notes offered outside the United States in reliance on Regulation S will also be represented by one or more global notes.

(4) It will not resell or otherwise transfer any of such notes except (a) to Braskem, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act.

(5) It agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes.

(6) It acknowledges that prior to any proposed transfer of notes (other than pursuant to an effective registration statement or in respect of notes sold or transferred either pursuant to (a) Rule 144A or (b) Regulation S and listed on the Luxembourg Stock Exchange) the holder of such notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture.

(7) It acknowledges that the trustee, registrar or transfer agent for the notes will not be required to accept for registration transfer of any notes acquired by it, except upon presentation of evidence satisfactory to us and the trustee, registrar or transfer agent that the restrictions set forth herein have been complied with.

(8) It acknowledges that we, the initial purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the notes are no longer accurate, it will promptly notify us and the initial purchasers. If it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations, and agreements on behalf of each account.

The following is the form of restrictive legend which will appear on the face of the Rule 144A global note, and which will be used to notify transferees of the foregoing restrictions on transfer:

"This Note has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any other securities laws. The holder hereof, by purchasing this Note, agrees that this Note or any interest or participation herein may be offered, resold, pledged or otherwise transferred only (1) to Braskem S.A., (2) so long as this Note is eligible for resale pursuant to Rule 144A under the Securities Act ("Rule 144A"), to a person who the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A) in accordance with Rule 144A, (3) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act, (4) pursuant to an exemption from registration under the Securities Act afforded by Rule 144 under the Securities Act (if available) or (5) pursuant to an effective registration statement under the Securities Act, and in each of such cases in accordance with any applicable securities laws of any state of the United States or other applicable jurisdiction. The holder hereof, by purchasing this Note, represents and agrees that it will notify any purchaser of this Note from it of the resale restrictions referred to above.

The foregoing legend may be removed from this Note on satisfaction of the conditions specified in the indenture referred to herein."

The following is the form of restrictive legend which will appear on the face of the Regulation S Global Note and which will be used to notify transferees of the foregoing restrictions on transfer:

"This Note has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any other securities laws. The holder hereof, by purchasing this Note, agrees that neither this Note nor any interest or participation herein may be offered, resold, pledged or otherwise transferred in the absence of such registration unless such transaction is exempt from, or not subject to, such registration.

The foregoing legend may be removed from this Note after 40 days beginning on and including the later of (a) the date on which the Notes are offered to persons other than distributors (as defined in Regulation S under the Securities Act) and (b) the original issue date of this Note."

For further discussion of the requirements (including the presentation of transfer certificates) under the indenture to effect exchanges or transfers of interest in global notes and certificated notes, see the "Form of the Notes."

ENFORCEMENT OF CIVIL LIABILITIES

We are a corporation organized under the laws of Brazil. Substantially all of our directors and officers, the independent accountants and some of the advisors named herein reside in Brazil or elsewhere outside the United States, and all or a significant portion of the assets of such persons may be, and substantially all of our assets are, located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States or other jurisdictions outside Brazil upon such persons, or to enforce against them or against us judgments predicated upon the civil liability provisions of the U.S. federal securities laws or the laws of such other jurisdictions.

In the terms and conditions of the notes, we will (1) agree that the courts of the State of New York and the federal courts of the United States, in each case sitting in the Borough of Manhattan, The City of New York, will have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with the notes and, for such purposes, irrevocably submit to the jurisdiction of such courts and (2) name an agent for service of process in the Borough of Manhattan, The City of New York. See "Description of the Notes."

We have been advised by Pinheiro Neto Advogados, our Brazilian counsel, that judgments of non-Brazilian courts for civil liabilities predicated upon the securities laws of countries other than Brazil, including the U.S. securities laws, subject to certain requirements described below, may be enforced in Brazil. A judgment against either us or any other person described above obtained outside Brazil would be enforceable in Brazil against us or any such person without reconsideration of the merits, upon confirmation of that judgment by the Brazilian Superior Court of Justice. That confirmation, generally, will occur if the foreign judgment:

- fulfills all formalities required for its enforceability under the laws of the country where the foreign judgment is granted;
- is issued by a competent court after proper service of process is made in accordance with Brazilian legislation;
- is not subject to appeal;
- is for a sum certain;
- is authenticated by a Brazilian consular office in the country where the foreign judgment is issued and is accompanied by a sworn translation into Portuguese; and
- is not contrary to Brazilian national sovereignty, public policy or public morality.

The confirmation process may be time-consuming and may also give rise to difficulties in enforcing the foreign judgment in Brazil. Accordingly, we cannot assure you that confirmation would be obtained, that the confirmation process would be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of the securities laws of countries other than Brazil, including the U.S. securities laws.

A plaintiff (whether Brazilian or non-Brazilian) who resides outside Brazil during the course of litigation in Brazil must provide a bond to guarantee court costs and legal fees if the plaintiff owns no real property in Brazil that may ensure such payment. This bond must have a value sufficient to satisfy the payment of court fees and defendant's attorneys' fees, as determined by the Brazilian judge, except in the case of the enforcement of foreign judgments that have been duly confirmed by the Brazilian Superior Court of Justice.

PLAN OF DISTRIBUTION

ABN AMRO Bank N.V., London Branch and Citigroup Global Markets Inc. are acting as joint bookrunners and lead managers for the offering. Subject to the terms and conditions stated in the purchase agreement dated the date of this offering memorandum, each initial purchaser named below has agreed to purchase, and we have agreed to sell to that initial purchaser, the principal amount of the notes set forth opposite the initial purchaser's name.

Initial purchasers	Principal amount of notes
ABN AMRO Bank N.V., London Branch	US$137,500,000
Citigroup Global Markets Inc.	137,500,000
	US$275,000,000

The purchase agreement provides that the obligations of the initial purchasers to purchase the notes are subject to approval of legal matters by counsel and to other conditions. The initial purchasers must purchase all the notes if they purchase any of the notes.

We have been advised that the initial purchasers propose to resell the notes at the offering price set forth on the cover page of this offering memorandum within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States in reliance on Regulation S. See "Notice to Investors." The offering price at which the notes are offered may be changed at any time without notice.

The notes have not been and will not be registered under the U.S. Securities Act of 1933 or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Notice to Investors."

Each initial purchaser has agreed, in connection with sales of notes outside the United States, that, except as permitted by the purchase agreement and set forth in the "Notice to Investors", it will not offer or sell the notes within the United States or to, or for the account or benefit of, U.S. persons (1) as part of its distribution at any time, or (2) otherwise until 40 days after the later of the commencement of the offering and the closing date of this offering.

In addition, until 40 days after the commencement of this offering, an offer or sale of notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

Each initial purchaser has also represented, warranted and agreed that:

- it has not offered or sold and, prior to the expiry of a period of six months from the closing date, will not offer or sell any notes included in this offering to persons in the United Kingdom except to persons whose ordinary activities involve acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the United Kingdom Financial Services and Markets Act 2000, or the FSMA) received by it in connection with the issue or sale of any notes included in this offering in circumstances in which Section 21(1) of the FSMA does not apply to us; and it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes included in this offering in, from or otherwise involving the United Kingdom;

- the offer in The Netherlands of the notes included in this offering is exclusively limited to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises); and
- it has not offered or sold, and will not offer or sell any notes in Brazil, except in circumstances that do not constitute a public offering or distribution under Brazilian laws and regulations. The notes have not been, and will not be, registered with the CVM.

The notes will constitute a new class of securities with no established trading market. Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF Market of that Exchange. The notes are expected to be eligible for trading in The PORTAL Market, the NASD's screen-based automated market for trading of securities eligible for resale under Rule 144A. We cannot assure you that the prices at which the notes will sell in the market after this offering will not be lower than the offering price or that an active trading market for the notes will develop and continue after this offering. The initial purchasers have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the notes at any time without notice. In addition, market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, we cannot assure you as to the liquidity of or the trading market for the notes.

In connection with this offering, the initial purchasers may purchase and sell notes in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Overallotment involves sales of notes in excess of the principal amount of notes to be purchased by the initial purchasers in this offering, which creates a short position for the initial purchasers. Covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of notes made for the purpose of preventing or retarding a decline in the market price of the notes while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the notes. They may also cause the price of the notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers commence any of these transactions, they may discontinue them at any time.

We expect to deliver the notes against payment for the notes on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the fifth business day following the date of the pricing of the notes. Because trades in the secondary market generally settle in three business days, purchasers who wish to trade notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the notes initially will settle in T+5, to specify alternative settlement arrangements to prevent a failed settlement.

The initial purchasers have performed investment banking and advisory services for us from time to time for which they have received customary fees and expenses. The initial purchasers may, from time to time, engage in transactions with and perform services for us in the ordinary course of their businesses.

We have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the initial purchasers may be required to make because of any of those liabilities.

Purchasers of any notes sold outside the United States may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price paid by such purchasers for such notes.

LEGAL MATTERS

The validity of the notes offered and sold in this offering will be passed upon for us by White & Case LLP, and for the initial purchasers by Simpson Thacher & Bartlett LLP, New York, New York. Certain matters of Brazilian law relating to the notes will be passed upon for us by Pinheiro Neto Advogados, São Paulo, Brazil. Souza, Cescon Avedissian, Barrieu e Flesch Advogados, São Paulo, Brazil, will pass upon certain matters of Brazilian law relating to the notes for the initial purchasers.

INDEPENDENT ACCOUNTANTS

Our consolidated financial statements at December 31, 2005 and 2004 and for the three years ended December 31, 2005 included in this offering memorandum have been audited by PricewaterhouseCoopers Auditores Independentes, independent registered public accounting firm, as stated in their report incorporated by reference herein.

AVAILABLE INFORMATION

We are a reporting company under Section 13 or Section 15(d) of the Exchange Act and file periodic reports with the SEC. However, if at any time we cease to be a reporting company under Section 13 or Section 15(d) of the Exchange Act, or are not exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, we will be required to furnish to any holder of a note which is a "restricted security" (within the meaning of Rule 144 under the Securities Act), or to any prospective purchaser thereof designated by such a holder, upon the request of such a holder or prospective purchaser, in connection with a transfer or proposed transfer of any such note pursuant to Rule 144A under the Securities Act or otherwise, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Our 2005 Form 20-F and our periodic reports filed with the SEC, including any interim financial reports, are available free of charge at the office of the Luxembourg listing agent, from the SEC or from our website.

LISTING AND GENERAL INFORMATION

1. The notes have been accepted for clearance through DTC, Euroclear and Clearstream Luxembourg. The CUSIP, ISIN numbers and Common Codes for the notes are as follows:

	Restricted Global Note	Regulation S Global Note
CUSIP	105532AD7	P18533AK8
ISIN	US105532AD74	USP18533AK80
Common Code	026922518	026922577

2. Copies of our latest audited annual financial statements and unaudited quarterly financial statements, if any, may be obtained at the offices of the principal paying agent and any other paying agent, including the Luxembourg paying agent. Copies of our *estatuto social* (by-laws), as well as the indenture (including forms of notes), will be available for inspection at the offices of the principal paying agent and any other paying agent, including the Luxembourg paying agent.

3. Except as disclosed in this offering memorandum, there has been no material adverse change in our financial position since December 31, 2005, the date of the latest audited financial statements incorporated by reference into this offering memorandum.

4. Except as disclosed in this offering memorandum, we are not involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of this offering, nor so far as we are aware is any such litigation or arbitration pending or threatened.

5. Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF Market of that exchange.

6. The issuance of the notes was authorized by Braskem's Board of Directors on August 28, 2006.

INDEX TO FINANCIAL INFORMATION

Unaudited Condensed Consolidated Interim Financial Information

BRASKEM S.A. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
at June 30, 2006 and December 31, 2005
In millions of *reais*

	June 30, 2006 (Unaudited)	December 31, 2005
Assets		
Current assets		
Cash and cash equivalents	1,211.2	2,135.7
Other investments	250.3	145.8
Trade accounts receivable	1,753.3	1,493.3
Inventories	1,730.2	1,567.5
Taxes recoverable	427.9	324.9
Deferred income tax	0.3	2.4
Related parties	0.2	0.6
Advances to suppliers	60.8	40.0
Other receivables	75.3	58.9
Prepaid expenses	31.2	48.8
	5,540.7	5,817.9
Long-term assets		
Trade accounts receivable	34.0	49.7
Related parties	61.1	40.6
Other investments	1.1	0.3
Judicial deposits and compulsory loan	98.2	36.5
Deferred income tax	425.5	292.6
Taxes recoverable	788.8	559.4
Inventories	41.3	75.8
Other assets	32.9	27.2
	1,482.9	1,082.1
Permanent assets		
Investments		
Joint-controlled companies	8.6	6.2
Associated companies	24.7	25.8
Other investments	14.3	34.2
Property, plant and equipment	6,464.5	6,365.6
Deferred charges, including goodwill	2,025.5	2,259.0
	8,537.6	8,690.8
Total assets	15,561.2	15,590.8

BRASKEM S.A. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
at June 30, 2006 and December 31, 2005
In millions of *reais* (continued)

	June 30, 2006 (Unaudited)	December 31, 2005
Liabilities and shareholders' equity		
Current liabilities		
Suppliers	2,577.8	2,580.2
Loans and financings	1,183.7	1,120.4
Debentures	7.8	9.3
Salaries and payroll charges	113.3	136.0
Taxes and contributions payable	141.1	192.2
Income taxes and social contribution payable	53.9	19.0
Interest on own capital and dividends payable	4.2	299.2
Advances from customers	13.2	42.0
Related parties	1.7	3.1
Insurance premiums payable	0.6	3.2
Other liabilities	62.1	39.6
	4,159.4	4,444.2
Long-term liabilities		
Suppliers	27.0	29.7
Loans and financings	3,449.1	3,261.6
Debentures	1,698.2	1,599.3
Related parties	4.4	3.0
Deferred income tax	10.1	10.4
Taxes and contributions payable	1,428.3	1,324.4
Private pension plans	64.7	65.1
Other liabilities	88.3	108.2
	6,770.1	6,401.7
Deferred income		
Negative goodwill on investments in subsidiary companies	106.1	87.9
Minority interest	21.4	121.2
Shareholders' equity		
Capital	3,508.3	3,403.0
Capital reserves	400.6	396.8
Revenue reserves	849.3	849.3
Treasury shares	(119.9)	(15.0)
Accumulated deficit	(134.1)	(98.3)
	4,504.2	4,535.8
Total liabilities and shareholders' equity	15,561.2	15,590.8

The accompanying notes are an integral part of the condensed consolidated interim financial information.

BRASKEM S.A. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS
for the Six-Month Periods Ended June 30, 2006 and 2005
(Unaudited)
In millions of *reais*, except amounts per shares

	June 30, 2006 (Unaudited)	June 30, 2005 (Unaudited)
Gross sales		
Domestic market	6,424.6	7,104.5
Foreign market	1,544.5	1,630.5
Taxes, freights and return on sales	(1,783.4)	(2,012.7)
Net sales revenue	6,185.7	6,722.3
Cost of sales and services rendered	(5,341.4)	(5,075.0)
Gross profit	844.3	1,647.3
Operating expenses (income)		
Selling	(162.7)	(157.7)
General and administrative	(260.3)	(249.7)
Investment in associated companies		
Equity in the results	(0.1)	0.8
Amortization of goodwill (negative goodwill), net	(12.4)	(76.1)
Foreign exchange variation	(0.2)	11.6
Tax incentives and other	24.9	20.2
Depreciation and amortization	(185.3)	(198.2)
Financial expenses	(397.6)	0.6
Financial income	47.6	(125.0)
Other operating income, net	119.1	17.6
	(827.0)	(755.9)
Operating income	17.3	891.4
Non-operating expenses, net	1.5	(16.4)
Income before income tax and social contribution	18.8	875.0
Income tax and social contribution		
Current	(40.9)	(120.8)
Deferred	91.0	(119.8)
Income before minority interest	68.9	634.4
Minority interest	(0.7)	(0.6)
Net income for the period	68.2	633.8
Net income per share outstanding at the end of the period	0.19	1.75

The accompanying notes are an integral part of the condensed consolidated interim financial information.

BRASKEM S.A. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS
for the Six-Month Periods Ended June 30, 2006 and 2005
(Unaudited)
In millions of *reais*

		Capital reserves		Revenue reserve		
	Capital	Tax Incentives	Other	Legal	Retained earnings	Tre S
At December 31, 2004	3,403.0	344.2	0.6	34.6	454.7	(
Tax incentives (unaudited)	—	47.5	—	—	—	
Net income for the period (unaudited)	—	—	—	—	—	
At June 30, 2005 (unaudited)	3,403.0	391.7	0.6	34.6	454.7	(
At December 31, 2005	3,403.0	396.2	0.6	68.9	780.4	(
Capital increase (unaudited)	105.3	—	—	—	—	
Tax incentives (unaudited)		3.8	—	—	—	
Effect of change in accounting practice, net of income tax (unaudited)	—	—	—	—	—	
Treasury share exchange (unaudited)	—	—	—	—	—	(
Repurchase of shares (unaudited)	—	—	—	—	—	(
Others (unaudited)	—	—	—	—	—	
Net income for the period (unaudited)	—	—	—	—	—	
At June 30, 2006 (unaudited)	3,508.3	400.0	0.6	68.9	780.4	(1

The accompanying notes are an integral part of the condensed consolidated interim financial inform

BRASKEM S.A. AND ITS SUBSIDIARIES

SUPPLEMENTARY INFORMATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
for the Six-Month Periods Ended June 30, 2006 and 2005
(Unaudited)

In millions of *reais*

	June 30, 2006 (Unaudited)	June 30, 2005 (Unaudited)
Net income for the period	68.2	633.8
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation, amortization and depletion	481.8	444.9
Amortization of goodwill (negative goodwill), net	12.4	76.1
Equity in earnings of associated companies	0.1	(0.8)
Foreign exchange variation	0.2	(11.6)
Tax incentives and other effects of investments in associated companies	(24.9)	(20.2)
Adjustment to realization value of investments	(0.4)	0.4
Loss on permanent assets disposed of	(1.4)	1.3
Interest and monetary and exchange variations	(102.8)	(200.5)
Deferred tax expense (benefit)	(91.0)	119.8
Minority interest	0.7	0.6
Tax recoveries	(80.6)	—
Other	9.9	3.0
Decrease (increase) in assets:		
Other investments	(109.6)	(588.3)
Trade accounts receivable	(93.1)	44.5
Fair market value of derivative financial instruments	—	(2.8)
Inventories	(90.9)	(40.6)
Taxes recoverable	(178.5)	(92.1)
Prepaid expenses	22.3	20.0
Other receivables	(54.3)	(62.3)
Increase (decrease) in liabilities:		
Suppliers	(13.7)	526.9
Taxes and contributions payable	(46.3)	(3.2)
Tax incentives	15.3	69.1
Advances from customers	(24.0)	28.1
Other liabilities	43.0	(40.8)
Net cash provided by (used in) operating activities	(257.6)	905.3
Additions to property, plant and equipment	(384.3)	(248.4)
Additions to investments	(236.6)	(15.8)
Additions to deferred charges	(32.0)	(87.6)
Dividends received	2.0	2.0
Net cash used in investing activities	(650.9)	(349.8)

BRASKEM S.A. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
for the Six-Month Periods Ended June 30, 2006 and 2005
(Unaudited)
In millions of *reais* (continued)

	June 30, 2006 (Unaudited)	June 30, 2005 (Unaudited)
Short-term debt		
Issuances	1,598.3	402.4
Repayments	(1,763.6)	(1,379.7)
Long-term debt		
Issuances	545.2	1,315.7
Repayments	(1.1)	(23.6)
Related companies		
Issuances	—	1.9
Repayments	(1.6)	(115.8)
Dividends paid to shareholders and minority interests	(342.4)	(210.3)
Share issue		
Repurchase of shares	(57.0)	—
Other	6.2	(11.2)
Net cash used in financing activities	(16.0)	(20.6)
Increase (decrease) in cash and cash equivalents	(924.5)	534.9
Represented by		
Cash and cash equivalents, at the beginning of the year	2,135.7	1,791.6
Cash and cash equivalents, at the end of the period	1,211.2	2,326.5
Increase (decrease) in cash and cash equivalents	(924.5)	534.9
Supplemental information		
Cash paid during the year for:		
Interest	261.5	162.5
Income taxes	5.5	16.8

Major non-cash transactions:

- Merger of Polialden Petroquímica S.A. into the Company and issuance of shares to former minority interest in that company, in the amount of R$105.3 (Note 21(a)).

The accompanying notes are an integral part of the condensed consolidated interim financial information.

1. Operations

(a) Braskem S.A. ("Braskem") and its subsidiaries, including its jointly-controlled companies (together, "we", "us", "our" or "the Company"), is the largest integrated petrochemical cracker and thermoplastics producer in Latin America, based on average annual production capacity in 2005, and produces a diversified portfolio of petrochemical products. Braskem's principal corporate objective is manufacturing, selling, importing and exporting chemical and petrochemical products and fuels, as well as producing and supplying utilities to companies in the Camaçari Petrochemical Complex in Bahia, Brazil and rendering of services to those companies.

(b) Formation of Braskem

Since its inception in August 2002, the Company has undergone a major corporate restructuring process, disclosed to the market through material event notices. The main recent events can be summarized as follows:

(i) Acquisition of Companhia Alagoas Industrial S.A's shares

In February 2005, under a Share Purchase and Sale Agreement entered into with Petrobrás Química—Petroquisa S.A. ("Petroquisa"), the Company acquired 23,465,165 shares corresponding to 13.74% of the capital of Companhia Alagoas Industrial S.A. ("Cinal") for R$13.4. In connection with this transaction, the Company recorded goodwill of R$0.4, which has been recognized in deferred charges.

(ii) Merger with Odebrecht Química S.A. ("Odequi")

The Extraordinary General Meeting held on March 31, 2005 approved the merger of the subsidiary Odequi into Braskem.

(iii) Petroquisa's option to increase its share in the voting capital of the Company

On April 29, 2005, Odebrecht S.A. ("Odebrecht"), Nordeste Química S.A. ("Norquisa"), ODBPAR Investimentos S.A. ("ODBPAR") and Petroquisa signed the second amendment of an agreement whereby Petroquisa was granted an option to increase its share in the voting capital of the Company by up to 30%, through the subscription of new shares in the following companies (i) ownership interest in petrochemical companies located at the Triunfo Petrochemical Complex, in Rio Grande do Sul; and (ii) ownership interests in other petrochemical companies considered of a strategic nature by the Company

On March 31, 2006 Petroquisa's option to increase its percentage holding in the Company's voting capital expired without being exercised. Accordingly, Petroquisa's interests remains at 9.8% and 8.3% of the voting and total capital of the Company, respectively.

(iv) Petroquímica Paulínia

At a meeting held on June 22, 2005, the Boards of Directors of the Company and Petroquisa approved capital expenditures of US$ 240 million to build a plant for the production of polypropilene at Paulínia, São Paulo. The investment will be made through the joint venture company Petroquímica Paulínia S.A. ("Petroquímica Paulínia"), which was organized on September 16, 2005.

All amounts in millions of reais, unless otherwise indicated (continued)

(v) Braskem Argentina

At a meeting held on November 8, 2005, the Board of Directors of the Company approved the organization of an entity in Argentina, named Braskem Argentina S.R.L. ("Braskem Argentina"), as a limited partnership, having as partners the Company and Braskem Distribuidora de Combustíveis Ltda. ("Braskem Distribuidora"), holding 98% and 2% of the capital, respectively. Braskem Argentina was formed to seek a new market in, and to increase exports to, Argentina.

(vi) Acquisition of Politeno Indústria e Comércio S.A.'s shares

On April 6, 2006, Braskem acquired from Suzano Petroquímica, Sumitomo Chemical and Itochu Corporation 100% of the common and preferred shares of Politeno Indústria e Comércio S.A. ("Politeno") held by those companies. Braskem now holds 100% of the voting capital and 96.16% of the total capital of Politeno, a company located in the Northeast Petrochemical Complex, with an annual production capacity of 360 thousand metric tons of polyethylene. The initial consideration paid by Braskem was R$237.5, equal to US$111.3, of which US$60.6 was paid to Suzano Petroquímica and US$ 50.7 to the other stockholders. This portion gave rise to a negative goodwill of R$73.4, subject to change upon determination of the final purchase price of the acquisition.

The remainder of the purchase price will be calculated based on an "earn-out" formula that will take into account Politeno's operating performance, measured by fluctuations in polyethylene and ethylene margins in the Brazilian petrochemical market during the 18 months following the execution date of the acquisition agreement. Under this agreement, the value of Politeno's average performance will be determined on a quarterly basis as from May 2006 and audited by an independent accounting firm.

(vii) Merger of Polialden

The Extraordinary General Meeting held on May 31, 2006 approved the merger of Polialden Petroquímica S.A. ("Polialden") into the Company, through an exchange of shares and based on the book value of Politeno's shareholders' equity as of March 31, 2006, in the amount of R$289.9. The exchange ratio of Polialden shares for Braskem shares was determined based on the book value of shareholders' equity as of March 31, 2006, according to appraisal reports issued by independent experts. Shares in Polialden held by third parties were exchanged by class A preferred at the ratio of 33.62 shares of Braskem for each 1,000 shares in Polialden, which corresponded to an appreciation of 6.76% in the exchange ratio derived from the appraisal reports of the market value of shareholders' equity, as shown below:

	Braskem	Polialden
Current number of shares issued	362,523,521	645,253,380
Market value of stockholders' equity (in R$)	8,202,482,686.96	459,721,902.03
Value per share based on the market value of stockholders' equity (in R$)	22.626	0.713
Exchange ratio—Stockholders' equity at market values	31.49	1,000
Book value of stockholders' equity (in R$)	4,650,559,014.63	289,940,899.44
Value per share based on the book value (in R$)	12.828	0.449
Ratio of exchange of Polialden preferred stock with Braskem class A preferred stock under the merger	33.62	1,000

All amounts in millions of reais, unless otherwise indicated (continued)

The equity variations determined during the period from the merger base date and the actual merger were taken to the statement of operations of Braskem, as equity in the earnings.

The balance of goodwill as of the merger date, R$337.3, supported by future profitability, was reclassified to deferred charges. Negative goodwill, without economic support, in the amount of R$53.0, was written off as amortization of goodwill (negative goodwill), net.

Upon the merger of Polialden, the Company's capital was increased by R$105.3, through the issuance of 7,878,725 class A preferred shares, so as to total R$3,508.3, consisting of 123,492,142 common shares, 246,107,138 class A preferred shares, and 803,066 class B preferred shares (Note 21(a)). These shares will be fully entitled for distribution of net income in the current year.

(c) Reverse share split and split of American Depositary Shares

In order to increase the trading liquidity of the Company's shares, the shareholders at an Extraordinary General Meeting held on March 31, 2005, approved a reverse split of all classes of Braskem's shares, on the basis of one share for each 250 existing shares. As a result, a change in the ratio of the American Depositary Shares representing Braskem's Class A preferred shares ("ADSs") was also made on the basis of two ADSs for each existing ADS.

As from May 16, 2005, the shares have been traded on the São Paulo Stock Exchange (Bolsa de Valores de São Paulo, or "BOVESPA") and the New York Stock Exchange ("NYSE"), giving effect to the reverse share split and the change in the ratio for the ADSs, respectively.

The net income per outstanding share for each of the periods presented in the condensed consolidated interim statements of operations was as follows:

	Without giving effect to the reverse share split (per thousand shares)	As presented after giving effect to the reverse share split (per share)
Six-month period ended June 30, 2006	0.76	0.19
Six-month period ended June 30, 2005	7.00	1.75

(d) Administrative Council for Economic Defense—CADE

On September 14, 2005, CADE approved by unanimous vote, with no restrictions, the transactions resulting in the formation of the Company in 2002, which had given rise to a notice of potential economic concentration.

2. Significant Accounting Policies

All majority-owned subsidiaries in which we have both share and management control are consolidated, with elimination of all significant intercompany accounts and transactions. Investments in jointly-controlled entities are proportionately consolidated. Investments in unconsolidated affiliates are reported at cost less amortized goodwill plus our equity in undistributed earnings or losses.

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those utilized in the preparation of the audited consolidated financial statements at and for the year ended December 31, 2005, except for the reclassifications described below, made for a better presentation and comparison among 2005 balances in the consolidated financial statements:

All amounts in millions of reais, unless otherwise indicated (continued)

- the unaudited condensed consolidated interim statement of operations for the period ended June 30, 2005 was adjusted to reflect the proportional consolidation, instead of equity accounting, of Petroflex Indústria e Comércio S.A. ("Petroflex");
- Companhia de Desenvolvimento Rio Verde ("Codeverde"), a development stage company, has been accounted for under equity accounting instead of proportional consolidation;
- In accordance with IBRACON Technical Interpretation 01/2006, beginning January 1, 2006 the amount of R$401.4 related to programmed maintenance shutdown was reclassified from deferred charges to property, plant and equipment; and
- Pursuant to CVM Release 01/2006, the Company now presents liabilities related to quotas subject to mandatory redemption under loans and financing. Accordingly, the comparative 2005 balance sheet herein reflects the reclassification of R$629.5, for both short and long term liabilities.

These reclassifications and procedures for 2005 balances are summarized as follows:

	At December 31, 2005		
	As previously disclosed	Reclassifications	As reclassified herein
Property, plant and equipment	5,964.2	401.4	6,365.6
Deferred charges, including goodwill	2,660.4	(401.4)	2,259.0
Loans and financing—short-term	895.0	225.4	1,120.4
Quotas subject to mandatory redemption—short-term	225.4	(225.4)	—
Loans and financing—long-term	2,857.5	404.1	3,261.6
Quotas subject to mandatory redemption—long-term	404.1	(404.1)	—

	For the six-month period ended June 30, 2005		
	As previously disclosed	Reclassifications	As reclassified herein
Net sales revenue	6,608.6	113.7	6,722.3
Gross profit	1,609.3	38.0	1,647.3
Investment in associated companies			
Equity in the results	(17.4)	18.2	0.8
Operating income	884.8	6.6	891.4
Net income for the period	633.8	0.0	633.8

3. Presentation of Financial Statements

The unaudited condensed consolidated interim financial information has been prepared in accordance with the accounting practices adopted in Brazil ("Brazilian GAAP"), which are based on:

- Brazilian Law No. 6,404/76, as amended by Brazilian Laws 9,457/97 and 10,303/01;
- the rules and regulations of the CVM; and
- the accounting standards issued by the Brazilian Institute of Independent Accountants (Instituto dos Auditores Independentes do Brasil—IBRACON).

All amounts in millions of reais, unless otherwise indicated (continued)

The Company's condensed consolidated interim financial information as of June 30, 2006 and for the six-month periods ended June 30, 2006 and 2005 is unaudited. However, in our opinion, such condensed consolidated interim financial information includes all adjustments necessary for a fair presentation of the results for interim periods. The results of operations for the six-month period ended June 30, 2006 are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2006.

This condensed consolidated interim financial information does not include all of the disclosures required in a complete set of financial statements prepared under Brazilian GAAP, such as statements of changes in financial position and complete explanatory footnotes.

4. Consolidated Financial Statements

The consolidated financial statements were prepared in accordance with the consolidation principles set forth in the Brazilian corporate law and supplementary provisions of CVM and include the financial statements of the Company and its subsidiaries, jointly-controlled entities, and special purpose companies (entidades de propósito específico) in which the Company has direct or indirect share or management control, as shown below:

		Interest in total capital - %		
	Head office (country)	June 30, 2006 (Unaudited)	December 31, 2005	June 30, 2005 (Unaudited)
Subsidiaries				
Braskem America Inc.(i)	USA	100.00	63.68	63.68
Braskem Argentina(ii)	Argentina	98.00	—	—
Braskem Cayman Ltd. ("Braskem Cayman")(iii)	Cayman Islands	100.00	100.00	100.00
Braskem Importação e Exportação Ltda. ("Braskem Importação e Exportação")(iv)	Brazil	100.00	100.00	100.00
Braskem Incorporated Ltd. ("Braskem Incorporated")(v)	Cayman Islands	100.00	100.00	100.00
Braskem International Ltd. ("Braskem International")(vi)	Bahamas	—	100.00	100.00
Braskem Overseas Inc.	Cayman Islands	100.00	100.00	100.00
Braskem Participações S.A. ("Braskem Participações")(vii)	Brazil	100.00	100.00	100.00
Companhia Alagoas Industrial S.A.—("Cinal")(viii)	Brazil	100.00	86.82	86.82
Braskem Distribuidora de Combustíveis Ltda.(ix)	Brazil	100.00	100.00	100.00
CPP—Companhia Petroquímica Paulista ("CPP")(x)	Brazil	79.70	79.70	90.71
Investimentos Petroquímicos Ltda.	Brazil	100.00	100.00	100.00
Lantana Trading Company Inc.	Bahamas	100.00	100.00	100.00
Odequi Overseas Inc.	Cayman Islands	100.00	100.00	100.00
Polialden(xi)	Brazil	—	63.68	63.68
Tegal Terminal de Gases Ltda. ("Tegal")	Brazil	95.83	90.79	90.79
Politeno(xii)	Brazil	96.16	33.96	33.96
Politeno Empreendimentos	Brazil	96.16	33.96	33.96

All amounts in millions of reais, unless otherwise indicated (continued)

	Head office (country)	Interest in total capital - % June 30, 2006 (Unaudited)	December 31, 2005	June 30, 2005 (Unaudited)
Jointly-controlled entities(xiii)				
Cetrel S.A.—Empresa de Proteção Ambiental (“Cetrel”)(xiv)	Brazil	49.03	48.02	41.01
Copesul—Companhia Petroquímica so Sul S.A. (“Copesul”)	Brazil	29.46	29.46	29.46
Petroflex(xv)	Brazil	20.12	20.12	20.12
Petroquímica Paulínia(xvi)	Brazil	60.00	93.75	—
Special purpose entities(xvii)				
Chemical Fundo de Investimento em Direitos Creditórios (“Fundo Chemical I”)(xviii)	Brazil	12.94	11.58	10.79
Chemical Fundo de Investimento em Direitos Creditórios (“Fundo Chemical II”)(xviii)	Brazil	9.97	9.09	—
CSAM Orion Fund Limited (“Orion”)(xix)	Cayman Islands	—	—	100.00
Fundo Parin	Guernsey	100.00	100.00	—
Guardian-Protected Cell Company (“Guardian”)(xx)	Guernsey	—	100.00	100.00
Sol-Fundo de Aplicação em Cotas de Fundos de Investimento (“FIQ Sol”)	Brazil	100.00	100.00	100.00

(i) Became a direct subsidiary of Braskem after merger of Polialden into the Company on May 31, 2006.
(ii) Including the interest of subsidiary Braskem Distribuidora, Braskem interest amounts to 100%.
(iii) Braskem Cayman is the new corporate name of CPC Cayman Ltd.
(iv) Braskem Importação e Exportação is the new corporate name of OQPA Importação e Exportação Ltda.
(v) Braskem Incorporated is the new corporate name of CPN Incorporated Ltd.
(vi) Braskem International is the new corporate name of Odequi Investments Ltd. Wound up in March 2006.
(vii) Braskem Participações is the new corporate name of Copene Participações S.A.
(viii) In June 2006, the Company acquired the remaining shares from minority stockholders.
(ix) Braskem Distribuidora de Combustíveis Ltda. is the new corporate name of CPN Distribuidora de Combustíveis Ltda.
(x) Change in participation in September 2005 as a result of different timing in the capitalization of advances for future capital increases made by the shareholders.
(xi) Merged into the Company on May 31, 2006.
(xii) Jointly-controlled entity until March 31, 2006. In the second quarter of 2006, the Company acquired the remaining share control of Politeno.
(xiii) Investments consolidated on a pro rata basis, pursuant to CVM Instruction 247/96.
(xiv) Including the interest of subsidiary CINAL, Braskem interest amounts to 53.61%.
(xv) Investment consolidated on a pro rata basis, as a result of the new board member in the investee management.
(xvi) Jointly-controlled entity as a result of shareholders’ agreement provisions.
(xvii) Investments consolidated in accordance with CVM Instruction 408/04.
(xviii) Interest corresponding to subordinated quotas held by Braskem.
(xix) Fund wound up in the fourth quarter of 2005.
(xx) Fund wound up in the second quarter of 2006.

All amounts in millions of reais, unless otherwise indicated (continued)

In the consolidated financial statements, intercompany investments and equity in the results, as well as the intercompany assets, liabilities, income, expenses and unrealized gains arising from transactions between consolidated companies, have been eliminated.

Minority interests in the equity and in the results of subsidiaries have been segregated in the consolidated balance sheets and statements of operations, respectively. Minority interests correspond to the respective participations in the capital of Politeno, CPP and Tegal.

Goodwill not eliminated on consolidation is reclassified to a specific account in permanent assets, in accordance with CVM Instruction No. 247. Negative goodwill is reclassified to "Deferred income".

For a better presentation of the unaudited condensed consolidated interim financial information, the capital held by its subsidiary, Braskem Participações S.A. and Politeno, which arose from the corporate restructuring, has been reclassified to treasury shares. Braskem's total shares and the percentage of interest in total capital held by these subsidiaries are presented as follows:

	Braskem Participações	Politeno
Common shares	580,331	—
Class A preferred shares	290,165	2.186,133
Interest in total capital	0.24%	0.60%

Pursuant to paragraph 1, Article 23 of CVM Instruction No. 247 and authorization by CVM Letter SNC No. 003/2006, the Company has not proportionally consolidated the balance sheet of a pre-operating jointly-controlled company, Codeverde, at December 31, 2005. Codeverde has no operations to date and is accounted for under the equity method. Its balance sheet information does not show significant changes and does not affect, in any material respect, the Company's consolidated financial statements.

5. Cash and Cash Equivalents

	June 30, 2006	December 31, 2005
	(Unaudited)	
Cash and banks	70.8	142.0
Financial investments		
Domestic	240.1	740.6
Foreign	900.3	1,253.1
	1,211.2	2,135.7

Domestic investments are mainly represented by quotas (shares) in a fund created exclusively for Braskem, which fund, in turn, holds quotas of domestic investment funds, such as fixed income investment funds, multiportfolio funds, investment funds in credit rights, and other fixed-income securities. Foreign investments mainly comprise an investment fund portfolio, regularly reassessed for risk by the Company. The fund amounts are highly liquid, redeemable in up to 90 days in the secondary market, and recorded at realizable values.

The Company maintains cash and cash equivalents sufficient to cover: (i) working capital needs; (ii) capital expenditure investments anticipated in the Company's business plan; and (iii) adverse conditions that may reduce the available funds.

All amounts in millions of reais, unless otherwise indicated (continued)

Funds are allocated in order to: (i) have a return compatible with the maximum volatility determined by the Company's investment and risk policy; (ii) obtain a high spread on the consolidated portfolio; (iii) avoid the credit risk arising from concentration in a small number of investments; and (iv) follow the market interest rate changes both in Brazil and abroad.

6. Other Investments

	June 30, 2006 (Unaudited)	December 31, 2005
Current assets		
Subordinated quotas of investment fund—credit rights	19.4	3.9
Fair market value of derivative instruments	18.2	19.8
Investment and other funds	212.7	122.1
	250.3	145.8
Long-term investments		
Investment fund	0.8	—
FINOR and other securities	0.3	0.3
	1.1	0.3
Total	251.4	146.1

The Company's investment fund comprises a portfolio of foreign investment funds, the risk of which is regularly reassessed by the Company. The fund is recorded at realizable value.

7. Trade Accounts Receivable

	June 30, 2006 (Unaudited)	December 31, 2005
Customers		
Domestic market	1,425.4	1,300.9
Foreign market	510.2	360.6
Advances on bills of exchange delivered	(28.1)	(31.2)
Allowance for doubtful accounts	(120.2)	(87.3)
	1,787.3	1,543.0
Long-term receivables	(34.0)	(49.7)
Current assets	1,753.3	1,493.3

The Company has introduced an additional policy for realizing domestic trade accounts, by selling its receivables to investment funds with credit rights (Chemical and Chemical II Funds—Note 3), which pay the Company earlier than the normal payment dates for these customer receivables.

The amounts recorded in the long-term receivables result from renegotiations with customers.

All amounts in millions of reais, unless otherwise indicated (continued)

Changes in the allowance for doubtful accounts are as follows:

	June 30, 2006 (Unaudited)	Year ended December 31, 2005
At the beginning of the period	87.3	55.0
Additions charged to selling expenses	84.9	38.9
Reversal of allowance/recovery	(52.0)	(6.7)
Exchange variation	—	0.1
At the end of the period	120.2	87.3

8. Inventories

	June 30, 2006 (Unaudited)	December 31, 2005
Finished products	933.4	799.0
Work-in-process	43.8	49.5
Raw materials, production inputs and packaging	347.4	407.9
Maintenance material(*)	378.1	347.2
Advances to suppliers	74.0	47.3
Imports in transit and other	11.7	10.3
Provision for adjustment to realization value	(16.9)	(17.9)
Total	1,771.5	1,643.3
Long-term maintenance material(*)	(41.3)	(75.8)
Current assets	1,730.2	1,567.5

(*) Based on management's expectation of utilization, part of the maintenance materials inventory was reclassified to long-term.

Advances to suppliers and expenditures for imports in transit mainly relate to the acquisition of petrochemical naphtha, which is the main raw material of the Company.

The changes in provision for adjustment to realization value of inventories are summarized as follows:

	June 30, 2006 (Unaudited)	December 31, 2005
At the beginning of the year	17.9	12.8
Additions to statements of operations	0.8	5.1
Reversal of allowance	(1.8)	—
At the end of the year	16.9	17.9

All amounts in millions of reais, unless otherwise indicated (continued)

9. Related Parties

	Current assets		Long-term receivables	Current liabilities			Long-term liabilities	
	Trade accounts receivable	Related parties	Related parties	Suppliers	Debentures	Related parties	Suppliers	Related Parties
Jointly-controlled companies								
Copesul	0.5	—	—	450.9	—	—	—	—
Cetrel	—	—	—	0.3	—	1.5	—	1.5
Petroflex	27.4	—	—	—	—	—	—	—
Petroquímica Paulínia	—	—	23.3	—	—	0.2	—	—
Associated company								
Borealis	2.3	—	—	—	—	—	—	—
Related parties								
Alberto Pasqualini—REFAP S.A (related party of Copesul)	—	—	—	2.4	—	—	—	—
Ipiranga Petroquímica S.A. (related party of Copesul)	5.6	—	—	0.8	—	—	—	—
Construtora Norberto Odebrecht S.A. (“CNO”)	—		—	20.0	—	—	—	—
Monsanto Nordeste S.A. (related party of Cetrel	—	0.2	—	—	—	—	—	2.9
ODBPAR Investimentos S.A (“ODBPAR”)	—	—	—	—	1,066.0	—	—	—
Petróleo Brasileiro S.A.-Petrobrás (“Petrobrás”)	0.1	—	37.1	473.1	—	—	21.9	—
Petrobrás Distribuidora S.A.	0.1	—	—	21.1	—	—	—	—
Other		—	0.7	—	—	—	—	—
At June 30,2006 (unaudited)	36.0	0.2	61.1	968.6	1,066.0	1.7	21.9	4.4
At December 31, 2005	89.6	0.6	40.6	447.2	999.3	3.1	23.1	3.0

	Product Sales	Raw materials, Services and utilities purchases	Financial income	Financial expenses
Jointly-controlled companies				
Copesul	1.6	930.2	—	—
Cetrel	0.3	5.6	—	—
Petroflex	172.4	—	—	—
Associated companies				
Borealis	60.2	—	—	—
Related parties				
Alberto Pasqualini—REFAP S.A (related party of Copesul)	3.8	255.2	—	—
Ipiranga Petroquímica S.A. (related party of Copesul)	656.8	4.1	0.1	0.1
CNO	—	61.2	—	—
ODBAPR	—	—	—	66.6
Petrobrás		1,799.2	1.9	—
Petrobrás Distribuidora S.A.	0.7	137.8	—	—
At June 30, 2006 (Unaudited)	895.8	3,193.3	2.0	66.7
At June 30, 2005 (Unaudited)	923.3	3,430.9	2.2	63.7

"Trade accounts receivable" and "Suppliers" include the balances resulting from transactions with related parties, arising mainly from the following sales and purchases of goods and services:

Sales by Braskem:

Company	**Products/inputs**
Borealis	Thermoplastic resins
Politeno(*)	Ethylene and utilities
Petroflex	Butadiene

Purchases by Braskem:

Company	**Products/inputs/services**
Copesul	Ethylene, propane and utilities
Petrobrás	Naphtha
Petrobrás Distribuidora	Fuel oil
CNO	Construction and maintenance services

(*) Through March 31, 2006.

Transactions with related parties are carried out based on market prices and conditions, taking into account: (i) the price we charge Politeno for ethylene and the price Copesul charges us for ethylene are set in a manner that allocates the total gross margin between the first and second generation companies in proportion to the return on investments of each of the companies; and (ii) the price of naphtha supplied by Petrobrás is negotiated with the Company and other petrochemical companies using the Amsterdam-Rotterdam-Antwerp market price for naphtha and the real/U.S. dollar exchange rate as a benchmark. During the first six-months of 2006, the Company imported approximately 24% (unaudited) of its naphtha (first six-months of 2005-31% (unaudited)).

The related parties balance includes current account balances and notes payable to group companies, remunerated at 100% of CDI.

The current accounts are used by the Company and its direct and indirect subsidiaries to centralize available cash in a central pool for settlement of their obligations. Financial charges on remittances and balances of the pool of funds are agreed upon by the account holders, considering the costs of funds charged to the individual participants by financial institutions, so that such charges are paid/transferred to the Company.

All amounts in millions of reais, unless otherwise indicated (continued)

10. Taxes Recoverable

	June 30, 2006 (Unaudited)	December 31, 2005
Excise tax (IPI) (regular operations)	71.4	69.2
Value-added Tax on Sales and Services (ICMS) **(i)**	777.6	556.9
Social Integration Program (PIS)—Decree Laws No. 2445 and No. 2449/88	68.7	60.2
Income tax and social contribution	78.5	62.3
Income tax on net income—ILL	28.2	27.8
PIS and COFINS (regular operations)	101.0	40.8
Import Duty	42.9	18.2
Finsocial	14.5	14.5
Other	33.9	34.4
	1,216.7	884.3
Current assets	(427.9)	(324.9)
Long-term receivables	788.8	559.4

Zero-rated IPI

In July 2000, the merged company OPP Química filed a legal action to sustain the full application of the non-cumulative principle of the Excise Tax (IPI), requesting the right to a tax credit on purchase of raw materials that are exempt from IPI, whether or not subject to a zero rate, in relation to the operations of the establishments located in the State of Rio Grande do Sul. In the first quarter of 2005, the Company concluded the offset operation granted in this claim.

On December 19, 2002, the Federal Supreme Court (“STF”), based on its previous plenary decisions about this subject, judged an extraordinary appeal lodged by the National Treasury and fully confirmed the decision of the Regional Federal Court (“TRF”) of the 4th Region, which recognized that OPP Química has the right to a credit of IPI on these purchases, covering the ten years prior to the filing of the suit, including the related monetary restatement and SELIC rate for the period up to the date of the actual use of the credits.

The STF decision is subject to special appeal requested by the National Treasury and is still pending judgment by the Second Panel of the STF. The action no longer questions the right to the IPI credit but alleges imprecision in the decision regarding exempt inputs and raw materials, the restatement of the tax credit, and the rate to be used for credit calculation purposes.

According to the opinion of the Company’s legal advisors, however, all these aspects have already been resolved favorably to OPP Química in the STF and TRF decisions, or even in the plenary decisions of the STF. For this reason, the special appeal does not represent any meaningful possibility of changes in OPP Química’s right to the credit since the STF is considering an appeal of a similar claim involving another taxpayer (this judgment is currently suspended).

In December 2002, OPP Química recognized the corresponding undue tax in the amount of R$1,030.1, which was offset by the Company with IPI and other federal taxes due. The Company also has similar lawsuits regarding the purchase of exempt inputs and raw materials, subject or not to the zero rate by its branches located in the States of São Paulo, Bahia and Alagoas (Note 17(ii)).

All amounts in millions of reais, unless otherwise indicated (continued)

(i) Value-added Tax on Sales and Services (ICMS)

The Company has recorded ICMS tax credits, principally due to its high export volumes and outgoing products subject to deferred taxation. The Company's management is working on a number of actions aimed at optimal use of such credits and, currently, no losses are expected from realization of those credits. Based on projections of the Company's management concerning realization of those credits, the amount R$408.6 (unaudited) has been classified as long-term assets at June 30, 2006.

11. Judicial Deposits and Compulsory Loan

	June 30, 2006 (Unaudited)	December 31, 2005
Judicial deposits		
PIS/COFINS-Law 9718/98 (Note 17(iii))	83.6	—
Labor claims and other	2.4	24.3
Compulsory loan		
Eletrobrás compulsory loan	12.2	12.2
	98.2	36.5

12. Investments

(a) Associated companies

The Company's participation in associated companies is as follows:

	Head office (country)	Interest in total capital (%) June 30, 2006 (Unaudited)	December 31, 2005	June 30, 2005 (Unaudited)
Jointly-controlled company				
Codeverde (Note 4)	Brazil	35.55	35.52	35.52
Associated companies				
Borealis	Brazil	20.00	20.00	20.00
Rionil Compostos Vinílicos Ltda. ("Rionil")	Brazil	33.33	33.33	33.33
Sansuy Indústrias Químicas S.A. ("Sansuy")	Brazil	20.00	20.00	20.00

	Six- month period ended June 30, 2006				Year ended December 31, 2005
	Borealis	Rionil	Sansuy	Total (Unaudited)	Total
At January 1	22.8	2.0	1.0	25.8	4.9
Equity in results	1.9	—	(1.0)	0.9	0.8
Transfer of investment	—	—	—	—	22.1
Dividends	(2.0)	—	—	(2.0)	(2.0)
At the end of the period	22.7	2.0	—	24.7	25.8

(b) Information on investments in the main jointly-controlled companies, included in proportional consolidation under CVM Instruction 247

Copesul

Copesul is engaged in the manufacture, sale, import and export of chemical, petrochemical and fuel products and the production and supply of utilities, such as steam, water, compressed air and electric energy to the companies in the Triunfo Petrochemical Complex in the State of Rio Grande do Sul. Copesul also provides other services to these companies, including management of logistic services related to its waterway and terrestrial terminals. Goodwill on this investment is based on future profitability and will be amortized up to August 2011.

Politeno

As stated in note 1(b)(vi), on April 6, 2006, the Company acquired sole control of Politeno. As a result, for dates and periods after April 6, 2006, the Company fully consolidates Politeno. Politeno is engaged in the manufacture, processing, direct or indirect sale, consignment, export, import and transportation of polyethylene and by-products, as well as the participation in other companies. The main raw material for all of its products is ethylene, which is supplied by Braskem. Politeno operates an industrial plant in Camaçari—Bahia. Goodwill on this investment is based on future profitability and will be amortized up to August 2011.

Cetrel

The principal activities of Cetrel are to provide services related to environmental protection and controls to petrochemical companies. Goodwill on this investment is based on the fair value of assets and will be amortized up to July 2015.

Petroflex

Petroflex is a leading producer of synthetic rubber in Latin America and produces styrene-butadiene, polybutadiene, liquid hidroxylated polybutadiene and other elastomers. The main raw material for all of its products is butadiene, which is supplied by Braskem. Petroflex operates three plants in Brazil located in Rio de Janeiro, Pernambuco and Rio Grande do Sul.

Petroquímica Paulínia

On September 16, 2005, Braskem and Petroquisa formed Petroquímica Paulínia, which will be responsible for the implementation and operation of a new polypropylene plant to be built at Paulínia—São Paulo. This plant will use polymer-grade propylene supplied by Petrobrás as its main raw material. Operations are scheduled to start by the beginning of 2008, using advanced Braskem technology. The assignment of the right to use this technology gave rise to a gain of R$23.3 for the Company.

Investments in the new plant are estimated at US$356 million. The capital structure is expected to comprise approximately 30% of own funds and 70% of third-party funds, represented by long-term loans and financing.

All amounts in millions of reais, unless otherwise indicated (continued)

13. Property, Plant and Equipment

	June 30, 2006			December 31, 2005	
	Cost	Accumulated depreciation	Net	Net	Annual depreciation rates (%)
			(Unaudited)		
Tangible assets					
Land	53.9		53.9	43.4	
Buildings and improvements	1,051.0	(423.5)	627.5	554.6	2 to 10
Machinery, equipment and facilities	8,688.7	(4,308.3)	4,380.4	4,651.8	3.33 to 20
Mines and wells	27.7	(22.6)	5.1	3.9	4 to 20
Furniture and fixtures	50.3	(36.2)	14.1	7.0	10
Information technology equipment	73.3	(50.9)	22.4	12.8	20
Construction-in-progress	1,293.7	—	1,293.7	1,063.1	
Other	121.8	(56.4)	65.4	27.6	Up to 20
	11,360.4	(4,897.9)	6,462.5	6,364.2	
Intangible assets					
Brands and patents	0.5	(0.5)	—	—	10
Rights of use	3.1	(1.1)	2.0	1.4	5
	3.6	(1.6)	2.0	1.4	
Total	11.364.0	(4,899.5)	6,464.5	6,365.6	

Construction-in-progress relates principally to projects for operating improvements to increase the useful life of the industrial units, machinery and equipment, as well as health, technology and security projects.

At June 30, 2006, property, plant and equipment includes the appreciation, in the form of goodwill, in conformity with CVM Instruction No. 319/99, in the net amount of R$849.3 (unaudited) (2005—R$878.9).

As from January 1, 2006, in accordance with IBRACON Technical Interpretation 01/2006, the Company records all programmed maintenance shutdown expenses in property, plant and equipment, as "Machinery, equipment and facilities". These expenses, which arise from partial or full production shutdowns, occur at scheduled intervals from two to six years and are amortized to production cost until the beginning of the next maintenance shutdown.

Until December 31, 2005, such expenses were recorded under deferred charges and amortized to production cost through the beginning of the next shutdown. Accordingly, the adoption of IBRACON Technical Interpretation 01/2006 does not impact the determination of the Company's production costs.

Also, because of the adoption of Technical Interpretation 01/2006, in the first quarter of 2006, the Company recorded additional depreciation of machinery and equipment in the amount of R$123.7, net of income taxes. As this is a change in accounting criterion and depreciation relating to years prior to 2006, this amount, net of the income tax effect, was recorded under stockholders' equity, as accumulated losses, as required by Technical Interpretation 01/2006.

All amounts in millions of reais, unless otherwise indicated (continued)

14. Deferred Charges

	June 30, 2006 (Unaudited)	December 31, 2005
Costs		
Pre-operating expenses	59.4	87.1
Rights to manufacturing processes	27.9	28.0
Organization and system implementation expenses	324.7	303.7
Expenditures for structured operations	383.3	388.9
Goodwill on acquisition of investments	2,222.9	2,269.4
Research and development	87.8	91.2
Other	17.5	36.2
	3,123.5	3,204.5
Accumulated amortization	(1,098.0)	(945.5)
	2,025.5	2,259.0

(*) In 2005, the Company wrote off the items with no residual value. Accordingly, the cost and accumulated amortization decreased by R$331.8.

Goodwill on acquisition of investments is based on future profitability and is being amortized over up to ten years, according to the appraisal reports issued by independent experts. The recognition of goodwill within deferred charges is in conformity with CVM Instructions No. 319 and No. 247.

Goodwill amortization is recorded within depreciation and amortization and amounted to R$149.2 (unaudited) for the six-month period ended June 30, 2006 (six months ended June 30, 2005—R$127.0). Included in these amounts is the goodwill amortization in respect of legally merged companies which totaled R$97.5 (unaudited) (six months ended June 30, 2005—R$166.6).

All amounts in millions of reais, unless otherwise indicated (continued)

15. Loans and Financings

		Annual financial charges for the period
Foreign currency-denominated:		
U.S. dollar denominated notes and bonds	2006/2005	US$ + interest of 9.00% to 10.63% - Note 15(a)
Advance on export contracts	2006	US$ exchange variation + interest of 2.75% to 5.48%
	2005	US$ exchange variation + interest of 2.75% to 10.99%
Export prepayment	2006/2005	US$ + interest of 1.25% to 4.50% above LIBOR or interest of 10.9
Medium-term Notes	2006/2005	US$ + interest of 9.25% to 11.75%
Raw material financing	2006	US$ exchange variation + interest of 1.38% to 2.50% above LIBO
	2006	US$ exchange variation + interest of 5.23%
	2005	US$ exchange variation + interest of 0.45% to 2.50% above LIBO
	2006	YEN exchange variation + fixed interest of 6.70%
	2005	YEN exchange variation + fixed interest of 6.90%
Permanent asset financing	2006	US$ exchange variation + interest of 1.25% to 3.88% above LIBO
	2006	US$ exchange variation + fixed interest of 6.49% to 13.64%
	2005	US$ exchange variation + fixed interest of 1.22% to 7.14%
Working Capital	2005	US$ exchange variation + fixed interest of 2.77% to 7.50%
Local currency-denominated		
Working capital	2006	Interest of 102% of CDI or CDI + 0.1% TO 0.3% p.m.
	2005	Interest of 102% to 105.5% of CDI
Government Agency for Machinery and equipment financing (“FINAME”)	2006	Fixed interest of 1.00% to 3.50% + fixed restatement (TJLP)
	2005	Fixed interest of 3.00% to 11.00% + fixed restatement (TJLP)

All amounts in millions of reais, unless otherwise indicated (continued)

		Annual financial charges for the period
National Bank for Economic and Social Development (“BNDES”)	2006	Fixed interest of 2.50% to 12.60% + fixed restatement (TJLP and UMBNDES)
	2005	Fixed interest of 6.50% to 12.60% + fixed restatement (TJLP and UMBNDES)
Quotas subject to mandatory redemption		Note 15 (b)
Bank of the Northeast of Brazil (“BNB”)	2006/2005	Fixed interest of 11.81% to 14.00%
Government Agency for Studies and Projects (“FINEP”) / Financing for Imports (“FINIMP”)	2006/2005	Interest of 0.40% to 5.50% p.y. + fixed restatement (TJLP and UMBNDES) US$ exchange variation + interest of 4.50% p.a. or interest of 0.4% to 5.00% p.a. + fixed restatement (TJLP and UMBNDES)
Loan for acquisition of shares		Fixed interest of 4.00%+ fixed restatement (TJLP) (ii)
Project financing (NEXII)	2006/2005	101.59% of CDI
Vendor	2006/2005	Fixed interest of 18.00% to 20.04%
Other	2006/2005	Fixed interest of 14.00% to 21.00% + bonus for timely repayment 15.00% or 112% of CDI
Less: Current liabilities		
Long-term liabilities		

CDI = Interbank Certificate of Deposit Rate
UMBNDES = BNDES Monetary Unit
LIBOR = London Interbank Offered Rate
TJLP = Long-term Interest Rate, published by the Brazilian Central Bank
TIBOR = Tokyo Interbank Rate.

All amounts in millions of reais, unless otherwise indicated (continued)

(a) U.S. dollar denominated notes and bonds

In April 2006, the Company issued perpetual bonds in an aggregate principal amount of US$200.0 million—R$432.9 (unaudited) at June 30, 2006. These bonds bear annual interest of 9.00%, payable on a quarterly in arrears on January 28, April 28, July 28 and October 28 of each year, commencing on July 28, 2006.

(b) Quotas subject to mandatory redemption

Represents our liabilities related to our receivables securitization funds (Note 7).

(c) Repayment and guarantee schedule

Long-term loans mature as follows:

	June 30, 2006 (Unaudited)	December 31, 2005
2007	555.3	752.6
2008	836.2	880.0
2009	191.6	157.3
2010	122.7	1,471.7
2011 and thereafter	1,743.3	—
	3,449.1	3,261.6

In the case of short-term loans, the Company has given security such as trade bills receivable and promissory notes.

Some long-term loans are secured by liens on fixed assets and shares, guarantees of shareholders, bank guarantees and promissory notes. Certain long-term borrowings are secured by surety bonds and mortgages of certain of the Company's industrial plants.

At June 30, 2006, the Company is the direct guarantor of loans of jointly-controlled entity Petroflex for a total of R$15.5 (unaudited). This guarantee corresponds to the maximum amount of potential future repayments (not discounted) that the Company may be required to make.

16. Debentures

The Company's debenture position is summarized as follow:

	June 30, 2006 (Unaudited)	December 31, 2005
Balance at January 1	1,608.6	1,172.9
Accrued interest and financial charges	151.1	229.4
Issuance		300.0
Repayments	(53.7)	(93.7)
Balance at the end of the period	1,706.0	1,608.6
Less: Current liabilities	(7.8)	(9.3)
Long-term liabilities	1,698.2	1,599.3

All amounts in millions of reais, unless otherwise indicated (continued)

17. Taxes and Contributions Payable—Long-Term Liabilities

		June 30, 2006 (Unaudited)	December 31, 2005
Compensation of IPI credits			
IPI—export credit	**(i)**	622.5	550.3
IPI—zero rate	**(ii)**	486.2	466.3
IPI—consumption materials and property, plant and equipment		39.8	37.7
Other taxes and contributions payable			
PIS /COFINS—Law 9718/98	**(iii)**	268.7	316.1
Education contribution, SAT and INSS		45.2	40.8
PAES-Law 10684	**(iv)**	41.0	43.1
Other		11.9	9.8
Less: Judicial deposits		(87.0)	(139.7)
		1,428.3	1,324.4

The Company has brought legal actions challenging certain changes in tax laws and defending, among other things, the right to IPI credits on the purchase of raw materials and the export of products. With regard to the contingent IPI credits, which had been offset against several federal taxes payable, the Company recorded liabilities to eliminate the contingent gain and accrued interest on these liabilities based on the SELIC rate. The Company has not recorded tax assets for uncompensated credits that have not been used to offset other tax obligations as they are considered contingent assets pending realization.

(i) IPI export credit

The merged company OPP Química and the merged company Trikem initiated a legal action, requesting the legal recognition of the IPI credit, introduced by Decree-law 491/69 to provide incentives for exports of manufactured products. OPP Química obtained a preliminary injunction in this action, partially confirmed by a ruling, authorizing it to use the benefit calculated on the exports of the units located in Rio Grande do Sul to offset federal taxes due. The decision was revoked, against which special and extraordinary appeals were lodged with the Higher Court of Justice (“STJ”) and the STF, respectively, by the Company and remain pending.

The Company and merged company Nitrocarbono filed for a writ of mandamus with respect to the right of the IPI credit, in September 2003. The court decision was favorable, guaranteeing that the credit for the past five years as from the date of initiation of the suit and its offset against all taxes administered by the Federal Revenue Secretariat. An appeal by the Federal Government was made and is awaiting for a judgment by the TRF of the 1st Region.

The merged company OPP Química obtained a preliminary injunction in this action, partially confirmed by a judgment, authorizing it to use the benefit calculated on the exports of the units located in Rio Grande do Sul, to offset federal taxes due. This decision was revoked by the TRF of the 4th Region, against which special and extraordinary appeals were lodged and are awaiting judgment in the STJ and STF, respectively.

The merged company Trikem, with respect to its industrial unit installed in São Paulo, filed a injunction to request the same credit. The process is awaiting for a judgment in the Trial Court.

The merged companies OPP Química and Trikem, with respect to their industrial units installed in Bahia, filed a civil action on the matter. The decision was unfavorable, and the Company lodged an appeal against it. The judgment of this appeal is pending a decision by the TRF of the 1st Region.

The merged company Trikem, with respect to its industrial units installed in Alagoas, filed a writ of mandamus on the matter. The security was granted and the credit on exports was assured for the ten years before bringing the suit. The TRF of the 5th Region maintained the favorable decision; however, it limited the length of the term for use of credits to five years. Against this decision, special and extraordinary appeals were lodged with the STJ and the STF, respectively, and are awaiting judgment.

The external legal advisor of the Company believes that the chances of success with respect to the export credit itself and the effects of monetary restatement (exclusive of monetary restatement and accrual of the SELIC rate) are possible.

(ii) IPI—Purchase of zero-rated materials

In addition to the legal action filed in the State of Rio Grande do Sul, with a decision of the STF in its favor (Note 10), the Company and its merged companies OPP Química and Trikem have similar legal actions in the States of São Paulo, Bahia and Alagoas, to support the right to the IPI credit on the purchases of raw materials and input materials exempt, not taxed or taxed at the zero rate. The process in São Paulo is awaiting decision in the lower court. In this case, the preliminary injunction was denied and the TRF of the 3rd Region suspended recognition of the right to the tax credit. The process originated in Bahia obtained a favorable decision in the TRF of the 1st Region, which was the object of a Special and Extraordinary Appeal by the Federal Government. The Special Appeal was not accepted by the TRF and STJ and the Extraordinary Appeal awaits judgment in the STF. The process originated in Alagoas obtained a favorable decision by the TRF of the 5th Region, however a formal error in this judgment caused the STJ to remand the case to the TRF. This case is pending judgment in the STJ awaiting the Company's motion for clarification.

In August 1999, Polialden filed a motion for writ of security and was authorized to use the IPI credits originating from acquisition of raw materials and inputs that are exempt from IPI, not subject to IPI taxation or taxed at a zero rate for the preceding five years. The TRF of the 1st Region confirmed this decision, which was object of special and extraordinary appeals by the Federal Government. This case awaits judgment in the STF. From March 2000 through December 2005, Polialden used R$98.0 credits to offset the IPI tax owed in its ordinary course of business. As the offset is considered a contingent asset, a liability has been recorded to offset the contingent gain recorded.

(iii) PIS/COFINS—Law No. 9718 of 1998

Effective as from February 1999, the basis and applicable rates for PIS and COFINS contributions were increased through Law No. 9718 of 1998.

- COFINS—increase in the rate from 2% to 3%, and the expansion of the concept of billings to include in the contribution calculation substantially all income earned by companies, in additions to the sales of products and services.
- PIS—expansion of the calculation basis identical to COFINS.

The Company, in different legal actions, has challenged the constitutionality of the expansion in the calculation basis for the period from February 1999 to November 2002 for PIS and for the period from February 1999 to January 2004 for COFINS. Based on a new PIS law issued in December 2002 and on a new COFINS law issued in February 2004, the expanded bases are no longer questioned due to the new non-cumulative system introduced by these laws. As from such dates, the Company started paying these contributions as determined by proper legislation. In relation to past periods, the Company recorded provisions in accordance with amounts due under Law No. 9718, and, based on the advice of its external legal counsel, the Company believes that it is reasonably possible that the portion of the Law in respect of the expanded contribution base may be upheld as being constitutional. Provisions have been recorded based on amounts payable under the expanded basis and increased rates in accordance with Law No. 9718, while awaiting a final decision in relation to constitutionality.

In November 2005, the STF determined that the increase in PIS and COFINS tax basis under Law No. 9718/98 is unconstitutional. The status of each action is as follows:

- Braskem has a COFINS claim and deposits on the calculation expanded basis under Law No. 9718. PIS, on the same calculation basis, was deposited up to November 2002. Braskem received a final favorable judicial decision in the STF in relation to PIS and COFINS, in February 2006. As a consequence, in March 2006 the Company's liability at R$82.5, was reversed to "other operating income". Of this amount, R$64.3 had been deposited in court. As the received final decision was favorable to the Company, it has requested that the deposit be released. This request is pending approval. Finally, the undue payment of such contribution at R$14.6 was recognized in the Company's quarterly results.
- Based on a judicial order, OPP Química, up to August 2002, was not obliged to pay or deposit any of the increases introduced by Law No. 9718 in respect of COFINS. Also, based on a judicial order, OPP Química was not obliged to pay or deposit any of the increases in respect of PIS up to November 2002. As from December 2002, this contribution was paid on the expanded basis.
- In August 2003, Trikem chose to desist from part of the proceedings with respect to the increase in rate and, through PAES (Note 17(iv)), settled the amount due in installments between February 1999 and February 2003.
- With respect to PIS, the situation of Trikem is the same as OPP Química, as parties to the same legal process.
- The subsidiary Polialden filed a legal action to pay COFINS at the rate of 2% and not 3%. In September 2001, the ruling rejecting the claim was published. Polialden lodged an appeal with the lower court, but this was rejected. An extraordinary appeal to the STF against this ruling has been lodged.
- Up to January 2004, Polialden paid COFINS at the rate of 2% and deposited in court the remaining 1%. As from February 2004, Polialden started to pay COFINS according to Law No. 10833/03, which introduced new criteria for the payment of COFINS.
- In June 2005, the subsidiary Polialden filed a motion for injunctive relief, challenging the constitutionality of the PIS and COFINS tax base expansion and applying for offset of overpaid taxes during the period that Law No. 9718 was valid. Polialden received a favorable decision, which was appealed by the Federal Government. The appeal is pending judgment.

All amounts in millions of reais, unless otherwise indicated (continued)

(iv) Special Installment Program (PAES)—Law No. 10684/03

Federal Law No. 10684 was published on May 30, 2003, instituting the PAES program which offers taxpayers with liabilities to the Federal Revenue Secretariat or the National Treasury Attorney's Office (whether past-due tax liabilities already acknowledged or being challenged in court) the possibility of paying their overdue debts as at February 28, 2003 in up to 180 monthly successive installments.

Among other benefits, this legislation provides for a 50% reduction in the fine on arrears as well as the adoption of the Long-Term Interest Rate (TJLP) for restatement of installments (replacing the SELIC rate, which is higher).

In August 2003, the merged company Trikem opted to desist from its lawsuit against the COFINS rate increase, thus qualifying for the favorable payment conditions under the PAES program. The amount due is being paid in 120 monthly installments, and this option was confirmed upon payment of the first installment on August 31, 2003. At June 30, 2006 the outstanding debt was R$46.4 (unaudited) (December 31, 2005—R$49.7), of which R$5.5 (unaudited) was classified under current liabilities (December 31, 2005—R$6.6) and R$41.0 (unaudited) under long-term liabilities (December 31, 2005—R$43.1).

18. Income Tax and Social Contribution on Net Income

(a) Income tax reconciliation

	June 30, 2006 (Unaudited)	June 30, 2005 (Unaudited)
Income before income tax and minority interest	18.8	875.0
Income tax and social contribution benefit (expense) at statutory rate 34%	(6.4)	(297.5)
Income tax on equity in earnings of associates	(8.1)	(0.8)
Non-deductible amortization of goodwill	(18.8)	(18.3)
Exempt exchange losses on foreign currency	(0.4)	1.9
Income tax incentives (Note 19(a))	4.0	7.1
Other permanent differences	(2.4)	(1.7)
Tax effect of social contribution tax exemption ((c) below)	(2.2)	72.7
Loss of tax losses on legal merger of subsidiaries (2005—Odebrecht Química)	—	(21.7)
Net change in valuation allowance	9.7	23.6
Tax on goodwill of merged subsidiary Polialden	75.9	—
Other	(1.2)	(5.9)
Income tax expense, per consolidated statement of operations	50.1	(240.6)

All amounts in millions of reais, unless otherwise indicated (continued)

(b) Deferred taxes

In accordance with a pronouncement issued by IBRACON on the accounting for income tax and social contribution, supplemented by CVM Instruction No. 371, the Company has recognized deferred tax assets as follows:

	June 30, 2006 (Unaudited)	December 31, 2005
Deferred tax assets		
Net operating loss carryfowards	128.5	110.3
Goodwill and deferred charges	110.2	37.8
Effect of adoption of IBRACON Technical Interpretation 01/2006	41.8	—
Non-deductible accrued expenses and other temporary differences	155.8	165.0
Gross deferred tax assets	436.3	313.1
Valuation allowance	(10.8)	(20.5)
Net long-term deferred tax assets	425.5	292.6
Deferred tax liabilities		
Accelerated depreciation and other	(10.1)	(10.4)
Long-term deferred tax liabilities	(10.1)	(10.4)

The Company believes that it is more likely than not that the deferred tax asset, net of the valuation allowance, will be recovered within ten years. Deferred tax assets have not been provided for temporary difference and losses carry forward whose realization is not considered more likely than not.

In addition to the positive results arising from the corporate restructuring process described in Note 1(b), expected future taxable income is based on projections and feasibility studies based on price, exchange rate, interest rate, market growth assumptions, as well as other variables relevant to the Company.

(c) Social contribution on net income

In view of the discussions of the constitutionality of Law No. 7689/88, the Company and its merged companies OPP Química and Trikem and its subsidiary Polialden filed a lawsuit against payment of social contribution.

The TRF of the 1st Region had expressly recognized the unconstitutionality of this tax, and the courts issued final and unappealable decisions favorable to the Company, the merged companies and Polialden. However, the Federal Government filed a rescission action to revoke the decisions in favor of the Company, Trikem and Polialden, arguing that after the final decision favorable to those companies the Plenary Session of the STF had declared the constitutionality of this tax, for all years in question except in 1988. As the Federal Government did not file a rescission action in the case of OPP Química, the first final and conclusive decision remained in force for OPP Química.

The decisions of lower and first appeal courts were favorable to the Federal Government; however, tax payments are still suspended. Currently, the mentioned action is awaiting final judgment of the appeals lodged to the STF and STJ.

Based on the referred STF decision, the SRF has issued tax assessment notices against the Company and its merged companies, against which administrative defense arguments have been filed.

The Company believes that it is reasonably possible that it will lose the appeals to maintain the Company's exemption. If the appeals are not successful, the Company believes that the loss of the exemption would be effective only as from the date of a final unfavorable decision and may not be applied retroactively. For this reason, no liability has been recorded. However, we believe that it is reasonably possible that we will be required to pay these taxes retroactively. If a retroactive claim were made by the government, the exposure to the Company would be, at June 30, 2006, approximately R$679.0 (unaudited) (December 31, 2005—R$651.7), including interest but excluding fines.

19. Tax Incentives

(a) Corporate income tax

From calendar years 2002 to 2011, the Company has the right to reduce by 75% the income tax on the profit arising from the sale of basic petrochemical products and utilities. The Camaçari polyethylene plant has the same right for the same period, except for the unit of former Polialden, a merged company, which will be entitled to this benefit up to 2012. The PVC plant at Camaçari has the same right from 2005 to 2014. The PVC plant in Alagoas and the PET plant at Camaçari are exempt from corporate income tax calculated on the results of their industrial operations until 2008.

Productions of caustic soda, chlorine, ethylene dichloride and caprolactam enjoy the benefit of the 75% decrease in the income tax rate up to 2012.

At the end of each fiscal year, in the case of taxable profit resulting from the benefited operations, the income tax amount is recorded as expense for the year and credited to a capital reserve account, which can only be used to increase the capital or absorb losses.

(b) Value-added tax—ICMS

The Company has ICMS tax incentives granted by the States of Rio Grande do Sul and Alagoas, through the Company Operation Fund—FUNDOPEM and State of Alagoas Integrated Development Program—PRODESIN, respectively. Such incentives are designed to foster the installation and expansion of industrial facilities in those States. Incentives determined for the six months ended June 30, 2006 amounted to R$4.8 (unaudited) (six months ended June 30, 2005—R$1.2). The accounting treatment of these incentives is the same applied to the income tax incentive.

20. Long-Term Incentive Plan

Braskem has developed a Long-Term Incentive Plan, under which directors, officers and employees involved in strategic programs are entitled to acquire investment units.

The unit value of the investment units was calculated as the average closing price of Braskem class A preferred shares on BOVESPA from October 2005 to March 2006, and was equal to R$18,14.

As an incentive to purchase investment units, the participants receive a bonus of 1 investment unit for each investment unit purchased.

The participants will be entitled to a return equivalent to the amount of dividends and/or interest on own capital attributed to the holders of each Braskem class A preferred share.

The composition and cost of investments units at June 30, 2006 is as follows:

	Number	Value in R$ (000)
	(Unaudited)	(Unaudited)
Investment Units		
Issued	97,367	1,766
Granted as bonus	97,367	1,766
Total	194,734	3,532

21. Shareholders' Equity

(a) Capital

At June 30, 2006, the Company's subscribed and paid-up capital was R$3,508.3 (unaudited), divided into 123,492.142 common, 246,107,138 class A preferred, and 803,066 class B preferred shares, all of them with no par value. At the same date, the Company's authorized capital consisted of 488,000,000 shares, of which 175,680,000 were common shares, 307,440,000 were class A preferred shares, and 4,880,000 were class B preferred shares.

From September 2004 to March 2005, in accordance with Article 6 of the by-laws, the conversion of 28,313,178 Class B preferred shares into 14,156,589 Class A preferred shares was carried out. As a result, at March 31, 2005, before the approval of the reverse share split (Note 1(c)), Braskem's capital comprised 30,215,024,848 common shares, 60,215,051,485 Class A preferred shares and 200,841,622 Class B preferred shares.

The Extraordinary General Meeting held on May 31, 2006, approved the Company's capital increase by R$105.3 (unaudited) as a result of the merger of the subsidiary Polialden (Note 1(b)).

(b) Treasury shares

Braskem's Board of Directors, at a meeting held on May 3, 2006 approved and initiated a Share Buyback Program, under which common and class A preferred shares in the Company will be acquired to be kept in treasury and subsequently sold and/or cancelled, with no reduction in capital.

Through June 30, 2006, the Company had acquired 4,003,600 class A preferred shares, at the average cost of R$14.21 per share. The low and high quotations during this period were R$12.42 and R$15.46 per share, respectively.

At June 30, 2006, shares held in treasury totaled 4,470,947 class A preferred shares, for a total value of R$58.9 (unaudited). The total value of these shares based on the average quotation at the Bovespa session on June 30, 2006 was R$59.4 (unaudited).

(c) Appropriation of net income

The Extraordinary Shareholders' Meeting held on April 7, 2006 approved the appropriation of the net income for 2005, in the amount of R$685.8, as follows: (i) R$270.0 distributed as interest on own capital, of which R$179.4 to class A preferred shareholders, R$0.4 to class B preferred shareholders, and R$90.2 to common shareholders; (ii) R$55.7 as dividends, of which R$37.1 to class A preferred shareholders, and R$18.6 to common shareholders; (iii) R$34.3 to the Legal reserve; and (iv) R$325.7 to the revenue reserve. Payment of interest on own capital and dividends commenced on April 18, 2006.

22. Contingencies

(a) Collective labor agreement

The chemical workers union in the Camaçari region ("SINDIQUÍMICA") and the syndicate of chemical manufacturers in the same region ("SINPEQ") are disputing in the courts whether the wage and salary indexation clause in their collective labor agreement was overruled by a 1990 economic policy law which restricted wage and salary increases. Braskem, Polialden, Politeno and merged companies Trikem and Nitrocarbono operated plants in the region in 1990 and are members of SINPEQ. The workers' union is requesting that salaries and wages be adjusted retroactively and cumulatively since 1990. The most recent ruling by the STF, in December 2002, was favorable to SINPEQ and established that the economic policy law overruled the collective labor agreement. SINDIQUIMICA appealed this decision. In May 2005, the appeal was rejected by unanimous opinion. This decision is pending publication. Nevertheless, the decision is subject to reconsideration by the STF. On October 24, 2005, SINDIQUÍMICA filed a motion to review, which is pending judgment.

Management believes that it is reasonably possible that the employers' union will lose this suit. If the employers' union loses this suit and assuming that (a) the Company is required to pay damages from April 1990 to September 1990 (the date of the next collective bargaining agreement) and (b) the employees' union or individual employees file additional claims necessary to quantify the amount of damages, the Company estimates that it could be subject to liability of up to R$35.0.

(b) Offsetting of tax credits

From May through October 2000, merged companies OPP Química and Trikem offset their own federal tax debts with IPI tax credits assigned by an export trading company ("Assignor"). These offsetting procedures were recognized by the São Paulo tax officials (DERAT/SP) through offset supporting certificates ("DCCs") issued in response to an injunctive relief entered in a motion for writ of mandamus ("MS SP"). Assignor also filed a motion for writ of mandamus against the Rio de Janeiro tax officials (DERAT/RJ) ("MS RJ") for recovery of IPI tax credits and their use for offsetting with third-party tax debts, among other. The MS SP was dismissed without prejudice, confirming the Rio de Janeiro administrative and jurisdictional authority to rule on Assignor's tax credits.

In June 2005, DERAT/SP issued ordinances, canceling the DCCs. Based on said ordinances, the Federal Revenue Office unit in Camaçari/BA sent collection letters to the Company. Notices of dispute were presented by the Company, but the administrative authorities declined to process them. As a result, past-due federal tax liabilities at R$276.6 were posted in December 2005 concerning the Company's tax debts originating from purportedly undue offsetting procedures.

Both Assignor and the Company commenced a number of judicial and administrative proceedings to defend the lawfulness and validity of those offsetting procedures, and the legal advisors to both companies believe the chances of success in those cases are probable, mostly in light of the indisputable validity and liquidity of those credits as confirmed in a specific audit conducted by DERAT/RJ.

On October 3, 2005, the Federal Supreme Court held the MS RJ favorably to Assignor in a final and conclusive manner, confirming Assignor's definite right to use the IPI tax credits from all its exports and their availability for offsetting with third-party debts. As a result, the legal advisors to assignor and to the Company believe that the offsetting procedures carried out by the merged companies and duly recognized by DERAT/SP have been confirmed, and for this reason they also hold that the tax liabilities being imputed to the Company are not due. Irrespective of the final and conclusive decision in MS RJ, the legal advisors to Assignor and to the Company, in addition to a jurist when inquired of his opinion on this specific issue, believe that the tax liabilities purportedly related to offsetting procedures carried out by the merged companies have become time-barred and, as such, can no longer be claimed by the tax authorities.

In January 2006, the Company was ordered to post bond in aid of execution of the tax claim referred to above. This bond will be tendered in the form of an insurance policy currently under negotiation between the Company, Assignor and insurance companies.

The Company believes, based on the advice of its external legal advisors that the chances of success in all claims listed above are probable; nevertheless, if the Company eventually loses all of these cases, it will be entitled to full recourse against Assignor concerning all amounts paid to the National Treasury, as per the assignment agreement executed in 2000.

(c) National Social Security Institute—INSS

The Company is a party to several social security claims totaling R$169.9 as of December 31, 2005. Out of these sums, the Company has made judicial deposits of R$15.1, and R$18.2 are secured by a portion of the Company's inventory. The Company, based on the opinion of its external legal counsel, has recorded a provision for the probable losses with social security disputes amounting to R$8.5 (unaudited) at June 30, 2006 (2005—R$8.5). Based on the opinion of its outside legal counsel, the Company believes that the chances of success for the remaining amounts are probable and therefore, no provision has been recorded.

(d) Other litigation involving the Company

The Company is party to a civil lawsuit filed by a former caustic soda customer, claiming amounts, at June 30, 2006, of R$25.5 (unaudited) (December 31, 2005—R$131.0). Braskem's management, supported by the opinion of its external legal advisors, believe that an unfavorable decision is remote and, for this reason, no provisions have been established.

The Company and its subsidiary Polialden are parties to certain proceedings brought by some preferred shareholders. Braskem's management believes, based on its legal advisors' opinions, that an unfavorable decision is remote and, for this reason, no provisions have been established. In December 2004, as published a material event notice, some minority shareholders waived the lawsuits filed against Polialden, exchanging their Polialden preferred shares for the Company's class A preferred shares.

During the second quarter of 2005, the Petrochemical and Chemicals Companies Employees Union of Triunfo (RS) and Camaçari (BA) brought labor actions claiming payments in respect of overtime. The Company has filed the proper defense in these lawsuits and no material losses are expected for these cases.

At June 30, 2006, the Company is defendant in approximately 1,208 labor claims, including those mentioned in the paragraph above totaling R$259.3 (unaudited). Based on the opinion of its external legal advisors, the Company has provided a provision of R$13.3 (unaudited) at June 30, 2006 (December 31, 2005—R$12.3) for the probable losses with respect to these claims.

All amounts in millions of reais, unless otherwise indicated (continued)

23. Financial Income (Expenses), net

	June 30, 2006 (Unaudited)	June 30, 2005 (Unaudited)
Financial income:		
Interest income	136.8	71.2
Monetary variation of financial investments, related parties and accounts receivable	6.8	4.2
Monetary variation of taxes recoverable	32.8	4.3
Gains on derivative transactions	1.6	—
Exchange variation on foreign currency assets	(145.3)	(233.6)
Other	14.9	28.9
	47.6	(125.0)
Financial expenses:		
Interest on loans and financing and related parties	(140.0)	(188.4)
Monetary variation of financing and related parties	(107.0)	(95.0)
Monetary variation and interest on taxes, contributions and suppliers	(104.8)	(84.1)
Losses on derivative transactions	(35.6)	
Expenses with vendor transactions	(45.4)	(55.6)
Discounts granted	(56.7)	(35.7)
Exchange variation on foreign currency liabilities	294.4	590.1
Taxes and charges on financial transactions	(49.2)	(54.4)
Interest on capital	(7.6)	
Other	(145.7)	(76.3)
	(397.6)	0.6
Financial expenses, net	(350.0)	(124.4)

24. Other Operating Income, Net

	June 30, 2006 (Unaudited)	June 30, 2005 (Unaudited)
Income (expenses)		
Rental of installations and assignment of right to use	12.7	13.0
Recovery of taxes and compulsory deposits	113.7	0.3
Sale of sundry materials	4.3	4.9
Recovery of costs and expenses	6.3	0.9
Insurance recoveries	(0.8)	—
Other operating income (expenses), net	(17.1)	(1.5)
	119.1	17.6

25. Private Pension Plans

In early June 2005, the Company communicated to PETROS and PREVINOR its intended withdrawal as a sponsor effective June 30, 2005. With regard to PETROS, the Company is completing the calculation of mathematical reserves of participants, that define potential requirements of contribution by the Company to cover previous pension commitments. Following the completion of actuarial calculations, the proposed withdrawal as a sponsor will be submitted for the approval of the for National Superintendency for Supplementary Pension Plans, a Social Security Ministry department in charge of regulating and inspecting private pension plans. To support the potential contribution mentioned above, the Company recorded a provision of R$58.6 (unaudited) at June 30, 2006 (December 31, 2005—R$58.6) in long-term liabilities.

(a) ODEPREV

The Company has a defined-contribution plan for its employees. The plan is managed by ODEPREV—Odebrecht Previdência which is sponsored by Odebrecht as a closed private pension entity. ODEPREV offers participating employees of the sponsoring companies the Optional Plan, a defined–contribution plan, under which monthly and periodic participant contributions and annual and monthly sponsor contributions are accumulated and managed in individual retirement savings accounts.

The Board of Trustees of ODEPREV defines each year, in advance, the parameters for contributions to be made by the participants and the sponsoring companies. With regard to the payment of benefits under the Optional Plan, the obligation of ODEPREV is limited to the total value of the quotas held by its participants and, to comply with the regulations for a defined-contribution plan, it will not be able to require any obligation or responsibility on the part of the sponsoring company to assure minimum levels of benefits to the participants who retire.

At June 30, 2006, the active participants in ODEPREV total 2,285 (December 31, 2005—2,131).

During the six-month period ended June 30, 2006, the contributions of the sponsors and employees amounted to R$5.6 (unaudited) (six-month period ended June 30, 2005—R$2.9) and R$6.9 (unaudited) (six-month period ended June 30, 2005—R$4.1), respectively.

26. Subsequent Events

(a) Merger of Cinal

The Extraordinary General meeting held on July 20, 2006 approved the legal merger of Cinal into Braskem.

(b) Administrative Council for Economic Defense—CADE

On July 19, 2006, CADE approved by unanimous vote the acquisition of Politeno by the Company (Note 1 (b)). CADE members took this decision based on their understanding that the Brazilian petrochemical industry has international reach and therefore the transaction poses no threat to competition in Brazil.

27. Certain Differences between Brazilian GAAP and U.S. GAAP

Note 31 to the Company's audited consolidated financial statements at December 31, 2005 and 2004 and for the years ended December 31, 2005, 2004 and 2003 sets forth a summary, including a quantitative reconciliation, of the principal differences between Brazilian GAAP and accounting principles generally accepted in the United States ("U.S. GAAP"). The same differences between Brazilian GAAP and U.S. GAAP apply to the condensed consolidated interim financial information at June 30, 2006 and for the six-month periods ended June 30, 2006 and 2005, except that the following additional differences were identified in the six-month period ended June 30, 2006. The additional differences relate to:

All amounts in millions of reais, unless otherwise indicated (continued)

(a) The acquisition of an additional 62.2% participation in Politeno in April 2006

The purchase price paid without any contingent consideration under Brazilian GAAP and U.S. GAAP was R$237.5.

Under Brazilian GAAP, goodwill arises from the difference between the amount paid and the Brazilian GAAP book value (normally also the tax basis) of the net assets acquired. Goodwill is generally justified on the difference between the book value and the market value of assets acquired and/or based on expectation of future profitability and is amortized over the remaining useful lives of the assets or up to ten years, respectively. Negative goodwill arises under Brazilian GAAP when the book value of assets acquired exceeds the purchase consideration. Negative goodwill is amortized in up to over ten years after the related investment other than nontemporary has been legally merged.

Under U.S. GAAP, fair values are assigned to acquired assets and liabilities in business combinations, including intangible assets. The residual of consideration paid over the fair value of assets and liabilities is recorded as goodwill. In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets", goodwill is no longer amortized but is instead assigned to an entity's reporting units and tested for impairment at least annually.

As the fair value originally assigned to the Politeno net assets was higher than the purchase price under U.S. GAAP, negative goodwill amounting to R$322.3 was initially calculated. However, under U.S. GAAP, when a business combination involves a contingent consideration agreement that, when resolved, might result in the recognition of an additional element of cost with respect to the acquired entity (i.e., a contingency based on earnings), a deferred credit should be recognized for the lesser of (1) the maximum amount of contingent consideration or (2) the initial amount of negative goodwill. As the maximum amount of contingent consideration of R$241.3 was lower than the amount of negative goodwill, a deferred credit equal to the maximum contingent consideration was recognized. The excess of the negative goodwill originally calculated over the maximum amount of contingent consideration, or R$81, net of taxes, was recognized as a pro rata reduction of the amounts that were initially assigned to eligible acquired assets.

On this basis, the fair value allocation of this acquisition was as follows:

Current assets	R$311.9
Long-term assets	174.0
Property, plant and equipment	516.7
Intangible assets and other investments	69.9
Current liabilities	184.5
Long-term liabilities	118.2
Fair value of net assets	769.8
Participation acquired (62.2%)	478.8
Purchase price (including maximum contingent consideration of R$241.3)	478.8

We began to fully consolidate Politeno on April 1, 2006, at which time related minority interests was R$21.8.

This additional U.S. GAAP difference generated increases in property, plant and equipment, intangible assets and deferred tax liability at June 30, 2006 of R$128.2, R$39.1 and R$41.2, respectively. These adjustments resulted in an increase in depreciation and amortization for the six-month period then ended of R$2.1 and R$4.9, respectively, a deferred tax credit to income of R$1.7.

(b) Long-term share incentive plan

Under Brazilian GAAP, an expense of R$1.7 was recognized in the six-month period ended June 30, 2006 in relation to the long-term incentive plan described in Note 20. The Brazilian GAAP expense was recognized at the grant date in order to recognize full potential obligation of future cash payments under the plan assuming (1) the average share price over the six months prior to grant is used instead of the current market price and (2) all incentive amounts are vested and redeemable at the balance sheet date.

Under U.S. GAAP SFAS 123 (Revised), "Share Based Payments" (SFAS 123(R)), requires companies to expense the value of employee stock option plans and similar awards based on the grant date fair value updated through the balance sheet date in certain cases. The grant date fair value of employee share options are estimated using the Black-Scholes option-pricing model. As described in Note 20, the Company has granted awards to certain employees to purchase units which are linked to the company's share price and which will be redeemed in cash. The market value of the awards granted will be recognized for U.S. GAAP purposes as expense over the period in which the services are rendered.

Under U.S. GAAP, as the awards were granted in May 2006 no significant expense would be recognized under U.S. GAAP through June 30, 2006. Thus the Brazilian GAAP expense of R$1.7 recognized at the grant date would be reversed for the purposes of U.S GAAP.

(c) Accounting for maintenance costs

Under Brazilian GAAP, as from January 1, 2006 the built-in overhaul method, consistent with the application of component approach was applied for maintenance costs as required by IBRACON Technical Interpretation 01/2006. The components of plant requiring maintenance had previously been treated as an integral part of principal plant and subjected to the same depreciation rate. With the treatment of all maintenance costs as separate components of property, plant and equipment instead of deferring maintenance costs as incurred, the change in accounting practice resulted in a reclassification from deferred assets to property, plant and equipment of R$ 401.4 at January 1, 2006 and a debit to retained earnings in the amount of R$ 123.7, net of deferred tax effects.

Under U.S. GAAP, the accounting treatment for maintenance costs continues to be the deferral method and the change in the Brazilian GAAP treatment has created a new difference in GAAP. As a result, shareholders' equity under U.S. GAAP is R$ 164.9, excluding deferred tax effects (R$123.7 net of deferred tax effect), greater than Brazilian GAAP at June 30, 2006 and there is no significant difference in net income for the six-month period then ended. The reclassification of deferred assets to property, plant and equipment under Brazilian GAAP will also need to be reversed under U.S. GAAP.

(d) Reclassification of recovery of taxes

Under Brazilian GAAP recovery of taxes is recorded under other operating income, net whereas under U.S. GAAP, recoveries of taxes are recorded under the same line item as the taxes were initially recorded. As a result R$ 113.1 would be reclassified from other operating income to financial expenses under U.S. GAAP.

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